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Transformation of retail sector: A critical review of Indian retailers

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Abstract

The Indian retail industry has the position of being the fifth biggest globally. The Indian retail business, which includes both organized and unorganized sectors, has seen rapid growth in recent years, making it one of the fastest-growing industries in India. Initially, the retail business in India was mostly disorganized. However, due to evolving customer tastes and preferences, the industry has gained popularity and is now becoming more structured. From 2007 to 2015, the Indian Retail Industry is projected to increase from US\$330 billion to US\$640 billion. Based on A.T. Kearney's 10th Annual Global Retail Development Index (GRDI), India has a robust growth fundamental basis, making it an opportune moment to go into the Indian retail market.

The Indian Retail Market constitutes 22% of the nation's Gross Domestic Product (GDP) and contributes to 8% of the overall employment. It is projected that the whole retail expenditure would increase twofold throughout the next five years. Organized retail, which is now experiencing a compound annual growth rate (CAGR) of 22%, is projected to account for 21% of the whole spending. The projected growth rate for the unorganized retail sector is around 10% annually, resulting in an anticipated increase in sales from \$309 billion in 2006-07 to \$496 billion in 2011-12. This paper examines the evolving landscape of the Retail Industry, including both organized and unorganized sectors. It also explores the key stakeholders within the retail industry and sheds light on the forthcoming problems that the industry will encounter.

Keywords: CAGR, retail sector, stakeholders, GDP, growth

1. Introduction

The retail industry in India is seeing significant growth and is becoming more dynamic and vibrant. International companies are entering the Indian market and established industry leaders are taking bold and creative initiatives to attract consumers. Simultaneously, the first participants are reevaluating their approaches in order to maintain competitiveness and adapt to the evolving market environment. In the coming years, the organized retailing sector in India is expected to experience significant growth. This growth will be driven by the entry of several prominent international players who are adapting their formats to cater to local preferences and purchasing patterns. Meanwhile, regional players are intensifying their efforts to gain a competitive advantage over global players by leveraging their understanding of local markets. It is evident that the next phase of the retail expansion is imminent.

The retail sector plays a crucial role in the Indian economy. In recent years, the retail sales in India have accounted for around 33-35% of the country's GDP, whereas in the US, it has accounted for 20%. The retail sector in India has the position of being the fifth biggest globally. The Indian retail business, which includes both organized and unorganized sectors, has seen rapid growth in recent years, making it one of the fastest-growing industries in India. Although the retail business in India was once disorganized, it has since gained popularity and is becoming more organized due to the changing interests and preferences of customers.

The retail market in India is projected to increase from USD 672 billion to USD 1.1 trillion by 2020, with an anticipated annual growth rate of 20 percent in contemporary commerce. The report further said that the fast-moving consumer goods (FMCG) industry in India is projected to see a compound annual growth rate (CAGR) of 21 percent. It is anticipated that the market would reach a value of USD 103.7 billion by the year 2020, up from USD 49 billion in 2016.

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According to a survey conducted by industry organization ASSOCHAM and media group, the retail and FMCG sectors in India are seeing significant growth and are projected to increase at rates of 20 percent and 21 percent, respectively. The rural fast-moving consumer goods (FMCG) market in India is projected to see a compound annual growth rate (CAGR) of 14.6%, reaching a value of USD 220 billion by 2025, up from USD 29.4 billion in 2016. Organized retailing pertains to the commercial operations conducted by authorized retailers, namely those who are duly registered for sales tax, income tax, and other related obligations. These include hypermarkets and retail chains that are supported by corporations, as well as privately held major retail enterprises. Unstructured retailing, conversely, refers to conventional forms of affordable retailing, such as local kirana shops, proprietor-operated general stores, convenience stores, hand cart sellers, and sidewalk vendors, among others.

2. Literature Review

Akash (2009) ^[9] says that Retail business in India, as anywhere else in the world, plays a crucial role in an economy. Retail in India has the potential to add value over Rs 2,00,000 crore (\$45 billion) business by the year 2010 generating employment for some 2.5 million people in various retail operations and over 10 million additional workforce in retail support activities including contract production and processing, supply chain and logistics, retail real estate development and management.

Shivkumar, (2010) ^[13] also holds the opinion that retailing is the next sunrise segment of the economic development of the country. Next-Generation Retailing in India: An Empirical Study Using Factor Analysis 27 Mishra (2008) says, there is a hectic activity in the sector in terms of expansion, entry of international brands and retailers as well as focus on technology, operations, infrastructure and processes. All these present a tremendous opportunity in this high growth industry.

Yuvarani (2010) ^[10] opines that according to a study the size of the Indian Retail market is currently estimated at Rs 704 crores which accounts for a meager 3% of the total retail market. However, the future is promising, the market is growing, government policies are becoming more favourable and emerging technologies are facilitating operations.

Biyani (2015) ^[11] describes that we are on the cusp of change wherein a huge, multicultural India is transforming from a socialist economy to a consumption-led, creative economy. The scope and depth of change that is taking

place due to the revolutionary retail market with a gigantic opportunity for marketers and retailers, not only in large cities but also in small towns. So retailing can play a significant role in creating the India of tomorrow.

Kearney (2017) ^[12] explains that the retail sector provides a unique platform to India. Government, both central and state, need to engage with the sector and utilize its potential for social development. So, the Indian market and its consumers poised for a retail consumption explosion that will continue for future. India's sunrise retail sector is witnessing a major transformation as traditional markets make way for modern and indigenously.

3. Objectives of paper

- To study the growth of the retail sector in India with special study on the recently commissioned mall at our Tier I city.
- To know the consumers' sensitivity on the kind of shopping
- To know the behaviour of customers on mall culture

4. Research Methodology

4.1 Data collection: The data has been collected both from primary as well as secondary sources. The Primary data has been collected by means of a questionnaire & through personal interviews

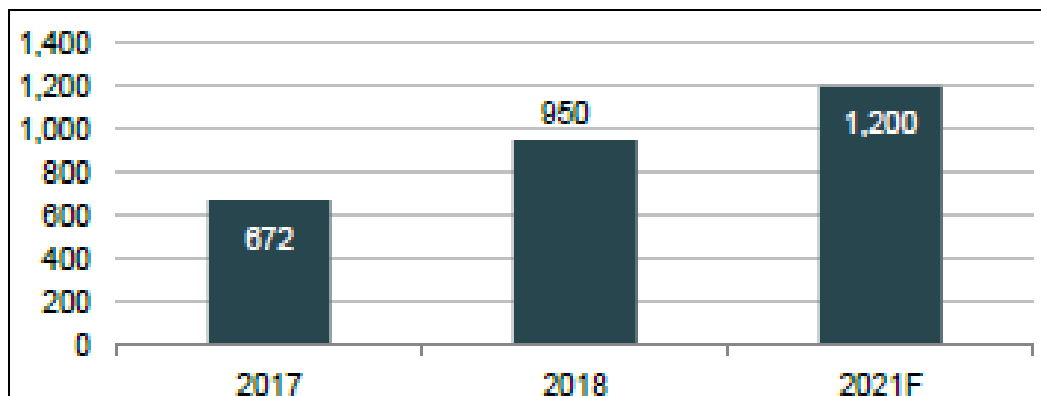
4.2 Sample size: Of the total 200 Respondents, nearly half of them answered through questionnaire Population: Major respondents included youth between the age of 16-25 years & the next category covers the married couples with small children & the few were adults above 40 years.

4.3 Methods and Tools used

Case study analysis, Questionnaire, Personal interviews & social networking sites.

5. Present scenario

Retailing in India is witness to the boom in terms of modern retailing formats, shopping malls etc. The Future According to a study, the size of the Indian retail market is currently estimated at Rs.704 crores which accounts for a meager 7% of the total retail market. As the market becomes more and more organized, the Indian retail industry will gain greater worth. The retail sector in the small towns and cities will increase by 50% to 60% pertaining to easy and inexpensive availability of land and demand among consumers. Factors that are playing a role in fuelling the bright future of the Indian retail are as follows –

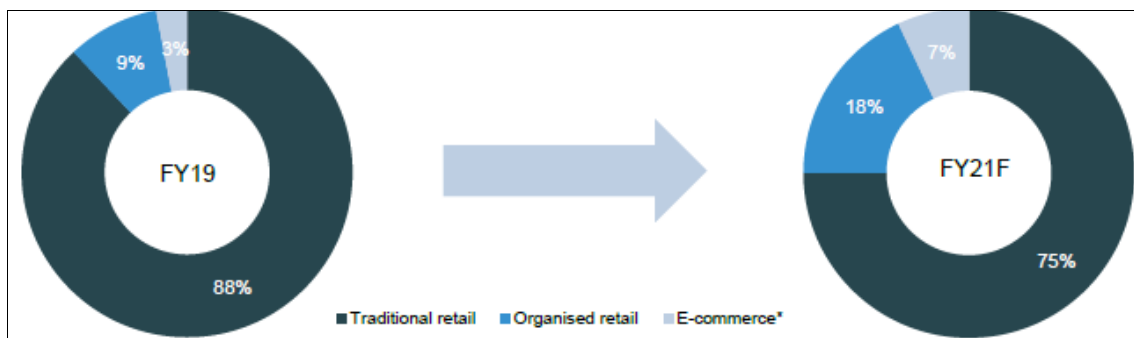


Source: IBEF report, 2020

Fig 1: Market Size (in billions)

The income of an average Indian is increasing and thus there is a proportional increase in the purchasing power. The infrastructure is improving greatly in all regions is benefiting the market. Indian economy and its policies are also becoming more and more liberal making way for a wide range of companies to enter Indian market. - Indian population has learnt to become a good consumer and all national and international brands are benefiting with this new awareness. Another great factor is the internet revolution which is allowing foreign brands to understand Indian consumers and influence them before entering the market. Due to the reach of media in the remotest of the markets, consumers are now aware of the global products and it helps brands to build themselves faster in a new region. Currently, Indian has one of the largest numbers of retail

outlets in the world. Retail investors boosted their shareholdings in Indian companies to an 11-year high in September 2020, with first-time investors continuing to add more money into equities. According to Prime Database, shareholding of retail investors in 1,605 listed companies hit an 11-year high of 7.01% and witnessed ~3.4 million new 'Demat' accounts from July 2020 to September 2020. In November 2020, OnePlus, the Chinese smartphone maker, launched 'OnePlus Nizam Palace' in Hyderabad, touted as its largest experience store worldwide that is spread across 16,000 sq. ft.. The company also announced plans to invest Rs. 100 crore (US\$ 13.51 million) towards market penetration across the omnichannel retail business, including extension of offline experience beyond metro cities with new retail partnerships.



Source: IBEF report, 2020

Fig 2: Scope for growth

6. Emergence of shopping malls in India

Introduction of malls has not been able to replace traditional markets which are still popular among the pocket conscious people, but has definitely added a new adventure to the shopping experience.

6.1 The Trend

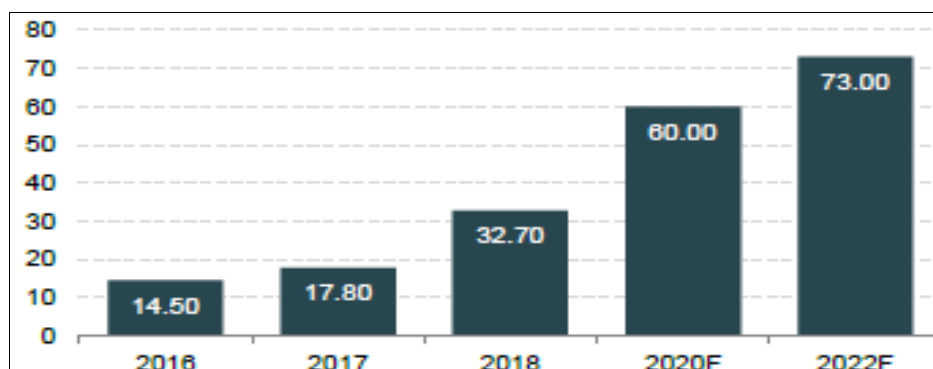
Without any doubt, the mall culture has gripped Indians and they seem love every bit of it. Crowded streets, traffic congestion and mob of people flooding a chick looking building is a popularly visible scenario every Sunday. This brings to light that people’s perception has completely changed towards shopping. This has made malls a mega hit amongst the metro crowd, putting fuel to their ever-increasing demand for a better living. This is a result of the expanding Indian market and disposable incomes by the service class.

6.2 As an alternative

Malls act as great refuge from the scorching heat of the sun, in summers, as all the malls are centrally air conditioned for the purpose. Another reason for the malls being so crowded is quite a number of people roam there armlessly. Their purpose can be anything from a get together with friends to simply window shopping from buying popcorns to buying cards. This explains that hot weather, frequent and prolonged electricity and water cuts are some of the strong reasons why the common man is attracted towards the escalating shrines of consumerism.

6.3 II tier and III tier cities

Malls, the temples of consumerism are cropping up everywhere. These malls have changed the way people are shopping. They are teaching them how to appreciate the good things of life. ‘Comfort’, ‘Style’, ‘Convenience’ and ‘Cool’ are the only some of the words used by the shoppers introduced to the mall culture.



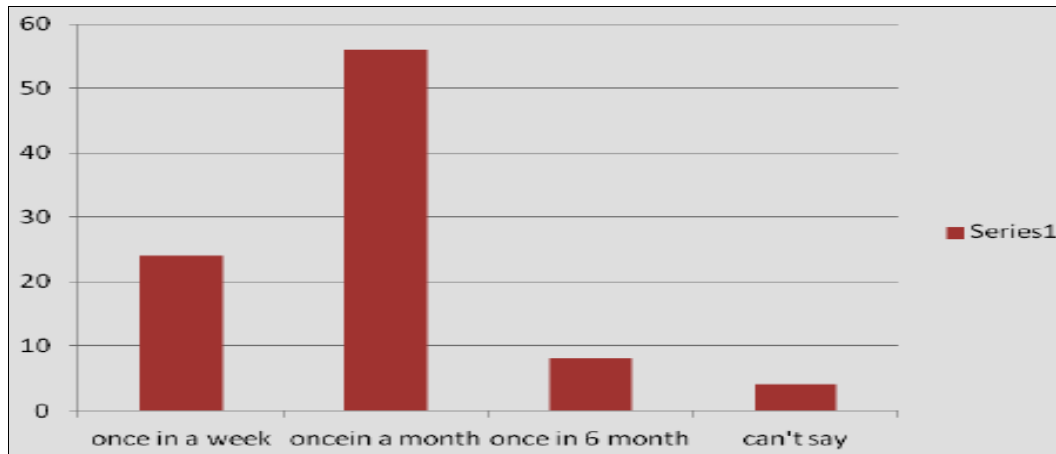
Source: IBEF report, 2020

Fig 3: Market size of online retail (in US\$ billion)

And no one is complaining. India was to have some 350 malls out of which nearly 250 were planned in Tier II and Tier III towns, taking this revolution further. Now there is a new association of big brands that has come together to give brand loyalists something to cherish, aspire for and much, much more. Our attempt was to find out the different Malls that have been planned here.

7. Data Analysis & Interpretation

The data presented is below is based on the survey of 100 respondent's collected from the Tier-I cities. The researcher has visited various malls and collected primary data with the help of questionnaire and analyzed the data with the help of various statistical tools.

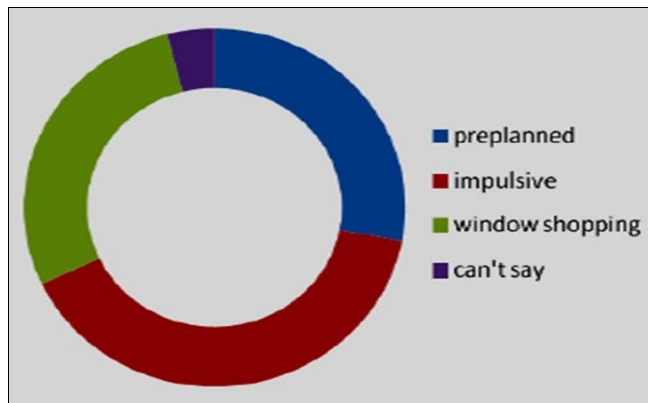


Source: Primary data n-100

Fig 4: Opinion regarding visit to Mall

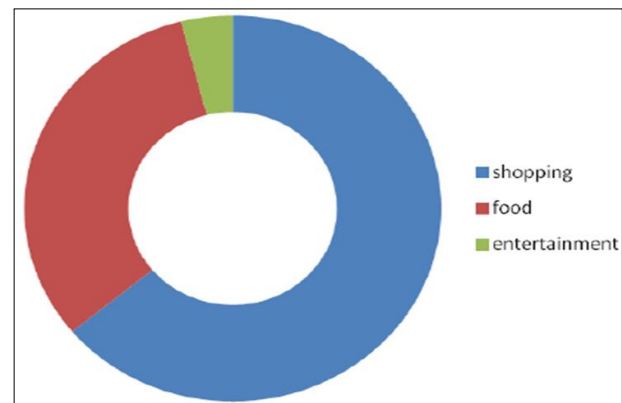
A major group visited the mall only once in a month. The group that visited once in a week was the youth.

Of the 100 population, a huge majority of 94 welcomed mall culture.



Source: Primary data n-100

Fig 5: Nature of respondent's shopping in a Mall

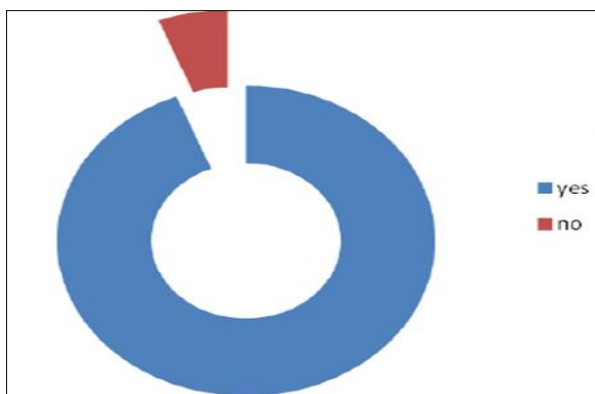


Source: Primary data n-100

Fig 7: Respondent's opinion regarding interest in Mall

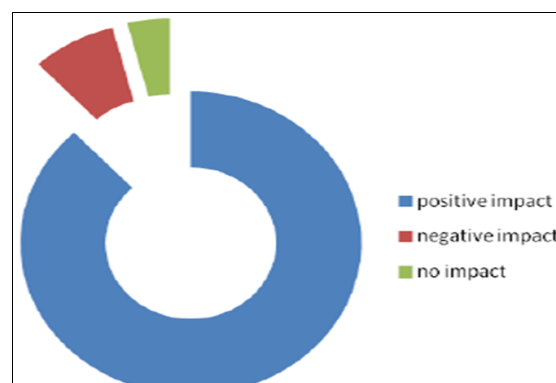
Among the 100 surveyors, 40 did pre-planned shopping and 28 shared impulsive and window shopping each.

A crowd of 64 admitted the most interesting in mall is shopping with 32 youth went only for food which was again observed to be the teenagers.



Source: Primary data n-100

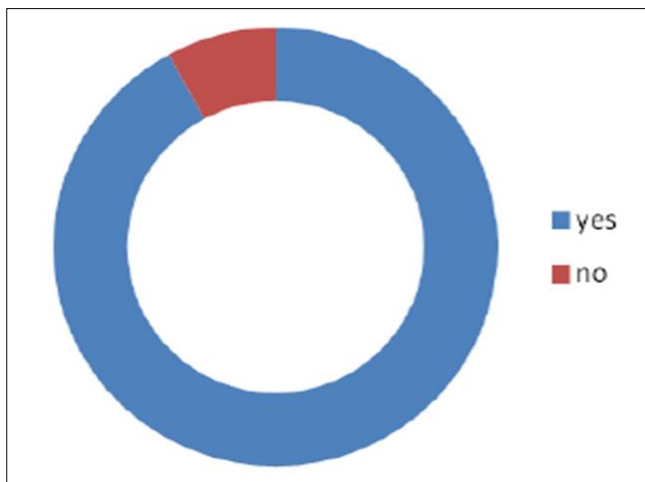
Fig 6: Mall culture



Source: Primary data n-100

Fig 8: Impact of Mall culture on life style

A good response of 88% said that mall culture has a positive impact of the life style of youth, at the same time a few negative impacts was stated by the parental group.



Source: Primary data n-100

Fig 9: Opinion regarding the standard of living of respondents Among the 100 people surveyed, 92 accepted the fact that the malls have increased the standard of living of the citizens of Tier-I cities.

8. Conclusions

India is expected to become the world's fastest growing E-commerce market, driven by robust investment in the sector and rapid increase in the number of internet users. Various agencies have high expectations about growth of India's E-commerce market.

After an unprecedented decline of 19% in the January-March 2020 quarter, the FMCG industry displayed signs of recovery in the July-September 2020 quarter with a y-o-y growth of 1.6%. The growth witnessed in the fast-moving consumer goods (FMCG) sector was also a reflection of positivity recorded in the overall macroeconomic scenario amid opening of the economy and easing of lockdown restrictions.

Malls have marvelled the lifestyle of shoppers. These are the magnetite pagodas where you merchandise from 'pin to pyramid'. A shopping mall can be described as a 'shopaholic paradise' for a number of reasons. The retails and shoppers hope the upward trend in the mall purchase to stay longer. It is proved by the rising graph of sales figures in the mall merchandise. The super market, hyper malls really contribute a lot for the product development.

It is projected that by 2021, traditional retail will hold a major share of 75%, organised retail share will reach 18% and E-commerce retail share will reach 7% of the total retail market.

Nevertheless, long-term outlook for the industry looks positive, supported by rising income, favourable demographics, entry of foreign players, and increasing urbanisation.

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