

## A CASE STUDY

# Growth and opportunities of organized retailing in India

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Received : 23.01.2016; Accepted : 28.03.2016

### ABSTRACT

Retailing is one of the most attractive sector in the world's economy. It is becoming one of the largest industry all over the world. Indian economy is not also exception regarding this. From the last decades, the Indian retail industry has become the hot favourite destination for organized retail companies. A lot of big industrial groups have jumped in it as Reliance, Pantaloon, Tata, Landmark, Parimal, etc. Now the Indian retail sector has attracted the attention of people from various fields including academia and research organizations. The present study is undertaken to gain an insight about the present structure of Indian retail sector, the major sub-sectors in organized and traditional retail and changes in the relative share of organized retail in various segments. The study is descriptive in nature. The study is based on secondary data, which is taken from various reports published by various organizations.

**KEY WORDS :** Retailing, Organized retailing, Growth

**How to cite this paper :** Das, Ganesh and Kalra, Ritesh (2016). Growth and opportunities of organized retailing in India. *Internat. J. Com. & Bus. Manage*, 9(1) : 108-112.

The world retail means selling of goods in small quantities directly to the consumer. Retailing can be defined as a distribution channel function, where an organization, buying the products from supplying firms or manufacturing the products themselves, sells these directly to consumers (Singh, 2014). Retailing is beneficial to both consumers and sellers. On the one hand it enables the consumers to purchase small quantities of products at a reasonably affordable price; on the other hand it provides a

chance to suppliers to reach their target market. Through retail promotions they can build product demand and provide consumer feedback to the product marketer (Dun and Bradstreet, 2009). Thus, retail consists of sale of goods and services from individuals or businesses to the end-user. A retailer earns profit by purchasing large quantities of goods and services either from manufacturers directly or through a wholesale and he is a part of an integrated system called the supply chain (Stars, 2013).

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### Organized retailing :

Organized retailing-organized retailing refers to trading activities undertaken by licensed retailers, those who are registered for sales tax, income tax, etc. These include corporate-backed hypermarkets and retail chains, and also private owned large retail businesses. Hence, organized retail which now constitutes a small 4 per cent

total retail sector is growing at a much faster pace of 45-50 per cent per annum (Corporate catalyst India, 2012).

Kumar *et al.* (2011) stated that in India the vast untapped middle class is the key attractive forces for domestic global retail giants wanting to enter into retail markets, which in turn will help the India retail industry to grow faster. The study concludes that India retail industry is gradually inching its way towards becoming the next boom industry.

Rajput *et al.* (2012) consolidated that FDI will have a positive impact on the retail industry. With big retail giants coming to India, it will surely improve our back-end storage and procurement process. Once these multi-chain retailers establish themselves, they will create infrastructure facilities, which will also propel the existing infrastructure. The farmers will benefit from FDI as they will be able to get better prices for their produce. The elimination of the intermediate channels in the procurement process will lead to reduction of prices for consumers, respectively. The whole economy will be benefitted including government and people at large with

the reform process.

Verma *et al.* (2012) stated that the recent government paper on allowing FDI in multi-brand retail is of course a welcome move. But it is taken very late; the reason given is that the small and unorganized Indian retailers need to be protected against the well capitalized foreign retailers. But the small and traditional retailers in high streets and bazaar continue to thrive and it is becoming more and more interesting to witness the evaluation of the retail business in India.

Gupta *et al.* (2012) conducts a study to understand the consumer behaviour towards organized and unorganized retail stores and to find out the consumers satisfaction level from organized retail stores as well as unorganized retail stores. It was concluded that in India organized and unorganized retail sector can co-exist and flourish. But organized retail shop lacking interaction with the consumer and have failed to make loyal customer. Thus, in India it is quite doubtful that organized retail will be ever able to overcome to unorganized retail completely.

In many studies the benefits and the drawbacks of

**Table 1 : Showing ranks and GRDI index**

Sr. No.	Country name	Year- 2013		Year -2012	
		Rank	GRDI	Rank	GRDI
1.	Brazil	1	69.5	1	73.8
2.	Chili	2	67.1	2	65.3
3.	Uruguay	3	66.5	4	63.1
4.	China	4	66.1	3	63.8
5.	United Arab Emirates	5	63.5	7	60.6
6.	Turkey	6	62.6	13	53.4
7.	Magnolia	7	62.5	9	58.5
8.	Georgia	8	61.4	6	60.6
9.	Kuwait	9	58.4	12	56.6
10.	Armenia	10	58.2	-	-
11.	Kazakhstan	11	57.5	19	50.5
12.	Peru	12	56.5	10	57.4
13.	Malaysia	13	55.3	11	57.1
14.	India	14	55.0	5	60.8
15.	Sri Lanka	15	54.4	15	52.8
16.	Saudi Arabia	16	54.2	14	53.3
17.	Oman	17	53.9	8	58.9
18.	Colombia	18	52.1	-	-
19.	Indonesia	19	51.9	16	52.7
20.	Jordan	20	50.9	18	51.1

Sources: Kearney analysis 2012 and 2013

organized retailing has been discussed. Some of them are in favour of organized retailing and some are against. Between these my study is useful to understand

the expected future changes in the Indian retail market and the implications of recent policy changes adopted by Government of India.

Table 2 : Formats of organized retail market in India	
Name	Description
Hypermarket	It ranges from 50000-100000 sqft. Offers a large basket of products, ranging from grocery, fresh and processed etc.
Supermarkets	Generally large in size (4000-25000 sqft.) and typical in layout, offer not only households products but also food ad an integral part of their services
Departmentalstore	Itcaters variety of consumer needs. It range from 10000-60000 sqft. Examples are shopper stops, pantaloon, and westside life style.
Specialty store	It focuses on special market segment and generally range 2000-5000 sqft.
Discountstore	Factory outlets provide an opportunity to get discount on MRP. Product category can be perishable or non-perishable.
Convenience store	Conveniently located in crowded neighbor hoods ranges 400-2000 sqft.
Mall	Largest forms of modern retailing range in 60000-700000 sqft and above. It provides ideal shopping experience with products, services and entertainment under one common roof.

Source: Sethi and Rani, 2013

Table 3 : Showing Indian retail (Billion US Dollars)				
Category	Years			
	2006	2011	2016 (E)	CAGR % 2011-16
Food and grocery	217	325	425	5.50
Restaurant and food junction	4.6	8.8	15.8	12.50
Apparel	25	35	50.2	7.5
Furniture and furnishing	6.5	9.1	17.1	13.50
Healthcare and fitness services	0.4	1	2.5	20
Consumer electronics and information technology	16.5	22.7	42.8	13.50
Pharmacy	8	13.9	23.4	11
Jewellery, watches, etc.	16.5	25.6	44.2	11.50
Beauty services	0.6	1.3	3	18.00
Footwear	3.6	4.5	8.3	13.00
Others	11	23	42.5	13.10
Total US \$ (Billion)	310	420	675	7.50

Table 4 : Shopping organized retail (Billion US Dollars)				
Category	Years			
	2006	2011	2016 (E)	CAGR % 2011-16
Food and grocery	2	9	34	30.00
Restaurant and food junction	0.5	1.5	6	30.00
Apparel	3.5	5.5	8	8.50
Furniture and furnishing	0.4	0.7	1.2	12.00
Healthcare and fitness services	0.1	0.2	0.6	25.00
Consumer electronics and information technology	1.5	4	18	35.00
Pharmacy	0.2	0.8	4.5	41.00
Jewellery, watches, etc.	1	2.5	7.5	25.00
Beauty services	0.2	0.2	0.5	20.00
Footwear	1	1.7	3.8	17.5
Total US \$ (Billion)	10	20	84	26.00

Source: Computed from Technopak, 2011

**Objectives of the study :**

- To analyse the present structure of Indian retail sector and changes therein during last few years.
- To make a segment analysis of Indian retail sector in order to know about the major sub-sectors in organized and traditional retail and changes in the relative share of various sub-sectors over last few years.
- To find out some measures/steps need to be taken by Indian retailers to meet successfully the emerging global competition in the sector.

**METHODOLOGY**

The present study is based on secondary data and information collected from a variety of sources. An attempt has been made in the present study to make a systematic analysis of changes in the size and structure of Indian retail market over last few years. Collecting and compiling data and information from various available sources is presenting with the help of Tables 1- 4.

**Global retail scenario :**

In 2013 India has its lowest ranking in the GRDI's of 12 years, amid high operating costs, low bargaining power with vendors and heavy discounting to improve sales. In 2012 we are ranked number 5 but within year we drop in high margin from 5 to 14. This shows the complexity of Indian retail industry.

**Growth in Indian retail industry in different categories :**

From the above listed Table 3 it can be affirmed that Food and Grocery constitutes the bulk of Indian retailing and its share is estimated at US\$ 325 Bn. in 2011 (69% of the overall retail) and is expected to grow to US\$ 425 Bn. by 2016 (63% of the overall retail), @ CAGR of 5.5 per cent apparel market in India is estimated at US\$ 35 Bn. in 2011 and is expected to grow to US\$ 50 Bn. by 2016, @ CAGR of 7.5 per cent.

The next in importance is clothing and footwear, the share of which has been about is estimated at US\$ 5.5 Bn. in 2011 and is expected to grow to US\$ 8 Bn. by 2016, @ CAGR of 8.5 per cent. Though the share of organized retailing remains low but in few categories it is quite high. Categories like Apparel market which is estimated at US\$ 5.5 Bn. in 2011 and is expected to grow to US\$ 8 Bn. by 2016, @ CAGR of 8.5 per cent.

The organized food and grocery retail market in India is estimated at US\$ 9 Bn. in 2011 and is expected to grow to US\$ 34 Bn. in 2016 with CAGR of 30 per cent. Food and grocery has the highest share of organized retail. Food and grocery along with apparel, jewellery and watches and consumer electronics and IT accounts for 80 per cent of the organized retail market in India in 2011 which is likely to grow in 2016.

**Opportunities available for the organized retailers:**

This change has come in the consumer due to increased income, changing lifestyle and pattern of demography which are favourable. Now the consumer wants to shop at one place, where he can get food, entertainment and shopping under one roof (Gupta *et al.*, 2012).

The per capita income is increased from Rs.24143 in 2003-04 to Rs. 88533 in 2014-15 with the growth rate of 10.1 per cent. With this the standard of living also increased and it is a great opportunity for organized retailers.

The increasing urbanization also makes chances of growth for organized retailing.

The make in India project will help in this regarding.

**Conclusion :**

As the trend of growth of organized retailing seen the future of organized retailing is bright. This will become the mile stone in Indian retail industry. The dream of make in India and digital India will be fulfill by the growth of organized retailing. The smart city projects give more opportunities to this sector. The organized retailing is also in favour of customers and farmers. In nut sell the organized retailing will play important in the growth of Indian economy and *vice-versa*.

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