



STATUS OF RETAIL SECTOR IN INDIA

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Abstract

Retailing refers to the process of selling goods and services in small quantities to final customer. Retailers sources products from different wholesalers / manufacturers and sell them to final consumers. In short retailing encompasses the business activities involved in selling goods and services to consumers for their personal, family or household use. Retailing is the last link that connects the individual consumer with the manufacturer. In 2004 the total retail business is Rs.9300 billion out of which only 3.01 percent is the share of organized retail. The total retail size has grown up to Rs.58824 billion in 2020 and the share of organized retail around 10 percent. In the financial year 2021 FMCG market reached to us\$103.70 billion and online grocery market's turnover was about US\$3.95 billion. The Indian retail sector has become one of the biggest sectors in terms of contribution in GDP (10%) and in employment (8%) in 2022. In this paper there is an attempt to analyze the status of retail sector in India.

Keywords: Retailing, Organized Retail

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Introduction:

Retail business is changing its structure under impressive transformation in India. Due to the time constraint, heavy household and occupational workload, there is averseness to go long distances for purchasing daily need has becomes a main reason to the origin of the corner grocers or the kirana store. Traditional formats of retailing like hawkers, grocers and pan shops etc are now changing in modern formats by occupying own space in supermarkets and Malls. The structure of the countries retail sector has a massive influence on marketing strategy and marketing activities of the firms. The organized formats have established in not only metropolitan cities but also at block levels as well at towns levels. But the bulk of the

retail sale still takes place through traditional retail stores, it is the factual.

Modern formats of retailing use to catch the area which is known as a catchment area. In spite those days are gone when people use to buy the groceries from the local shopkeepers or kiranawalas. Now the big retail shops are in fashion, in Malls people visits frequently for window shopping. Day by day Indian customer is becoming well aware of the market situation with new mode of technologies. This is clearly visible that the retail in India will have good future. Therefore, there is need to understand development of retailing.

Objectives of the study:

- 1) To understand the concepts of organized and unorganized retailing
- 2) To compare the status of global retail sector



3) To check the development of the retail sector

What is Retailing?

Retailing refers to the process of selling goods

and services to ultimate customer for consumption and not for re-sale. Retailers purchase products from different wholesalers / manufacturers and sale it to final customer. In short, retailing include the business activities that involved in selling goods and services to consumers for their personal and household use. Retailing is the last link that connects the individual consumer with the manufacturer. Thus, it consists, all the activities involved in the marketing of goods and services directly to the consumer. According to Kearney's report 2008, there were more than twelve thousand small medium and big retail outlets in India in the form of kirana shops, general stores, bangle stores, medical shops, supermarkets, hypermarkets, etc with the little bit shrink in growth in size, due to the COVID 19, has been reached to thirteen thousand in 2021. According to some sources it has been reached to nineteen thousand. It is expected to grown up with CAGR 10.15percent from 65.5 trillion in 2020 to 96.43 trillion in 2024. In India, the disposal income has been increasing, urbanization is on driving seat, middle class lifestyle has been changing drastically, internet and digital connectivity for payments system has been increasing. These are the major reasons to growth of the retail sector, it is contributing around 10 to 12 percent in total GDP. According to Kearney Global development report 2021, in the era when e-commerce was flourishing D marts attempted to open 37 stores in 2022, Reliance retail planned to open 6500to 7000 stores in the year 2022, Tata's planned to open 75 Croma stores and 100 other stores. ABFRL planned to open 300to 400 lifestyle stores, Allen Solly Prime planned to open 500 stores Pantaloon thought to add 250 stores in nest three years. More Retail, Philipp Plein expected to expand their supermarkets in various cities in India.

Unorganized Retailing:

Unorganized retailing refers to a situation where there

are a large number of individual small retailer operating in the market with limited number of customers, product range, services, efficiency and expertise. India has a very large nature of unorganized retail. It can be found in almost every village and locality. Lot of them functions as Pann and Cigarette outlets with tea and sometimes coffee also offered, beside this, these stores stock and offer other requires, soft drinks and other essentials. These small stores cater to the needs of their own local population and travelers who stop by for a short time. Every fair sized village is likely to have at least one grocery store, and fruit and vegetable shop, Pann and Cigarette shop. These small stores are very intimate and have built sympathetic relationship with the local population. They offer credit to the local population and help out in catastrophic time. They also have a very good understanding of requirements of the indigenous population and have very low overheads enabling them to offer the best prices for their products over the years, the local kirana merchants established personal touch bounding with the local people, which make the customers to come back to their place again and again.

Organized Retailing:

Organized retailing are organized by organizations instead of individuals, they are managed by huge retail outlets or chain system, within a city or across cities. Organized retailing is more visible in urban areas because of people's high desire, high purchasing power due to rising incomes. The personals used in such outlets are carefully selected and trained in a large scale with high volumes.

Organized retailing refers to trading activities undertaken by registered establishments or licensed retailers. In other words, those who are registered and liable for sales tax, income tax etc. These comprise the



corporate backed hypermarkets and retail chains and also the privately possessed huge retail businesses.

Availability of everything under one roof has boosted the growth of organized retailing. The one stop shop concept has revolutionized the retailing sector. Quality, building trust, genies material, good customer care, and prompt after sales service are some of the main reasons, which differentiate traditional stores from modern retail stores.

The service, ambience and product of some outlets can influence the expectation of customers to new levels. Similarly, some outlets have recreated the value of low price, which are being expected by the customers in the recent past as well. Super market, Department stores, Chain stores, Variety store, Discount stores, Specialty stores, Fixed – price shops, Consumer co-operative ext. these retailers have become prominent in size as well as in the opinion leadership, their new and often change and these developments also spread among the chain and networks of the suppliers

Retail space format in India

Retail Outlets	Space in sq.ft.	Example
Mom & pop store / kirana store	50 – 250	Local grocery store
Convenience stores	750 – 2000	Sapana, IOCL, BPCL, HPCL
Super market	2000 – 15000	FoodBazaar, foodworld, Nilgiri's, SabkaBazaar
Discount super market	2000 – 15000	Subhiksha, Marzine Free
Hypermarket	40000 – 150000	Metro Cash & Carry, Shoprite, Star India Bazaar

Indian retailing:

A.T. Kearney's report, The global retail development index, India ranks first favored retail destination in the year 2005 very first time. A similar report by the same firm in the year 1995 had ranked India at number 16. The Indian market is the fifth largest retail destination globally. It is estimated to grown from us 405 billion dollar in 2009-10 to us 779 billion dollar by 2019. Indian has now emerged as a nation which cannot be ignored by the global retailers. The large size of the population has always made it a large market. However, as per the NSO report the middle income group has increased by 9.2% , it was 177111 in 2019-20 has became 193504 in 2020-21. In 2017 the number of middle class households increased from 49 million

in 2001 to 104 million in 2017. This increased mobility between the middle and the upper classes makes it a profitable retail market. The Indian retail industry is expected to increase at a compound annual growth rate (CAGR) of 14.22 per cent by 2027; it was valued at 62.90 trillion in 2022. It is second employment generation sector in India followed by agriculture hence it has been considered as a strong pillar of the Indian economy.

Global retail development index is based on the four variables as follow.

Country risk and business risk (25 percent), Market attractiveness (25 percent), Market saturation (25 percent), Time pressure (25 percent)



Status in Global Retail Development Index

Ranks	2004	2005	2006	2007	2008	2021
1	Russia	India	India	India	Vietnam	China
2	India	Russia	Russia	Russia	India	India
3	China	Ukraine	Vietnam	China	Russia	Malaysia
4	Slovenia	China	Ukraine	Vietnam	China	Indonesia
5	Croatia	Slovenia	China	Ukraine	Egypt	Bangladesh

Source: compiled data from various report of Kearney

A.T. Kearney's global retail reports from 2004 to 2021 shows that India has got most favored ranking in global retail. In 2004 it was on second position and in 2005 it got first rank and keeps it in 2006, 2007 in 2008 it placed at second rank and again in 2009 India it succeeded to achieve first position. More important variable for the India's first rank was mature market. India continued to be among the most attractive countries for global retailers at first or second rank from 2004 to 2021. India's retail market opportunity

was increasing day by day. Consumer spending has been risen sharply as the youth population has been seen a significant increase in its disposable income. Still China at the top places due to the high GDP purchasing power parity as well the population and national retail sales. India has all three advantages i.e. population, GDP growth, retail sales so that the market saturation, time pressure leads India to be in second place, in spite, market attractiveness and country risk these two indices were not in favorable..

Share of organized retail in selected countries.

(In US billion dollar)

No	Countries	Total retail sale 2006	Total retail sale 2022	Change in % share 2006- 2022
1	USA	2983	7096	85 %
2	China	785	6500	20 %
3	India	322	883	4 %
4	United kingdom	475	495	80 %
5	Great Briton	426	495	80 %
6	Korea	201	314	15 %

Source: Planet Retail and technopak adviser pvt. Ltd.

<https://www.statista.com/topics/6928/retail-market-in-the-united-states/#topicOverview>



The pandemic really hit the retail sector, both organized as well traditional retail sectors were witnessed very big back hit. Somehow the organized retail continued its impetus but traditional sector badly affected by this pandemic. Compare to the mature markets worldwide like UK, Germany, China and USA the India's organized retail market had got more set back. But from 2006 to 2022 Indian organized retail has been grown from 4 percent to 8 percent. The retail sale in 2006 was US 322 billion geared up to US 883 billion in 2022. In 2022 the contribution of organized retail was around 8 percent. The Economies of USA, UK, Great Briton has been covering large retail sale in their economies, around 80 to 85 percent share has been contributed by the organized retail in total retail in these economies. China and Korea economies were less contribution in retail sale compare to above mention developed economies i.e. 15 to 20 percent but it is definitely more than India's retail contribution. Indian retail sector is second largest contribution after agriculture in employment. In terms of organized sector it would required more incentives.

The Indian retail industry shares 95 per cent of total retail revenues, the traditional retailing has been a backbone, while the organized retail trade was merely 6 per cent in 2009-2010 increased slightly to 8 percent. There was 3 percent increase from 2003 and 2 percent since 2009 -10 to 2021-22 with quit up and downs. Where the share of organized retail trade in various developed countries was very high like in USA it was 85 percent, in Malaysia 55 percent, Thailand 40 percent. It seems very different from Indian share with retail trade. India has very far away from, neighborhood competitor, China.

The major retail companies have shown in table no. 2.5 with having particular area and revenue in 2003 – 04. Pantaloon is one of the most key players in Indian retail. A future Group venture, started operation with

pantaloon Shoppe in 1994. Since emerging this company spread over 1000000sq.ft. area. The company clocked revenues worth 150 million dollar in 2003-04. Big Bazaar, food Bazaar, Central, aLL, navaras, Top 10, Blue Sky, Star Sitara, akkriti thes are the major supermarket and hypermarkets run by pantaloon company. Lifestyle international ltd. has spread over the area of 325000sq.ft. it doing business in India around 53 million dollar. Next one is shopper's stop established in 1991. It has expanded over 740000sq.ft. area up to 2003-04 in India. This is a multinational company have 26 stores in 12 cities. Shopper's stop company have some formats like Crossword, Mother care, Home Stop, brio, desicafe. RPG retail is well known enterprises in india. Music World and Spencer's are hypermarkets run by RPG group it have 250 stores, including 36 large format stores across 66 cities in India. The total 590000sq.ft area has engaged by RPG group clocked worth of 135 million dollar.

Conclusion:

Indian retail sector is growing rapidly since last few years but it has a long way to achieve the developed nation's development. The sector is transforming from unorganized to organized retail sector. It has to face lot more challenges and hurdles but definitely will succeeded in completing the targets. One of the strength of the nation is its population, number one in the world; it will increase the market production due to consumptions with population dividend. The FDI requiring to the sector will be fulfilled because of the most favored nation in the world for investment in the entire sectors. It will help to increase the demand and supply side equilibrium.

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