

# A STUDY ON GROWTH OF RETAIL SECTOR IN INDIA

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## ABSTRACT

*India has emerged as the hottest retail destination. Most of the organized retailing in India has started recently and is concentrating mainly in metropolitan cities. The growth of Indian organized retail market is mainly due to the change in the consumer behavior. This change has come in the consumer due to the increased income, changing life styles and pattern of demography which are favourable. Now the consumer wants to shop at a place where he can get food, entertainment and shopping, all under one roof. This has given Indian organized retail market a major boost. Shopping malls are the hot shopping destinations in new life style. Due to rapid retail boom, variety of malls has emerged. With this big ticket mall culture hitting the great Indian middle class, the days of pure shopping delight seems to be diminishing. This research paper is to study the growth of retail sector in India.*

**Keywords:** *Retail market, Importance, Growth, Trend Challenges and Role of technology*

## I. INTRODUCTION

The word 'Retail' is derived from a French word with the prefix re and the verb tailer meaning "to cut again". Evidently, retail trade is one that cuts off smaller portions from large lumps of goods. It is a process through which goods are transported to final consumers. In other words, retailing consists of the activities involved in selling directly to the ultimate consumer for personal, non-business use. It embraces the direct-to-customer sales activities of the producer, whether through his own stores by house-to-house canvassing or by mail-order business.

## II. IMPORTANCE OF RETAILING

The retailer is an intermediary in the marketing channel because he is both marketer and customer, who sells to the last man to consume. He is a specialist who maintains contact with the consumer and the producer; and is an important connecting link in a complex mechanism of marketing. Though producers may sell directly to consumers, such method of distributing goods to ultimate users is inconvenient, expensive and time consuming as compared to the job performed by a specialist in the line. Therefore, frequently the manufacturers depend on

the retailers to sell their products to the ultimate consumers. The retailer, who is able to provide appropriate amenities without an excessive advance in prices of goods is rewarded by larger or more loyal patronage.

### III. IMPORTANCE OF RETAIL MARKETING

Effective retail marketing is vitally important for today's manufacturers. Without a presence in retail stores, businesses rarely achieve the high level of exposure or widespread product distribution that retail stores offer. Retailers can help small businesses by performing a wide range of marketing services, from promoting products directly to customers to giving customers a chance to view and test products.

### IV. MODERN RETAIL MARKETING

More recently, technological, cultural and economic changes have shifted the balance of power to retailers, according to Sullivan and Adcock. For example, retailers now can track customer shopping data, which provides an important source of consumer research that manufacturers can't directly access. Also, retail stores have launched in-store brands, making them viable competitors with major manufacturers. In other words, as retailers have increased their capabilities and power, being able to work with retailers has become increasingly important for any manufacturer whose business model depends on being visible to the typical consumer.

### V. TYPES OF SERVICES IN RETAILING

#### (a) General Services

The general services which a retailer provides are:

1. The retailer anticipates the wants of the consumers and then supplies them the right kind of goods at reasonable price. His job is to make the consumers buying as easy and convenient as possible i.e. he acts as a consumers' agent.
2. He performs the service of bulk-breaking i.e. dividing large quantities into small units, such as individual cans, bottles, boxes, wrappers, packages, appropriate for consumer use.
3. He offers a large assortment of merchandise, of suitable size, colour, design, style and seasonal items-ranging from domestic utensils, household requisites to speciality goods.
4. He creates time and place utility by storing the products in off season and by transporting these goods to the places where they can be readily available as and when needed by the consumer.
5. He also assumes risks by guaranteeing the goods he sells to the consumer.
6. He also offers free delivery of goods, credit on open accounts, free alteration, liberal exchange facilities, instructions in the use of goods, revolving credit plans, and long term instalment programmes.
7. He adds to the convenience and ease of consumer purchasing by offering convenient shopping locations, market informations and other services such as free parking privileges, lessons on product

use and a multitude of other facilities may be offered and found sufficiently desired to result in increased patronage.

8. He helps the producers in distributing their products by using advertisement display and personal selling.
9. The level of retail sales is one of the most useful barometers of the nations economic health. For example when sales of cycles pick-up, sales of steel and components also increase, as does employment and thus increasing purchasing power. But when sales go down, manufacturers cut back production, unemployment increases and retail sales also goes down.

## **(b) Facilitating services:**

In order to carry out functions involving transfer of ownership and physical supply effectively retailers perform a number of facilitating functions i.e. functions relating to standardization and grading, financing, risk-taking and market information. A retailer of fresh fruits and vegetables has to standardize and grade these to make these acceptable to customers. They establish standards, inspect goods they receive, and sort them in various classifications.

When the retailer sells goods on credit he performs finance function. From the moment he sells and collects the last rupee from the customer, when goods are sold on credit, he is said to be performing a financing function. Another function performed by retailers is that of risk-taking. During the entire time a retailer holds title to particular goods, he must inevitably bear a wide variety of risks. Not only the goods may be destroyed through fire or flood, but also, there is often the danger of theft, deterioration or spoilage. Furthermore, such merchants are also faced with the threat that consumers will not accept their product or will purchase them only at unprofitable prices. He also undertakes risk in handling of fashion goods and other items for which consumer demand varies greatly from time to time. Since the retailer knows about the wishes of his customers the price, quality and the kind of merchandise available in the market as well as the existing and anticipated style trends, he keeps in stock the goods usually required by customers.

## **VI. INDIAN RETAIL INDUSTRY: GROWTH, TRENDS, CHALLENGES, AND OPPORTUNITY**

Retail industry in India is one of the fastest growing retail industry in the world. It is the largest among all industries accounting to 10 per cent of the country GDP and employs around 8 per cent of the workforce. India has seen a drastic shopping revolution in terms of format and consumer buying behaviour. From shopping centers to multi-storied malls to huge complexes offering shopping, entertainment and food all under one roof and it is because of this trend that the retail industry is witnessing a revolution as many new format markets like hypermarkets, supermarkets, departmental stores have made their way in the market.

## **VII. GROWTH**

Due to the large scope of business and high growth potential, India is attracting investors across the globe. In FDI Confidence Index, India ranks 8th (after U.S., Germany, China, UK, Canada, Japan, and France).

India is all set to gain from the latest FDI policy in retail. There has been an increase in purchasing power of the consumer due to easy availability of credit which has given a push to higher value items and encouraged repeated purchases. There has been a clear shift in consumer mindset in buying. They are more educated and well informed. They have become more experimenting and are willing to try and buy products which they haven't been used as yet. The expansion of middle class has led to higher purchases of luxury products and brand consciousness. Significant growth in discretionary income and changing lifestyles are among the major growth drivers of **Indian retail industry**.

With GST taking its shape, it has helped the retailers simplify its tax structure. This will lead to better supply chain structure, better cash flows, pricing, and profitability.

## VIII. OPPORTUNITIES:

Rural markets show high growth potential if tapped with the right set of products and pricing. With increasing investments in infrastructure, connectivity to such towns is now becoming easier. This helps the retailer to increase reach in such high potential markets.

The private label space in the organized Indian retail industry has begun experiencing an increased level of activity. The share of private label strategy in the US and the UK markets is 19 per cent and 39 per cent, respectively, while its share in India is just 6 per cent. Thus this gives a tremendous opportunity for the homegrown label to expand its base.

## IX. CHALLENGES:

Although retail industry in India is on a growing track not everyone has tasted success. Due to various diversities in the state policies and local influences, it becomes a larger hindrance for the retail to expand rapidly.

The high cost of real estate, deep discounting from e-retailers, non-availability of skilled labor in rural market are a few challenges that may hinder the growth of retail industry. Innovative concepts and model shall survive the test of time and investment.

## X. INDIA BOOMING IN RETAIL SECTOR

The retail sector in India is fast emerging as one of the largest sectors in the economy, accounting for more than 10% of the country's GDP and around 8% of employment. With India occupying the first rank in the Global Retail Development Rankings this year, the sector is likely to boost growth further.

The retail sector has been undergoing a fast paced revolution, fuelled by a growing consumer base and technological advancements. A remarkable development in the last decade has been the rapid evolution of the online retail sector. E-commerce industry is expected to be the number one sector boosting retail industry growth in India and online retail is estimated to reach US\$ 70 billion by 2020.

## **XI. RETAIL SECTOR IN INDIA- ROLE OF TECHNOLOGY**

Technology in the retail industry extends across functions of merchandising, supply chain, store operations, customer engagement and fulfilment. It can bring about a new era of precision retailing, influencing both consumers and retailers significantly.

Online retail aims at providing a real-time personal experience to the consumer by informing and influencing the customer at the point of decision.

Mobile technology has already revolutionized retail and is set to transform retail even further in years to come. More than 50% of the Google searches are now done on mobile. Social media plays an important role in the development of the sector and its importance is likely to grow in the future. The reputation, sales and success of different online retail shops can all be decided on the strength of a single tweet or a post.

## **XII. IMPACTS OF KEY ACTS & POLICIES**

The Government's act of demonetizing currency notes had both short and medium term impact on the retail sector. On one hand, there was an increase in online transactions through E-banking, E-Wallets and Apps along with increased usage of debit and credit cards. On the other, sectors with high cash transactions were adversely impacted.

On the positive side, consumer sentiment remained steady despite short-term constraints for consumers. India's consumer confidence index increased post demonetization in the fourth quarter of 2016-17 as compared to the third quarter.

## **XIII. GOODS AND SERVICES TAX**

The Goods and Services Tax (GST), which is slated for a rollout in less than a month's time, is expected to positively impact both the offline retail industry as well as India's e-retail sector.

For the offline retail Industry, uniformity of tax rates and structure is expected to facilitate ease of doing business. GST is also likely to boost the competitiveness of the sector along with increasing profit margins, owing to reduction in transaction costs.

The e-retail sector is also likely to benefit from improved clarity for e-commerce players on tax issues such as collecting tax at source or the first point of transaction.

## **XIV. FOREIGN DIRECT INVESTMENT**

The Indian Government has allowed 100 % Foreign Direct Investment (FDI) in online retail. FDI in the retail sector is likely to boost investment and modernize the retail sector. 100 % FDI in online retail is expected to ensure price parity between online and offline retail, thereby facilitating offline retailers in malls. FDI in retail has also been introduced with the objectives of legitimizing existing business of e-commerce companies operating in India and also to check promotion-driven funding. It is a move towards balancing offline and online

retailing by preventing marketplaces from offering discounts and capping total sales originating from a group of company or one vendor at 25%.

By providing clarity on laws and regulations governing the e-commerce sector, FDI in retail is likely to provide a clear framework for players who operate as well as plan to operate in the e-commerce space.

## XV. CONCLUSION

The growth of the retail trade in India is associated with the growth in the Indian economy. Indian retail industry is divided into unorganized and organized sector, with unorganized sector still contributing more than ninety five percent of the total retail sectors and it is presumed that it shall continue to dominate Indian market for another few years.

Indian retail is dominated by a large number of small retailers consisting of the local shops, owner-manned general stores, chemists, footwear shops, apparel shops, hand-cart hawkers, pavement vendors, etc. which together make up the so-called “unorganized retail” or traditional retail. The last 3-4 years have witnessed the entry of a number of organized retailers 430 opening stores in various modern formats in metros and other important cities. Still, the overall share of organized retailing in total retail business has remained low.

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