

Problems and Prospects of Retail Management in India

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Abstract: India has become the second-largest consumer market and seventh-largest retail market worldwide. The prerequisite for this event was the liberalisation of several sectors of the economy, whereas the main driver was a continuous increase of the gross domestic product. As a consequence, the Indian retail market has shown impressive and constant growth. Retailing has increasingly become an international industry, especially over the last twenty years. The situation will change even more dramatically into the millennium, as retailers from the developed countries become more outward looking in seeking opportunities beyond their local, regional and national markets into emerging markets of developing countries such as India to sustain future company sales and project growth. With the advent of globalization, the retailing has taken a completely new outlook and face so as to cater to the current issues and changing tastes and needs of the consumers. Hence, our article provides a description of the status quo of India's retail market. It concludes with predictions of plausible further developments.

Keywords: Indian Retailer, Indian Consumer, Shopping Behaviour, Rural India.

1. INTRODUCTION

Retailing includes all the activities involved in selling goods or services directly to final consumers for personal nonbusiness use¹. A retailer or retail store is any business enterprise whose sales volume comes primarily from retailing. Any organization selling to final consumers-whether it is a manufacturer, wholesaler or retailer-is doing retailing. It does not matter how the goods or services are sold [by person, mail, telephone, vending machine or internet] or where they are sold [in the store, on the street or in the consumer's home].

In the last few years, India has emerged as the seventh largest retail market in the world. Only two decades ago, market forces in India were in principle subordinated to political considerations, and the overall economic system was managed by the national government. The government seeks to protect the Indian retail market, with its large number of small family retailers, from free competition. Even so, in recent years Indian politicians have become more willing to lift certain restrictions. Whereas governmental expenditures and investments were initially the main drivers of economic growth, the expanding middle class, with its consumption affinity and its pursuit of prosperity, has become more important. In addition, the high urbanisation rate, an increasing share of women in the workforce, a young population and the availability of personal credit are driving the Indian economy. All of these factors contribute to the persistent growth of the Indian retail sector. This economic growth has raised the interest of domestic firms operating in industries such as telecommunication in starting retail units. Foreign retailers confronted with highly satiated home markets and searching for new growth opportunities are also showing interest. Some prior studies in the management literature have estimated that the leading retailers in India generate revenues of 10 to 50 billion USD per year.

Modern Indian retail incorporates the concept of self-service and includes a chain of stores that are operated with modern management techniques. In the late 1970s, the number of brands, especially of daily cosmetics and sanitary articles, increased sharply (Sengupta 2008). This widening of the product range has intensified competition among manufacturers for shelf space in all retail formats. Apart from these early attempts, the modern retail sector in India took shape mostly at the beginning of the 21st century, when some domestic retailers set up their supermarket concepts.

The Indian retail market was opened for foreign companies to own up to 51 % in single-brand retail and 100 % in wholesale and cash and carry. For several years, multi-brand retail for foreign firms was restricted, leading to operations through franchises with Indian partners, such as Wal-Mart with Bharti Enterprises.

In spite of the partial liberalisation of the market, the subsequent market entry of several retailers and new options for purchases, the buying patterns of the Indian consumer have not changed completely. In fact, the typical Indian consumer still buys in small shops in his/her neighbourhood. Only 10 % are willing to travel more than five kilometres to purchase apparel. This pattern is reflected by the low share of organised retail. The key question is whether organised retail will be able to raise its market share considerably. The success of this attempt is correlated with the progressive adoption of new retail formats by Indian consumers. However, it is unclear whether they will adopt the new retail formats. One empirical study has focused on the question of whether Indian consumers are likely to move from kirana stores to organised retail.

Corporate Retailing:

Although most retail stores are independently owned, some are part of corporate retailing. Corporate retail organizations achieve economies of scale, greater purchasing power, wider brand recognition and better trained employees. The major corporate retailers operating in India are corporate chain stores [Shopper's Stop, Food Worlds], Retailers cooperative [National Egg Co-ordination Committee], Consumer cooperative [Super Bazaar], Franchise organizations [McDonalds, Time Zone, Raymond's shops and Vimal shops]. The Reliance Group in India has permeated into retailing [Reliance Fresh in vegetables and fruits].

2. THE INDIAN CONSUMER AND BUYING BEHAVIOUR

Any attempt to classify the typical Indian consumer is exceedingly challenging if not impossible. In few other countries have the living conditions, income and consumption patterns changed to such an extent in recent years as they have in India. Furthermore, there is probably no other country in which the differences between regions, classes/castes and generations are as distinctive. The federal states and regions in India differ significantly in terms of their stages of development, growth rates, incomes and cultures. Whereas metropolitan areas like Mumbai and New Delhi are in the midst of a stage of intensifying economic and social modernisation, states like Uttar Pradesh and Bihar lag behind because of unfavourable political and social conditions. They are "poorhouses", where incomes are considerably below the Indian average. In most publications, the Indian consumer is segmented simply by income. Consumer spending has grown at an average annual rate of 11.5 % over the past decade. Nevertheless, the market's potential should not be overestimated. Similar to circumstances 50 years ago, Indians still spend a great deal of their incomes on food. This means that there are only small modifications in their spending patterns so far, as demonstrated by the high demand for daily products and services. As an example, the consumption of milk increased by 9.4 % to 75.6 litres per person from 2004 to 2008. However, by analysing the available data, some alterations of the consumption patterns in India are apparent. Meanwhile, significant changes in purchase behaviours are likely within the emerging middle class, although the majority of the Indian population will exhibit similar purchase and consumption behaviour as has historically been observed. Retailers and manufacturers should therefore carefully analyse their respective markets, including the specific needs of their customers, to adjust their offers and procedures to changed consumption behaviours. Considering the long history of India and its manifold traditions and diverse religious commandments, it is reasonable to assume that even the middle class cannot act absolutely free from the expectations of their family, caste or the society as a whole. This is not to say that Indian society is not experiencing value shifts that have consequences for the business world.

3. OPPORTUNITIES

According to many experts, India, with its population of around 113 crores, is arguably the world's largest sizeable untouched consumer market. The glass and marble department stores and large shopping malls that are nowadays a feature of practically all Asian cities may not have arrived in India's sprawling urban centres but, as the country finally opens up to foreign influences, the retail sector is experiencing its own 'mini' revolution. An anticipated outcome of the liberalized economic policy is an increase in collaboration between Indian and foreign companies and a restructuring of Indian markets and distribution systems. Foreign firms involved would have to 'redefine' their traditional views on the role, function and scope of distribution channels and power relationships as they enter into India.

The retail and distribution systems that service these consumers differ in the urban and rural sectors. Retailing is relatively more dense in rural areas, where there were estimated to be around 3.5 million in 2005-compared to just under one million outlets in the urban sectors. This is largely attributable to the population distribution patterns.

The rural-urban divide is critical. Only 25% of the population-around 282 million people or 57 million households live in the cities.

Despite slow economic growth, Indian consumer markets are sizable. A large and growing middle income group has intensified the consumer demand and challenged supply conditions.

About a short term killing, then you are on the wrong track. In the medium term, however, there are likely to be excellent opportunities for good returns with security. Or you can play the long-term game and learn to capitalize on the grudging but real respect for the British India. Areas of opportunities are in looking for suitable gaps and ways to change the ground rules in the following areas:

Ready-to-wear garments, as markets slow down in several South Asian countries' consumer products, as there is a growing demand for branded clothing, household products and convenience foods.

Indian products, as competitiveness is based mainly on price, stemming from low unit labour cost rather than quality, style, technology, leadership etc.

Current export leaders are textiles, ready-made garments for Western markets, shoes, leather wear, jewellery, machinery and handicraft.

India is the second most populous nation on earth. If the middle range demographics are correct, it will contain around 1.5 billion people by the year 2025-approximately 17% of the world's total. A marked expansion of its economy, raising standards of living across sections of the population could greatly stimulate the demand and supply side of the intra-trade as well as the global trade perhaps providing large new markets for developed and newly developed economies.

At present, the Asian giant is limited by its relative poverty, if it achieved per capita GNP of around 5000 dollars which is less than that of South Korea, the Indian economy would be almost as big as that of the USA.

Now, the key question is what are the chances of achieving this within the next 10 years? It is interesting to note that various experts have predicted that a 25% rate of economic growth results in over 100% increase in the demand for consumer durables. So, if the Average annual growth rate over the next few decades could be maintained at a reasonable rate of, say, 5% in real terms, significant progress could be achieved with all Indians enjoying a steady rise in real standards of living. However, the magnitude of this rise will always be different for different socio-economic groupings. Therefore this assumption needs to be carefully evaluated.

According to recent market research, Indian consumers are increasingly recognizing value, appreciating convenience and are willing to spend a significant proportion of their monthly income for better quality consumables, semi-durables and durables. Moreover, consumers aged 25 and under are increasingly becoming highly aspirational- interested in ownership and leisure.

4. CHALLENGES

India's market development lags behind many developing countries. This is emphasized by the disparity between urban and rural markets. Poor transportation and communication infrastructure and low income and literacy rates are cited as the major reasons for the relative low interest of Indian marketers in targeting approximately 675 million rural dwellers.

However, there are still a number of obstructions in terms of import duties, complex legal framework for joint ventures etc.. Many Western investors are unsure that India represents a good long term bet and there have been frustrating delays on the Indian side. Time and again the government has raised expectations with sweeping policy announcements but dragged its feet in deciding important details. Looking into the future, although the urban consumers will become very important in terms of targeting, rural customers will also be catching up fast with the rapid spread of communication channels networks. However, due to the differences in urban and rural distribution systems and customers' shopping behaviour patterns with little overlap, companies will have to adapt to dissimilar relationships and, therefore, develop different marketing strategies. The liberalization of trade policies in India will have a dramatic impact at the manufacturing, middle-man and retailer levels in the distribution channels with changing power relationships and focus.

Usually most, if not all, key factors impacting on profitability are within the companies' grasp and can be managed. A company may try a variety of entry strategies in different markets and/or different strategies in the same market at different times. Early steps must be evaluated carefully in terms of cost/benefit and avoiding too much diversion of management attention from the crucial task of running day-to-day home-based business. In the end, it is all a matter of

timing. It's rather like driving in India: u need excellent judgement and plenty of luck. And remember, out there it is not always what u know but who u know which is, at times, more important.

5. REVIEW OF LITERATURE

Review of related literature is an important research effort as it provides comprehensive understanding of what is already known about the topic. Familiarity with research work of others provides up-to-date knowledge of the latest developments, findings, recommendations, tools and loop holes of researches. It helps to avoid duplication of what has already been done, and provides useful directions and helpful suggestions for research work.

Hamilton Ryan (2009) in their research paper majorly focused on the important decision that retailers always involves in selecting the number of items constituting their assortments. A key issue in making these decisions is the role of assortment size in determining consumers' choice of a retailer. The authors address this issue by investigating how consumer choice among retailers offering various-sized assortments is influenced by the attractiveness of the options constituting these assortments. The data show that consumer preference for retailers offering larger assortments tends to decrease as the attractiveness of the options in their assortments increases and can even lead to a reversal of preferences in favour of retailers offering smaller assortments. This research further presents evidence that the relationship between assortment size and option attractiveness is concave, such that the marginal impact of assortment size on choice decreases as the attractiveness of the options increases. Data from eight empirical studies offer converging evidence in support of the theoretical predictions.

Dwivedi (2010) explained that when compared to major cities in India, the smaller cities seem to be a better place for investment. This is because these cities have low priced lands, low functional and operational expenses and greater number of available lands. He further specified and explained that there has been a transition in the taste and purchasing priorities of the customers from Tier II and III cities in the past ten years. He also presented the views of Ernst and Young which illustrated that there was twenty six percentage of growth in mall of the metropolitan cities while malls in Tier II and III cities showed fifty five percentage of growth.

Kamaladevi (2010) stressed that, to compete successfully in this business era, the retailers must focus on the customer's buying experience. To manage customer's experience, retailers should understand what 'customer experience' actually means. Customer experience management is a strategy that focuses the operations and processes of a business around the needs of the individual customers. The goal of customer experience management is to move customers from satisfied to loyal and then loyal to advocate. Focused on the role of macro factors in the retail environment and how they can shape customer experiences and behaviors. Several ways (e.g. Brand, Price, Promotion, Supply Chain Management, Location, Advertising, packaging and labeling, Service mix and Atmosphere) to deliver a superior customer experience are identified which should result in higher customer satisfaction, more frequent shopping visits, larger wallet shares and higher profits

Krishan Kumar (2010) "Study of rural consumer behavior towards rural retail stores" has pointed in his study the importance of the Indian rural market ,to analyze the features of rural retail stores and perception of the rural people and difference in the retail among rural and urban retailing. A careful analysis of the town strata-wise population, population growth, migration trends and consumer spend analysis reveals a very different picture for India. Marketers are trying to grab this untapped market but still the reach of those players is mere they should more focused and rural oriented.

6. METHODOLOGY

The method used in this paper is descriptive-evaluative method. The study is mainly review based. It is purely supported by secondary source of data, i.e. books, journals, papers and articles and internet.

7. CONCLUSION

The outlook for the Indian retail market is in general still encouraging because it is driven by a high growth rate of the GDP, increasing incomes for large subsets of the population, a rising and consumptionprone middle class and the sheer size of the country, with 1.2 billion people.. With this fact in mind and in view of the various problems that complicate the endeavours of the domestic retailers in India, it is fair to assume that foreign retailers have to face even more serious challenges in the attempt to organise sustainable market operations in the Indian retail market. Whereas domestic retailers are already going through a phase of advanced learning, the foreign retailers must first develop a comprehensive notion of all of the difficulties that accompany market entry. At present, foreign retailers have a small share of the retail business in

India. Despite the ambitious expansion plans of retail stores and wholesale operations, they may find it very challenging to defend and broaden their market positions. A main problem in estimating the best location, identifying promising customer segments and forecasting competitors' actions is the great lack of trustworthy and usable information about the market.

Indian legal, political, social, cultural and economical environments will undergo even more dramatic changes impacting significantly on resource, consumer and distribution dimensions. Many of these changes will be positive, some will be to do with consolidation and a few will be redressing the balance-creating a level playing field for local and foreign enterprises alike, barring abrupt 'changing of the rules of the game by the government'.

However, for retail businesses, India is still a huge market which will be fruitful in the longer term. But as one visiting CEO of a US retail company remarked, "India is like a big river: you can catch big fish- but you could also drown".

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