

# RETAIL 2020 IN INDIA

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## ABSTRACT

*India's large and aspiring middle class of nearly 300 million individuals want products that are value-driven. The country's 500 million youth have high disposable incomes that have resulted in a huge demand for products. The Indian retail sector accounts for over 20% of the country's GDP. The Indian retail sector is expected to grow at a CAGR of approximately 20%. The Indian retail is evolving from the brick and mortar model to adopt technology for connecting with consumers. The Indian retail is undergoing a saga of sea changes with evolutions and revolutions from e-commerce, m-commerce to drones. This provides a great opportunity for the retailers to embrace technology and to go beyond the expectations of the consumers. Digital technology will be a game changer and it is for the retailers to understand these trends and leverage them. The present paper focuses on the current trends in retail along with the opportunities it creates for retailers to go that extra mile to provide customer experience.*

**KEY WORDS:** *Consumer experience, Retail Sector, Technology, Trends*

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## 1. INTRODUCTION

The emergence of Retail in India is cause for success of Indian organized Retail & Marketing. With the help of modern management techniques we will become the specialist Retailers in future. We know that the relationship between the Retailer & customer is very close than other chains of distribution. India is a nation of shopkeepers. We can see more than 12 million retail outlets in India, and India has highest density of retail outlets in the world. Retail Industry in India is at present estimated to be more than US \$ 250 billion. On that part of organized retailing is estimated 3.5% i.e. \$ 7.47 billion. Retail sector has played an unparalleled role throughout the world in increasing productivity of consumer goods and services. This industry has emerged as one of the fastest growing sectors in India and is gradually ushering in a revolution in shopping in India. Retailing in India has become a national phenomenon and India has emerged as the most attractive emerging retail market: a potential goldmine. Organized sector growing at a blistering pace is overshadowing the unorganized sector & alongside, Indian cities are witnessing a paradigm shift of retailing to the vibrant organized sector. Indian kirana shops are one of the lifelines of Indian economic system. With such a strong set up, involving a very huge amount, today's unorganized retail sector feel problematic with a quite small but fast and steady growing organized retail. The prime reasons for the growth of organized retailing are increase in the rate of literacy, growing number of working women, growing middle class penetration, highly disposable income, changing lifestyles of Indian consumers, need of world class services, joyful shopping, media penetration along with the assurance of similar quality products with large ambit of price differentiation. It is necessary to understand that in the complex world of trade today, retail would include not only the goods but also the services that may be provided to the end consumer. Thus one can say that purchase of a railway ticket, services of a plumber, parlour services, dry cleaning, consultation of a doctor etc. are all under the category of retail transaction. The retail sector has played a phenomenal role throughout the world in increasing productivity of consumer goods and services. The retail industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. It is also the second largest industry in US in terms of number of employees and establishments. The Indian retail industry is the largest among all the industries, accounting for over 10 percent of the country's GDP and around 8 percent of the employment. According to an estimate unorganized retailing sector has 97 per cent presence, whereas, organized retailing accounts merely three percent. The main challenge facing the organized sector is the competition from unorganized sector. Unorganized retailing has been there in India for centuries, these are named as mom-pop stores. The main advantage in unorganized retailing is

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consumer familiarity that runs from generation to generation. It is a low cost structure; they are mostly operated by owners, have very low real estate and labour costs and have low taxes to pay. Organized retailing, in India, refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include supermarkets, hypermarkets and retail chains. Organized retailing was absent in most rural and small towns of India. Supermarkets and similar organized retail accounted for just 4% of the market. India has about 11 shop outlets for every 1000 people. The Organized retail has grown at a much higher rate as compared to unorganized retail in India during last few years.

The Organized retail has been showing annual growth rate of over 35 percent and 10-15 million Sq. Ft quality spaces being added every year. Overall retail industry is growing at 8-10 percent per annum. Total retail market in India is projected to be USD 800 billion by 2017 from USD 340 billion in 2007. Almost two-third of total retail investment is going into modern retail formats like hyper markets, super markets and specialty stores.

## **2. OBJECTIVE OF THE STUDY**

The objective of the study to analyze the current trends in retail, with reference to India, which the retailers need to understand and evolve to keep pace with the expectations of the customers. The paper is based on statistical data, case studies and thorough understanding of various journals, research papers, newspapers and online information.

### **3.1 THE INDIAN RETAIL STORY**

The current momentum in the Indian retail sector which has been growing at an annual compounded rate of 6.4 percent since 1998 and with a market size of USD 425 billion in 2010 has caught the world's attention. Despite socio-political challenges and foreign direct investment (FDI) in retail trading subject to certain restrictions, the Indian retail sector has grown too large to ignore. Along with India's strong growth fundamentals, increased urbanization and consumerism provides immense scope for retail expansion both for domestic and foreign players. The Indian retail sector is just emerging with unorganized players predominantly controlling the market. However, with 97 percent of the business coming from the unorganized sector such as the traditional family run stores and corner stores, the Indian retail sector offers large potential for growth in the organized sector. The revenue generated from organized retail which continues to grow on impressive scales also shows the potential of the untapped sector.

### **3.2 HIGH GROWTH POTENTIAL OF THE SECTOR ATTRACTS INVESTORS**

There is a paradigm shift in global investors' destination choices: from being 'efficiency seeking' to 'market seeking.' Also, there is a shift from sectors like natural resources, manufacturing and infrastructure, which are export driven and are conducive to tariff avoidance, to more varied industries including retail, education, banking, tourism etc. International retailers are now focusing on the portfolio of countries – with different levels of risk, at different stages of maturity and with distinct consumer profiles to balance short term and long term opportunities. Governments across the globe have begun to take notice of the corresponding benefits in development, export boost and supply chain improvements that FDI in retail can yield. FDI in retail has been a key driver of productivity growth in Brazil, Poland and Thailand, resulting in lower prices and higher consumption. Large-scale foreign retailers also lead the path of improvements in the productivity chain, for wholesalers and food processors. As a result, since its opening up to foreign investment in 1994, traditional small retailers in Brazil managed to increase their market share by 27 percent. They can also channelize exports at a significant scale.

For example: Tesco in Thailand and Wal-Mart in Brazil increasingly depend on local products to feed their global supply chains. Retail also happens to be a pillar of the tourism industry. More specifically in India's context, opening up the retail sector for FDI has been placed in the context of moderating inflation. The idea is that organized storage and transport chains will help cut nearly 40 percent transport and distribution losses in the present supply chains, one of the factors pushing up food prices to high and unsustainable levels. Governments across the globe have begun to take notice of the corresponding benefits in development, export boost and supply

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chain improvements that FDI in retail can yield. Thus, it can be said that this liberalization of investment in the retail sector could change the face of Indian retail by offering quality goods at lower prices to the consumers. In addition, due to availability of cheap raw material and work force, global retailers would also utilize Indian goods for their international outlets leading to an increase in Indian exports and improving the balance of payment position.

The Indian retail sector is fragmented, consisting of small independent owner managed shops, accounting for 92% of the retail sector and the remaining 8 % constitutes the organized sector. Rising disposable income, urbanization, dominance of the younger generation in spending, nuclear families, advancement in science and technology especially in the Information and communication Technology (ICT) are various factors contributing to the growth of retail in India. The organized retail is poised to grow at the rate of 20% by 2020. The policies of the government namely, FDI in retail, single brand as well as multi-brand are all welcome steps in this direction, which provides great opportunities for retail in India.

#### FORMATS / CHANNELS OF ORGANIZED RETAIL

Channel/ format	Type merchandise	Pricing	Size (sq ft)	Average stock keeping units	Location	Example
<b>Store</b>						
Super centre	All type of merchandise	Discount pricing	200,000- 300,000	200,000	Outskirts	Wall mart
Hypermarket	Mostly food &grocery and apparels with focus on value products	Discount pricing	60,000 - 120,000	80, 000	Malls	Hypercity  Big bazaar
Super market	Food &grocery	Discount pricing	10,000 - 30, 000	20,000	Malls	Food bazaar
Neighbored/ convenience store	Daily use items		500- 3,000	2,000	All location within city	Reliance fresh
Cash and carry	Mostly food &grocery	Bulk buying heavy discount	100,000- 300,000	150,000	Outskirts	Metro cash and carry
Discount stores	Food &grocery & fashion accessories	Heavy discount	NA	NA	NA	Local big shops
Departmental store	Apparel accessories	Competitive	20,000- 100,000	50,000	Malls	Shoppers shop
Specialty stores	Any one type of merchandise	Competitive	500- 10,000	5,000	Main markets, malls	Mobile stores
<b>Non stores</b>						
Stalls	Small food items, accessories	Normal	20-100	50	Malls multiplexes, cinema theatre	Pocom
Vending machines	Small items	Normal	NA	NA	Stations	Coffee, chocolates
Order retailing (catalogue, website & TV)	Any type of merchandise	Competitive	NA	NA	NA	Flipkart
Door to door	Any one type of merchandise	Competitive	NA	NA	NA	Eurko

### 3.3 FACTORS DRIVING ORGANIZED RETAIL

- 1) Higher disposable incomes
- 2) Purchase of essential and luxury products
- 3) New technology and lifestyle changes
- 4) Access to credit facilities
- 5) Nuclear families
- 6) Increase in the number of working women
- 7) Increase in rural income
- 8) Migration to cities and towns from villages
- 9) Growth of modern trade formats like malls, hyper markets etc

### 3.4 CUSTOMER EXPERIENCE

Today's customers care more about the retailing experience than they did in the past. They look for personalized and distinctive experience from the retailers. Before making a purchase, a customer tries to collect a lot of information about the product, through various touch points like the store sales associate, friends, relatives, through social networking sites, websites etc. The customer interacts with the retailer across multiple channels. Hence, it is vital for the retailers to provide complete customer experience across these channels. Retailers use better customer service to increase customer purchases, generate loyalty and create positive image. Various factors that affect the customer experience are

- a) Proximity of the store and store layout
- b) Availability of parking facilities, cafeteria, entertainment, play area for children, rest rooms etc,
- c) The retailers need to stay connected with the customers
- d) Quick and prompt service at the retail stores
- e) Easy returns policy

To provide a seamless consumer experience, the retailers have to be dynamic and keep pace with shoppers expectations and to outsmart them in terms of delivery, returns, and product choices and after sales service. It is absolutely essential for the retailer to understand the buying behavior of the customers and needs to be proactive and dynamic.

### 3.5 TECHNOLOGY IN RETAIL

Rising consumer confidence, increasing income, consumption-based behavior and a large pool of consumers opens up a plethora of opportunities for the retailers to tap. The fact that we have the youngest population in the world, companies are poised for ascending on the growth scale. Retailers need to tap technology to stay in this competitive environment. Technology helps retailers achieve top-line growth and bottom-line profits by enabling loss prevention, minimizing retail shrinkage, increasing operational efficiency and facilitating best practices in retail excellence through everyday solutions to business challenges. As per retail industry analysis done by TYCO, 80.3% of retailers believe that technology enhancement holds the key to challenges in the business. It helps retailers improve profitability through innovation in technology and proper store management solutions.

### 3.6 E-tailing

Retailers in India are trying to attract customers through every means possible- online, offline and through mobile. Multi-channel retailing is the buzzword. Many traditional retailers have joined the e-wagon. According to Technopak, the e-tail market is set to grow from 6 billion USD to 76 billion USD by 2021. The biggest driving factor is the increasing penetration of broadband and usage of smart phones and tablets. E-tailing constitutes only .12 percent of the total retail and is estimated to grow to 5.3% by 2021., when there would be at least 180 million broadband users in the country and this is a great opportunity available for retailers to explore. The e-tail sector could create 1.45 million jobs in the next decade, which is a great reason for us to cheer. The total volume of Indian



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e-commerce including financial and travel services touched 20 billion USD in 2015. Flipkart, e-bay, Amazon India, Jabong and Snapdeal are some of the top players. The proliferation of internet usage will alter the manner in which the consumers will pick up trends, learn new things, form opinions and consume merchandise. Consumers look for convenience in all modes of living including shopping. As per Technopak estimates, 66% of urban India's time is taken up by sleep, time spent at work, commuting to work and are left with remaining 34% of time for other activities like shopping, socializing, entertainment etc. This trend has resulted in significant growth in the usage of internet and internet-enabled devices for shopping. There is a great amount of penetration of devices through which the internet can be accessed namely PCs, laptops, smart phones, tablets etc. The number of broadband connections is expected to be around 45million with around 180 million users by 2020 from the 25million connections and 60 million users in 2015. As per Technopak's estimates, e-tailing is likely to provide direct employment to 1.55 million people by 2021 and e-tailing market will emerge as a destination for highly skilled technology jobs for nearly 0.3 million people by 2021. Besides, e-tailing is likely to drive employment in various functions like HR, finance, accounts, vendor management, content development, customer care etc. These are likely to generate 0.1 million jobs by 2021. Also, e-tailing enables growth opportunities for entrepreneurship across the value chain to become service providers. E-tailing enables reduction in cost for the customer, recording of point of sales data and payment receipts, and absence of intermediaries. Thus it enables e-tailer's ability to manage business with lesser working capital and reduces credit levels in the system. It has the potential for increase in tax collections viz., VAT, CST. According to Technopak estimates, tax collections are expected to be 7.6 billion by 2021. Moreover, e-tailing can play a vital role in consolidating wholesale and retail distribution and can greatly bring down the cost of distribution and complement the traditional retail.

### 3.7 Mobile Internet

India is the second largest mobile phone market in the world and is set for a record growth due to 3G and 4G wireless technology. These drive internet access through mobile phones, high speed data download, make video calls etc. According to Retail outlook 2012 of Quantum Retail Technology INC., mobile technologies alter the traditional way of store operations and a serious game changer for retail. Mobile technologies are causing retailers to completely rethink the way in which sales personnel interact with customers. As consumers continue to outsmart retailers, taking their smart phone everywhere they go, retailers in addition to delivering product information can also look into the sales history to achieve higher service levels with the adoption of mobile technology. As supply chain becomes more and more complex and consumers becoming smarter, it is imperative that the retailers stay ahead with next generation technology. Consumers can use their mobile phones to access information about product characteristics and price for related products. Also, consumers are able to make payment anywhere, anytime through their mobile phones. By scanning an RFID tag with a mobile phone, anyone in the supply chain can check information about a product's past and future states in the supply chain.

#### **F-commerce**

F-commerce is face book commerce. Retailers are sending posts to the respective face book accounts based on the interests of the customer and thereby individualizing the information sent.

#### **Omni-channel retailing**

According to Quantum Retail Technology's Retail outlook 2012, Omni-channel retailing means that consumers have the ability to choose whatever channel they want to interact with, any device they want to do it with and still get a very convenient, consistent, high service shopping experience. It provides the flexibility to commence the shopping in one channel and complete the transaction in another channel. Example – browsing through a catalog and making a purchase through mobile. It is the right product, right price, right channel and right time that will deliver a revolution in customer experiences and expectations that will increase margins, increase profits and provide high service levels for retailers. Omni-channel retailers carry merchandise that is customer-centric and is not specific to any channel. Research has shown that Omni-channel shoppers spend up to 15 to 30% more than multi-channel shoppers and exhibit strong brand loyalty and also influence others to patronize a brand.

#### **Cloud computing**

Use of cloud computing for data mining for consumer is the key to stay connected with the consumers. Cloud computing is the sharing of software by multiple users, without heavily investing on the software. Data mining, data analysis greatly aid in DSS (decision support systems) for effective inventory and supply chain management.

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### **RFID in retail**

RFID enabled services helps in tracking of information from supplier, logistics, distribution centre, store, shelves and at the checkout point. It is greatly used in SCM (supply Chain Management). For a retailer having operations in different cities and who sources products from several locations, to have real-time data of the goods in the warehouses and at the outlets, RFID is a great boon.

### **Augmented Reality**

Augmented reality enables customers to decide on a garment color without having to visit the change room as stepping in and out of the trial room can be more tiring. It enables swapping through innumerable options within a few seconds.

### **Search Engine**

Retailing giant Wal-Mart has launched a new search engine to drive sales on its website. Wal-mart is the first brick and mortar retailer to develop a dedicated search engine and the machine with its "machine learning" capabilities enable predictive and intuitive analysis of consumer behavior. The search engine can combine multiple aspects of key words used by customers, which enables a great understanding of what the customer is looking for.

### **Me-tail**

The retail industry has realized that it needs to understand the psychology of today's consumer and capture sales at every opportunity. The increasing desire for personalized communication and offers from brands has made me-retail a major trend. Me-retail aims to deliver an experience that is all about personalized shopping, making use of social data and information on purchase behavior.

## **4. CONCLUSION**

The Indian retail sector has matured over the years but is still highly unorganized. The country's estimated annual retail opportunity of USD 500 billion is a great opportunity for both domestic and international retailers. Additionally, despite the regulated environment, as per the recently released World Investment Report for 2014, India is the third most desirable destination for FDI. The report further states that FDI inflows to India stood at USD 32 billion in 2011, registering a growth of 33 percent over 2010. It is expected that FDI inflows will move up by 25 percent by the end of 2015. The country needs more investment in the retail and allied sectors such as cold chains, warehousing and logistics. Market observers insist there is a retail renaissance underway and it is digital, as technology is linking consumers, devices and data for a smarter shopping experience. Technology represents an outstanding competitive advantage for those retailers who are open to innovation and willing to take on a new perspective of today's unpredictable, complex retail industry. As supply chain becomes more and more complex and consumers becoming smarter, tech-savvy, gadget-literate, and surf through different channels, it is absolutely essential for retailers to stay ahead with next generation technology. Digital relationships are vital for retailers and it is with these relationships that they can shape and steer experiences and reach and engage customers. Retailers are the architects of the relationships they have with consumers building bridges that help customers make decisions in a retailer's favor now and over time. The need of the hour is affordable technology at reasonable price, easy to use with maximum benefits to the retailers and consumers alike.

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