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## RETAILING AND ITS CHALLENGES –THE PRESENT OUTLOOK

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### ABSTRACT

India is the nation having the most unorganized retail market. Conventionally it is a family's livelihood, with their shop in the front and house at the back, while they run the retail business. More than 99% retailers function in less than 500 square feet of shopping space. Global retail consultants KSA Techno Pak have estimated that organized retailing in India is expected to touch Rs 35,000 crore in the year 2005-06. The Indian retail sector is estimated at around Rs 900,000 crore, of which the organized sector accounts for a mere 2 per cent indicating a huge potential market opportunity that is lying in the waiting for the consumer- savvy organized retailer. The average consumer today is richer, younger and more aspirational in his/her needs than ever before. Consumers now value convenience and choice at par with getting value for their hard-earned money. A range of modern retailers is attempting to serve the needs of the new Indian consumer. The last insufficient years have witnessed an explosion of organized retail formats like supermarkets and hypermarkets in an otherwise fragmented Indian retail market.

**Keywords:** Retailing; Peaking; Declining; Opening; Closing

### INTRODUCTION

Retailing is the most active and attractive sector of last decade. While the retailing industry itself has been present since ages in our country, it is only the recent past that it has witnessed so much dynamism. The emergence of retailing in India has more to do with the increased purchasing power of buyers, especially post-liberalization, increase in product variety, and increase in economies of scale, with the aid of modern supply and distributions solution. Indian retailing today is at an interesting crossroads. The retail sales are at the highest point in history and new technologies are improving retail productivity. though there are many opportunities to start a new retail business, retailers are facing numerous challenges.

### THE INDIAN RETAIL SECTOR

India is the country having the most unorganized retail market. Traditionally it was a family's livelihood, with their shop in the front and house at the back, while they run the retail

business. More than 99% retailer's function in less than 500 square feet of shopping space. Global retail consultants KSA Technopak have estimated that organized retailing in India is expected to touch Rs 35,000 crore in the year 2005-06. The Indian retail sector is estimated at around Rs 900,000 crore, of which the organized sector accounts for a mere 2 per cent indicating a huge potential market opportunity that is lying in the waiting for the consumer-savvy organized retailer. Purchasing power of Indian urban consumer is growing and branded merchandise in categories like Apparels, Cosmetics, Shoes, Watches, Beverages, Food and even Jewellery, are slowly becoming lifestyle products that are widely accepted by the urban Indian consumer. Indian retailers need to advantage of this growth and aiming to grow, diversify and introduce new formats have to pay more attention to the brand building process. The emphasis here is on retail as a brand rather than retailers selling brands. The focus should be on branding the retail business itself. There is no doubt that the Indian retail scene is booming. A number of large corporate houses —Tata's, Raheja's, Piramals's, Goenka's — have already made their foray into this arena, with beauty and health stores, supermarkets, self-service music stores, new age book stores, every-day-low-price stores, computers and peripherals stores, office equipment stores and home/building construction stores. Today the organized players have attacked every retail category.

The Indian retail scene has witnessed too many players in too short a time, crowding several categories without looking at their core competencies or having a well thought out branding strategy.

The growth rate of super market sales has been significant in recent years because greater numbers of higher income Indians prefer to shop at super markets due to higher standards of hygiene and attractive ambience. With growth in income levels, Indians have started spending more on health and beauty products. Here also small, single-outlet retailers dominate the market. In recent years, a few retail chains specialised products have come into the market. Although these retail chains account for only a small share of the total market, their business is expected to grow significantly in the future due to the growing quality consciousness of buyers for these products .Numerous clothing and footwear shops in shopping centres and markets operate all over India. Traditional outlets stock a limited range of cheap and popular items; in contrast, modern clothing and footwear stores have modern products and attractive displays to lure customers. With rapid urbanization, and changing patterns of consumer tastes and preferences, it is unlikely that the traditional outlets will survive the test of time. Despite the large size of this market, very few large and modern retailers have established specialized stores for products.

There seems to be a considerable potential for the entry or expansion of specialized retail chains in the country. The Indian durable goods sector has seen the entry of a large number of foreign companies during the post liberalization period. A greater variety of consumer electronic items and household appliances became available to the Indian customer. Intense competition among companies to sell their brands provided a strong impetus to the growth for retailers doing business in this sector. Increasing household incomes due to better economic opportunities have encouraged consumer expenditure on leisure and personal goods in the country. There are specialized retailers for each category of products (books, music products, etc.) in this sector. Another prominent feature of this sector is popularity of franchising agreements between established manufacturers and retailers. A strong impetus to the growth of retail industry is witnessed by economic boom and driver of key trends in urban as well as rural India.

## **KEY CHALLENGES**

### **LOCATION**

Location is the most important ingredient for any business that relies on customers, and is typically the prime consideration in a customer's store choice. Location decisions are harder to change because retailers have to either make sustainable investments to buy and develop real estate or commit to long term lease with developers. When formulating decision about where to locate, the retailer must refer to the strategic plan

- Investigate alternative trading areas.
- Determine the type of desirable store location
- Evaluate alternative specific store sites

### **MERCHANDISE**

The primary goal of the most retailers is to sell the right kind of merchandise and nothing is more central to the strategic thrust of the retailing firm. Merchandising consists of activities involved in acquiring particular goods and services and making them available at a place, time and quantity that enable the retailer to reach its goals. Merchandising is perhaps, the most important function for any retail organization, as it decides what finally goes on shelf of the store.

### **PRICING**

Pricing is a crucial strategic variable due to its direct relationship with a firm's goal and its interaction with other retailing elements. The importance of pricing decisions is growing because today's customers are looking for good value when they buy merchandise and services. Price is the easiest and quickest variable to change.

### **TARGET AUDIENCE**

"Consumer the prime mover "Consumer Pull", however, seems to be the most important driving factor behind the sustenance of the industry. The purchasing power of the customers has increased to a great extent, with the influencing the retail industry to a great extent, a variety of other factors also seem to fuel the retailing boom.

### **SCALE OF OPERATIONS**

Scale of operations includes all the supply chain activities, which are carried out in the business. It is one of the challenges that the Indian retailers are facing. The cost of business operations is very high in India.

### **TRADITIONAL RETAIL SCENE IN INDIA**

India is the country having the most unorganized retail market. Traditionally the retail business is run by Mom & Pop having Shop in the front & house at the back. More than 99% retailers function in less than 500Sq.Ft of area. All the merchandise was purchased as per the test & vim and fancies of the proprietor also the pricing was done on ad hock basis or by seeing at the face of customer. Generally the accounts of trading & home are not maintained separately. Profits were accumulated in slow moving & non-moving stocks which were to become redundant or consumed in-house. Thus profits were vanished without their knowledge. The Manufactures were to distribute goods through C & F agents to Distributors & Wholesalers. Retailers happen to source the merchandise from Wholesalers & reach to end-users. The merchandise price used to get inflated to a great extent till it reaches from

Manufacturer to End-user. Selling prices were largely not controlled by Manufacturers. Branding was not an issue for majority of customers. More than 99% customers are price sensitive & not quality or Brand Sensitive at the same time they are Brand conscious also. Weekly Bazaar in many small towns was held & almost all the commodities were on the scene including livestock. Bargaining was the unwritten law of market. Educational qualification level of these retailers was always low. Hence market was controlled by handful of distributors &/or Wholesalers. Virtually there was only one format of retailing & that was mass retail. Retailer to consumer ratio was very low, for all the categories without exception. Variety in terms of quality, Styles were on regional basis, community based & truly very low range was available at any given single place. Almost all the purchases / (buying) by mass population was need oriented & next turn may be on festivals, Marriages, Birthdays & some specific occasions.

Impulsive buying or consumption is restricted to food or vegetables etc. Having extra pair of trousers or Shirts or Casuals & Formals & leisure wear & sports wear & different pair of shoes for occasions is till date is a luxury for majority population except for those living in Metros. Purchasing power of Indian urban consumer is very low and that of Branded merchandise in categories like Apparels, Cosmetics, Shoes, Watches, Beverages, Food, Jewellery, are slowly seeping into the lifeline of Indian City folks. However electronic & electrical home appliances do hold appropriate image into the minds of consumers. Brand name does matter in these white goods categories. In the coming times also majority of organized retailers will find it difficult to keep balance with rest of the unbranded retail market which is very huge.

## **CONCLUSION**

The retail sector has played a phenomenal role throughout the world in increasing productivity of consumer goods and services. It is also the second largest industry in US in terms of numbers of employees and establishments. There is no denying the fact that most of the developed economies are very much relying on their retail sector as a locomotive of growth. The India Retail Industry is the largest among all the industries, accounting for over 10 per cent of the country's GDP and around 8 per cent of the employment. The Retail Industry in India has come forth 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 India Retail Industry is gradually inching its way towards becoming the next boom industry

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