

Indian Retail Industry : Current scenario and future prospective

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Abstract

Retail Industry has navigated its way through tough waters and stood rough and tough so far keeping its head high above the turbulent water. This paper is an attempt to throw light on retail and retail Industry of India. The paper lays emphasis on current status of retail market and its future direction. Also government policies, reforms and its attempt towards smoothening of the process is taken into account. The study also takes note of interest of both foreign players and Indian Corporate houses, who are major players in retail business. The paper provides a glimpse of important facts and figures related to retail Industry of India. It also talks about consumer of this day and their behavior changes, income shift, their interest in using disposable income. The paper touches the growth of retail market of India its opportunities, strength, gain, challenges and future path. The paper also bring to the surface some disadvantage faced by small retail and what needs to be done for them in the long run.

Introduction

Let us first of all understand what is retail?

Retail is sale of goods from a point (say mall, retail shop, departmental store, markets etc) to the customer or end user the consumer.

In simplified term retailing is transaction of goods between seller and customer for a specified amount and specified quantity. The consumer fulfills his needs through such purchase.

Let us understand the concept through an example.

Mr. Hari wanted to purchase a refrigerator as summer was approaching and he wanted to satisfy his and family need of cold water.

He went to a nearby electronic shop (owner Mr. Mukesh) and purchased one refrigerator for Rs 12000.

In this example Mr. Hari is a customer who went to a point of sale (electronic shop). Seller Mr. Mukesh sold him a refrigerator (quantity one) for a price (Rs 12000)

The electronic store belonging to Mr. Mukesh must be having many options. From where did he got these refrigerators. Now wholesaler and manufacturer will come into picture and supply chain will also play its role.

The supply chain

Manufacturer \longrightarrow Wholesaler \longrightarrow Retailer \longrightarrow Consumer

The retailer purchases goods in bulk quantity either from Wholesaler or Manufacturer to sell it to the end user.

Let us briefly understand these three important constituents of supply chain management.

Manufacturers - Manufacturers are the ones who are involved in manufacture or production of goods with the help of machines, labor and raw materials.

Wholesaler - The wholesaler is the one who purchases the goods from the manufacturers and sells to the retailers in large numbers but at a lower price. A wholesaler never sells goods directly to the end users.

Retailer - A retailer comes at the end of the supply chain who sells the products in small quantities to the end users as per their requirement and need.

Wikipedia defines retail as:

Retail is the process of selling consumer goods or services to customers through multiple channels of distribution to earn a profit. Retailers satisfy demand identified through a supply chain.

Retail businesses sell finished goods to consumers in exchange for money. Retail businesses can include grocery, drug, department and convenient stores. Service related businesses such as beauty salons and rental places are also considered retail businesses.

Now let us throw some light on Indian Retail Industry and unearth some interesting facts and figures.

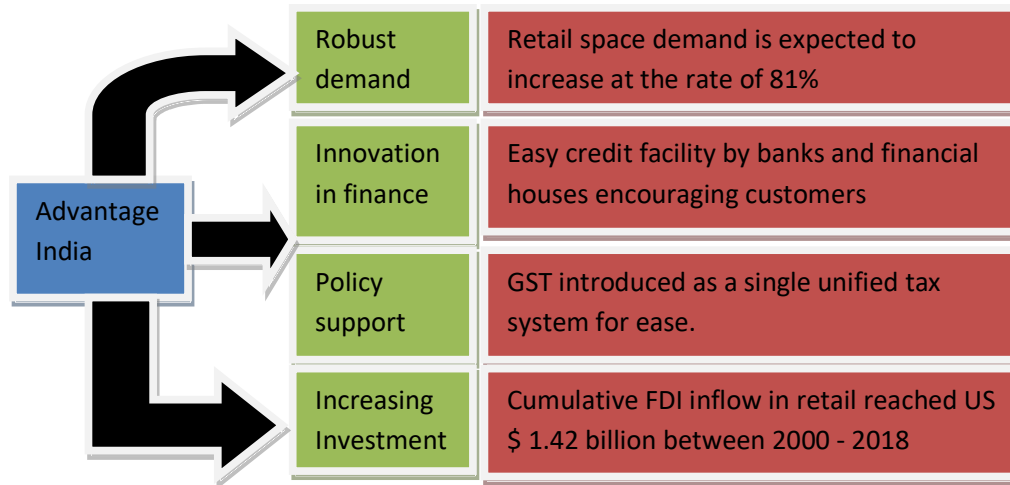
Indian retail Industry (report : February 2019). The Indian retail Industry is growing at an enormous pace. Retail Industry in India is expected to grow to US \$ 1200 billion by 2021 from US \$ 672 billion in 2017. India has become fifth largest preferred retail market among global players. Per capita retail store availability gives India a place among the world's highest. Indian retail Industry is one of the top five retail industries in the world. Retail Industry gives employment to around 8% of the people and contributes to 10% of India's GDP. Between 2015 and 2020 Indian Retail market is expected to almost double itself.

Promising and interesting facts about Indian retail Industry:-

- Online retail sale is forecasted to grow at the rate of 32% to reach US\$ 34.70 billion in 2019.
- Revenue generated from online retail is projected to grow to US \$ 60 billion by 2020.
- Organized retail penetration is expected to increase to 18 % in 2021 from an estimated 9% in 2017.
- India is expected to become the world third largest consumer economy reaching US \$ 400 billion in consumption by 2025.

Factors contributing towards growth of Indian retail Industry

- Indian economy is among the world's fastest growing economy.
- The demographic profile of India is changing every now and then.
- Current generation of India has more disposable income.
- Urbanization and digitization has helped retail Industry in a big way.
- Tier II and Tier III cities too are actively participating in retail purchases.
- Change in consumer spending, taste and preference is also the reason.
- India's population is taking online market by storm.
- Middle class too these days are conscious about maintaining a healthy life style.
- Attractive schemes such as cash back, coupons, discounts etc are inducing customer for more purchase.



Let us now see Government policies and how it is affecting retail market.

Liberalization in FDI policies by the Government of India has launched the Indian retail sector on the global map. Large number of global retailers like Walmart, Kia etc have entered the Indian market, further fuelling growth of organized retail in the country.

The government's decision to allow 51 per cent FDI in multi-brand retail and 100 per cent FDI in single-brand retail under the automatic route is talk of the town which has attracted giants like Walmart to establish themselves in India. Smoothing FDI norms has helped Government to strike gold.

The introduction of the Goods and Service Tax (GST) as a single unified tax system in July 2017 was another milestone achievement attracting global foreign players. The government's move to provide a single-policy framework for retail, FMCG and e-commerce in order to offer a common ground to stakeholders is icing on the cake.

The Make in India concept introduced by the Government is surely going to boost economic growth and in turn giants like retail Industry.

Government emphasis on digital India is helping retail sector in a big way.

So far we have revolved around positive points of retail industry.

Let us now traverse the path of challenges which retail Industry faces.

From manufacturer point of view

Establishing a plant for manufacturing :- One of the prime concern for a manufacturer is bringing a manufacturing plant from paper to actual existence. It is cumbersome task Eg TATA at the time of nano car manufacturing had to shift base from West Bengal to Gujarat.

Identifying distribution partner :- Now for a new entrant(manufacturer) it becomes a big head ache to join hands with the right supply chain partner. If supply chain partner is weak it will result in weak distribution and eventually business may get hampered. Even it can result in bankruptcy.

Warehouses and big store houses :- Now manufacturers manufacture in bulk quantity and it is not that always demand will be flowing. It can become stagnant. Now large ware houses or store houses are required for storage of goods. It requires huge space and investment. Small manufacturers cannot always absorb such broken pattern of demand as they lack enough space for storage.

Investment :- This is a decision which can break or make a manufacturer. Since it involves credit from the bank most of the time. Repayment is always due and waiting. Large business houses too have failed many a times in India and have shut shops.

Change of Government policy : At times new policies introduced by the government or change in the Government altogether bringing in new policies may result in manufacturing houses going berserk. They at times fail to understand and cope up with the situation. Many close down their business.

From retailers point of view

Right mix of products : At times it becomes difficult for retailers to store right mix of goods. At times they fail to understand market demand or mood swing and land up stocking unnecessary item which later becomes head ache for them to be disposed off. Understanding right mix is very important.

Managing their Inventory : Inventory management is an art. At times high margin offered by the company lure retailers to unnecessary stock piles. When demand does not matches supply it results in space consumption, money wastage and goods getting dumped especially if it has shelf life.

Selling on credit : Many a times retailers sell goods on goodwill or personal credit. End users when fail to repay, it results in huge loss, relationship getting strained and customer eventually moving elsewhere. Not easy for retailers to keep in money in rotation.

E- commerce: Although many manufacturers use this modern platform eg Mi Mobiles getting sold as flash sales on Flipkart, small time retailers are struggling big time. Many have failed to keep ends meet. They incur huge loss because of this digital world competition and fail to keep up with technology driven market.

Conclusion

Though many retailers have closed down during past decades but a lot many have survived keeping themselves updated and embracing modern technological advancements. Indian retail Industry is here to stay for a longer period of time. It is growing at a healthy pace and world is looking towards it with astonishment. Many foreign retail giants are getting ready to enter the market which will eventually result in healthy competition. End user will benefit as they will get quality product at a competitive price. For retailers it is important to embrace technology and not fight it. The world is changing at a faster pace so is the consumer taste and preference. With the advent of digital space, retailers need to shake hands with this platform. It will help them to keep their face above the water and not get drowned.

The policies framed by the Government like attracting FDI is welcoming sign but still few policies have to be framed keeping totally Indian manufacturers and players into mind so as to protect them from foreign Giants so they do not lose the battle against better equipped and financially more sound foreign players. Association of retailers can get their retailers trained on use of latest technology, digital soundness and on changing trends in the market. Time to time workshop and seminars can be organized for them so as to keep them updated and help them survive in the long run.

Big players like D mart, Big bazaar, Reliance etc are so far generating income and are also source of employment. Their interest should be taken care of in the long run so as to stop employment loss. So far retail sector is generating 8% employment. Now this giant needs to employ more youth so as to increase this percentage to double figure. The Government can play a vital role in this aspect. Retail industry is still giant elephant but e - commerce an ant can disturb this Giant in the long run. Need of the hour is to create win win situation for both of them so that both can survive & thrive.

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