

SMART

JOURNAL OF BUSINESS MANAGEMENT STUDIES

(An International Serial of Scientific Management and Advanced Research Trust)

Vol.5

No. 1

January - June 2009

ISSN 0973 - 1598

Chief Editor

Dr. M. SELVAM, M.Com., Ph.D.,
Bharathidasan University,
India



SCIENTIFIC MANAGEMENT AND ADVANCED RESEARCH TRUST
(SMART)

TIRUCHIRAPPALLI (INDIA)

<http://www.geocities.com/smartbard>

RETAILING – AN EMERGING SECTOR IN INDIA

Ms. M.Divya

Ph.D Research Scholar in Commerce, PSG College of Arts and Science, Coimbatore, Tamil Nadu, India.

K.M.Chinnadorai

Head, Dept. of Commerce, PSG College of Arts and Science, Coimbatore, Tamil Nadu, India

Abstract

Retail is India's largest industry, accounting for over 10 per cent of the country's GDP and around eight percent of the employment. Retail industry in India is at the crossroads. It has emerged as one of the most dynamic and fast paced industries with several players entering the market. But because of the heavy initial investments required, break even is difficult to achieve and many of these players have not tasted success so far. However, the future is promising because the market is growing, government policies are becoming more favorable and emerging technologies are facilitating operations. Modern retail has entered India as seen in sprawling shopping centers, multi storied malls and huge complexes offering shopping, entertainment and food, all under than one roof. The Indian retailing sector is at an inflexion point where the growth of organized retailing and growth is going to take a higher growth trajectory. The Indian population is witnessing significant changes in its demographics.

Introduction

Growth of Retail Companies in India is still not yet in a matured stage with great potentials within this sector still to be explored. Apart from the retail company like Nilgiri's of Bangalore, most of the retail companies are sections of other industries that have stepped into the retail sector for a better business. The Growth of Retail Companies in India is most pronounced in the metro cities of India and the smaller towns are also not lagging behind in this. The retail companies are not only targeting the four metros in India but also is considering the second graded upcoming cities like Ahmedabad, Baroda, Chandigarh, Coimbatore, Cochin, Ludhiana, Pune, Trivandrum, Simla, Gurgaon, and others. The South Indians have adopted the process of shopping in the supermarkets for their daily requirements and this has also been influencing other cities as well where many hypermarkets are coming up day by day.

Reasons for the Fast Growth of Retail Companies in India

The retail companies are found to be emerging in India at a remarkable speed with the years and this has brought about a

revolutionary change in the shopping attitude of the Indian customers. The growth of Retail is due to

- Existing Indian middle classes with an increased purchasing power
- Rise of upcoming business sectors like the IT and engineering firms
- Change in the taste and attitude of Indians
- Effect of globalization
- Heavy influx of FDI in the retail sectors in India

Retail Companies in India

- a) Big Bazar b) Giants c) Shoprite
- d) Lifestyle e) Pantaloons f) Landmark

1. Big Bazar

Big Bazar, a part of the Pantaloons Group, is a hypermarket offering a huge array of goods of good quality for all at affordable prices. Big Bazar with over 50 outlets in different parts of India, is present in both the metro cities as well as in the small towns. Big Bazar has no doubt made a big name in the retail industry of India and shopping here is further converted into a memorable experience. Moreover the customer

friendly ambience and the organized retailing of products also make the Big Bazar one of the successful retail companies in India.

The Variety of Product Range in Big Bazar

This large format store comprises of almost everything required by people from different income groups. It varies from clothing and accessories like playthings, stationery and toys, footwear, plastics, home utility products, cosmetics, crockery, home textiles, gift items, other novelties, and also food products and grocery. The added advantage for the customers shopping in Big Bazar is that there are discounts and promotional offers at all time in the Big Bazar on its products.

2. Giants

Giants is the hypermarket organized under the banner of the RPG Enterprises from the year 2004. The Giants helps the customers to get connected with the brand owners and fulfill their requirements as per choice. The mother company, RPG Enterprises, had initially planned the revenue of Giants to be around Rs 2,500 crore. The total area of this hypermarket is 50,000-sq-ft and of the expected format stores to be established by the RPG Enterprises, the Giants is the second in the list of 21 other hypermarkets in line. There are Giant hypermarket stores in different parts of India like Delhi, Chennai, Vizag, Chandigarh, Jaipur, Kochi and Pune.

RPG Enterprises is responsible for important retail business and hypermarket. Giants always have been providing excellent quality products to their customers at the most convenient and affordable prices. The shopping experience at the Giants is so memorable that often the products of this hypermarket are referred by the customers as beautiful, strong and cheap. Moreover, there are discounts and other promotional offers to attract more and more shoppers to shop in the Giants. The discount on the products of Giants might range from 4 to 40 percent. Giants are in direct trade relation with the farmers, which definitely rules out the

possibilities of any types of disintegration in the distribution system and waste of the products. The Giants have been targeting the customer group with an annual income of about Rs 75,000 per annum, with the market size estimated to be between Rs 75,000 crore to Rs 80,000 crore.

3. Shoprite

Shoprite in India is located in a large area spreading across 55,000 sq. ft. The original Shoprite Group of South Africa has made a joint venture with the Nirmal Lifestyle Group in India and Shoprite in India is situated in the Nirmal Lifestyle Mall in Mumbai. This was founded in the year 2004 in India and ever since it has been doing good business in the retail sector in India. The Shoprite company has leased about 75,000 sq. ft area from the Godrej group to establish the distribution centers of Shoprite.

Shoprite in India is a hyper market offering a varied range of good quality basic food items as well as household items at the most affordable prices. Moreover, Shoprite also caters to their customers with an extensive range of merchandise from their scientifically planned, service departments. Such varied shopping formats of the Shoprite Group can meet the requirements of people from all income levels from higher to lower.

Products

Shoprite is one retail company in India that gives an exotic experience to all those who go for shopping. It hosts best-value merchandise and consumers can avail them at the most affordable prices. Generally, the Shoprite trades in everything possible from playthings to kitchen wares, apparels and toiletries, along with food items. However, over 40 per cent of the products of Shoprite comprise of meat, poultry products, and garden fresh production. Shoprite in India also has made a position for itself as a sourcing base for other retail companies with their ready-mix processed products like, South Indian delicacies, vegetable oil, fruits and papads.

4. Lifestyle

Lifestyle in India was first founded in the year 1999, under the initiative of the retail chain

company, Lifestyle International. The first lifestyle store was introduced in Chennai. In the year 2004, the turnover of the retail store was Rs 240 crore. There are Lifestyle stores in different parts of the country, both in the bigger metros like Delhi, Mumbai, Chennai, Kolkata, Hyderabad and also in smaller towns. The Lifestyle India was originally a part of the **Landmark Group** based in Dubai in the Middle East. It has a flourishing business out there with earning a revenue of nearly \$600 million in the year 2004. The success of Lifestyle in India is not only a reflection of their track record in the Middle East, but also the secret that Lifestyle has understood the Indian market and changed their business model accordingly.

The Features of Lifestyle India

The features of the retail store Lifestyle in India is different from the original Lifestyle store in the Middle East where there are five separate stores for separate products like clothings, kids wear, household appliances and furniture, footwear, and health and beauty products. However, in Lifestyle India, one can find every core category of Lifestyle under the same one roof. With the growing purchasing power of Indians, the Indian consumers are able to afford more and more variety of products, making the Lifestyle an epitome of success in the Indian retail sector.

5. Pantaloons

The largest retailer in the Indian organized retail sector, Pantaloons Retail (India) Limited, is a chain of retail outlets all over the country. Pantaloons follows several formats of retail. Pantaloons engages in retail operations with 450 stores in 40 different locations in India. It is increasing its operations in India by opening more stores and employs around 18,000 people.

The retail formats followed by Pantaloons are Food Bazaar, Big Bazaar, Pantaloons, and Central. Pantaloons retail concentrates solely on apparels and accessories. Food Bazaar is an array of food products including fruits and

vegetables, food grains, FMCGs, and packaged ready-to-cook products. Big Bazaar is a hyper mart which provides a variety of consumer goods at one place which include both apparel and non-apparel segments, while Central is a chain of stores that stock music, books, global fashion brands, lifestyle and leisure accessories, restaurants and lounges.

Pantaloons brought about a revolution in the concept of shopping. The consumers' psyche was completely altered with the boom in the Indian retail sector which Pantaloons cashed in on. Backed by the desire to buy the best quality products, the consumers are well aware of the power of money. So there is a tremendous growth in the organized retail sector which is the powerhouse of the economic growth in India.

6. Landmark

The Landmark Group entered the Indian market in 1999. Landmark operates in five cities and eight stores. Landmark in India houses varied shops selling different types of essential commodities along with luxury items. The Landmark chains are mainly concentrated in urban areas and are now planning to operate in tier Second Grade cities also. Landmark stores typically have floor area of 17000 sq feet each. Landmark in India typically has a heterogeneous mixture of large and small individual retailers. Most of these retail counters sell branded products of both domestic and international manufacturers. Landmark in India offer products with different price bands for each and every section of urban society. These stores generally sell clothing, footwear, and accessories of Indian and foreign make.

Growth Phase of Indian Retail Sector

The phase of high growth of Indian retail sector is expected to continue due to huge amounts of investments and breaking up of traditional concepts in this sector. These factors lead to various changes and provide further boost to the growth of the Indian Retail Sector. The Indian Retail Sector that includes the traditional

retail and the modern retail is estimated to grow at a very fast pace from US\$ 336 billion in 2006 to US\$ 590 billion by 2011.

The traditional retail sector is expected to increase from US\$ 324 billion in 2006 to US\$ 493 billion by 2011. The share of the modern retail in the Indian Retail Sector is also estimated to increase from 4% in 2008 to 16% in the next five years. This exceptional growth is expected to take place in the retail sector due to large amounts of investment which is estimated to be around US\$ 35 billion in the next five years. The “cash- and- carry” activities are expected to receive the majority of investments.

The maximum amount of growth in the Indian Retail Sector will be registered in the topmost 50 to 60 markets that are located in the urban areas. These markets would be mostly supermarkets and hypermarkets. However, these supermarkets and hypermarkets will also witness fast erosions in their margins. However, it is estimated that in the longer run, the convenient stores that are located in the local neighborhood will continue to survive.

A major focus area in the Indian retail sector is the supply chain management. In the western countries, the retail sector has a highly developed system of supply chain. But development in supply chain in the Indian retail sector has been quite slow.

Other areas that need attention for the growth of the Indian retail sector to continue includes duty and tax structures, infrastructure, rising land prices and effective trend forecasting. Trend forecasting needs to be done in the country, especially in the segments of cosmetics, apparel and footwear because this will help the retail companies to curtail their expenses substantially. Also another area that requires attention is manpower because it is estimated that the Indian Retail sector will suffer from shortage of manpower by about a million people by 2012.

The chains in the Indian retail sector need to frequently change their stocks and also adopt

concepts like home delivery. If all these areas are given immediate attention, then the growth phase of Indian retail sector would continue at a very fast pace. The Indian retail sector would then witness the setting up of retail parks that are flourishing in Europe. Further, the growth of the Indian retail sector would help in making the country ready for big retailers by 2015- 2016.

The Key Growth Drivers of Organized Retail in India are

- Growth in per capita income and household consumption
- Changing demographics and improved standard of living
- Changing consumption patterns and accessibility to low-cost consumer credit
- Infrastructure improvement and increased availability of retail space
- Access to capital markets and other sources of financing

Retail Economics in India

Traditionally retailing has not been a structurally organized industry in India. Organized retail network was seen only in fabrics, with large mills building their own exclusive stores e.g. Raymond's, Bombay Dyeing etc.

Currently there are about 51,30,000 retail outlets selling about Rs4790bn worth of products. Retail universe in India comprises of large, medium general stores, chemists and small accessories stores. On account of the fragmented nature of Indian retail industry, the inhabitants to stores ratio in India is about 150:1, i.e. there is a store catering to every 150 people. This ratio varies from country to country. In China, the ratio is similar to that of India whereas in the case of more developed countries, the ratio would be higher. For instance, in Europe the inhabitants to stores ratio is 2000:1. As markets mature, consumer expectations rise and it would be a necessity for small retailers to come together and form innovative and strong supply chain that will cut through distribution and increase margins.

Turnaround Times

In the last couple of years, this industry has made rapid moves from its nascent stages. Organized retailing started picking up in Southern India. Availability of land at prime locations coupled with cheaper real estate prices (compared to Mumbai & Delhi) made it possible to have multi stored shopping complexes in South India. It took two years of recession to get this concept of shopping to major cities like Mumbai & Delhi. Recession brought property prices down in these cities. It was during this period of industry slump that big business houses took notice of the potential in retailing. A classic example is Lakme Ltd. The company after selling off its cosmetic division to HLL, made an aggressive foray into retailing. Its retail chain branded 'Westside' already comprises four stores- one each in Bangalore, Hyderabad, Chennai and Mumbai. A cash reserve of Rs107bn enables Lakme to roll out stores aggressively.

Consumerism Cycle

Consumer cycle starts with industry dictating the market. Eventually with time, the distributor gains control over the market. At this stage, distributor becomes an important link between manufacturer and customer. When markets start further expanding its horizons, suddenly retailers turn out to be a vital link in this supply chain.

In India we are entering into this third stage where retailers control the market. With shopping attitudes of people changing, Indian markets today desire for value added products and services with good ambience and brands which only a retailer can provide.

Developed countries have reached the final stage where customer dictates. US, UK and other developed markets have now reached a stage wherein consumers are willing to save on price by going to discount stores where products and services are low and goods are unbranded.

It would be sometime before e-commerce gears up in India. But all the same, a merger of Internet, catalogues, telephone and television is inevitable. The emergence of omnipresent net is the defining moment of Retail Trade in India.

Conclusion

Retail sector has witnessed an immense growth in the last few years. The Retail Industry in India has emerged as one of the most dynamic and fast paced industries with several players entering the market. But all of them have not yet tasted success because of the heavy initial investments that are required to break even with other companies and compete with them. The key factors responsible for the retail boom have been the change in consumer profile and demographics, increase in the number of international brands available in the Indian market, economic implications of the government, increasing urbanization, credit availability, improvement in the infrastructure, increasing investments in technology and real estate, building a world class shopping environment for the consumers.

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