

A STUDY ON RETAIL MARKETING SECTOR'S OPPORTUNITIES AND CHALLENGES IN THE CURRENT ENVIRONMENT

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Abstract: India's retail market is one of the fastest-growing in the world and is quickly becoming one of the biggest economic sectors. Both the organized and unorganized retail sectors are included. Based on economic value, the Indian retail market is projected to be around US\$600 billion, making it one of the top five global retail markets, accounting for 35% of GDP. With a 6% market share, organized or modern retailing is currently valued at \$26 billion and is expected to rise at a compound annual growth rate of 40% to reach US\$ 1.3 trillion by 2018. This industry is undergoing a period of transition, and "shift" or "change" are key components of its long-term viability. Additionally, retail marketing offers businesses a plethora of important options and brands nationwide as a result of shifting consumer habits, increased employment prospects, income, and customer awareness. Additionally, one of the causes driving the retail industry is the expanding middle class. As a result, this study examines the evolving trends in retail formats, the difficulties that both the organized and unorganized sectors face, and the prospects for the retail business in the future.

Index Terms: Retail Market, Unorganized Sector, Retail Industry, Challenges & Opportunities

✓ Introduction:

The retail sector is the biggest of all Indian industries, accounting for about 10% of the country's GDP and employing nearly 8% of its employable workforce. It is also slowly but surely making inroads into becoming the next big thing. In India, the retail sector has emerged as one of the most vibrant and rapidly evolving sectors, drawing in new competitors. However, the significant upfront costs necessary to compete with other businesses have prevented them all from succeeding to date. The retail sector shapes our way of life in addition to being a vital component of our economic system. A successful store, according to former head of the retail segment Sponsors Rama Subramaniam, is a "merchant who offers items that won't return to clients who will. As a result, the store fulfills the needs of both producers and customers. In terms of retail structure and customer purchasing patterns, the notions of retailing and shopping have undergone significant transformation, resulting in a revolution in Indian retail.

✓ Objectives of the Study:

1. To know the research of evolution and shifting patterns in retail formats.
2. To understand the obstacles both organized and unorganized retail sectors confront, as well as the retail industry's prospects for the future.

✓ Evolution of Retail Sector:

The trends that are driving the growth of the retail sector in India are

1. Low share of organized retailing
2. Falling in real estate prices
3. Increase in middle class disposable income and customer aspiration



Source: Kantar Retail Market Evolution Model (source Kantar Retail Analysis)

Evolution of Indian Retail



✓ Major Retail Formats:

Retail formats in India categorized into

Store Retailing: Stores are divided into general-line and limited-line retailers based on their product strategy, according to Finn & Louviere (1996). General-line merchants include department stores, bargain stores, and membership warehouses.

Non-Store Retailing: Approximately 80% of retail transactions take place in physical stores. But more and more sales are happening outside of physical stores. Non-store retailing is the term for retailing activities that lead to transactions that take place outside of a physical store. Non-store sales are thought to make up over 20% of all retail transactions. Non-store retailing is based on a direct relationship between the retailer and his customers. About 20% of retail sales in India come from non-store sources. The percentage of non-store is gradually increasing. In detail retail formats are

Hyper Marts/Supermarkets: These are sizable self-serve shops that stock a wide variety of food and non-food items. They have capabilities for central check-out. "A departmentalized retail establishment with four basic departments - self-service grocery, meat, produce, and dairy plus other household departments and doing maximum business" is how Kotler describes a supermarket. It can be the sole owner operated or have a concession contract for a portion of the departments.

Mom-and-Pop Stores: They are family-run businesses that serve niche markets; they are independently managed retail establishments with a unique personality.

Departmental Stores: Do general retailers provide high-quality goods and services? These are sizable retail establishments that sell a wide range of products under one roof and under separate sections, each of which specialized in a certain product. According to Converse, a department store is a retail establishment that sells a variety of products, particularly fast-moving consumer items, and keeps each class apart from the others in terms of location, accounting, and management. According to Clarke, it is the kind of retail establishment that predominantly serves female customers and houses a large variety of goods under one roof, organized into distinct divisions that are under central management. A department store, then, is a retail business unit that deals with a broad range of shopping and specialty items and is set up into distinct departments for the reasons of accounting management, sales promotion, and store operation.

Convenience Stores: Are found in residential neighborhoods, and because of the convenience they provide, the prices of the goods are slightly higher. These shops allow clients to make quick purchases and provide a limited number of services. They typically remain open for prolonged periods of time throughout the day and carry a small selection of high-turnover convenience products; the convenience premium results in slightly higher prices.

Shopping Malls: Malls, the largest retail establishment in India, provide a wide range of goods and services, including dining options and entertainment, all under one roof. Four or more locations that sell the same goods, are owned and operated centrally, and are typically stocked from one or more central warehouses make up a chain store system. One of the retail locations in a chain store system is a chain store. According to one definition, a chain is a collection of two or more fairly like establishments in the same industry or type that are owned and operated by the same person. They are stocked entirely or mostly from central merchandising headquarters and receive their supplies from manufacturers or orders placed by central buyers.

E-Retailers: Are companies that sell and purchase goods and services online. When a business sells goods on its website and people or organizations use their computers to buy from the business, this is known as an electronic transaction (sometimes termed on line selling or online marketing). The focus of many electronic transactions is on enterprises selling to final consumers. Therefore, computerized transactions in which the buyer is the final consumer constitute online retailing.

Discount Stores: These are factory stores that offer MRP discounts. These are big shops that advertise extensively and are available to the public. They are general merchandising and self-service establishments. They have a large selection of well-known brand products, appliances, sporting goods, home furnishings, apparel, toys, and vehicle services. They operate with a minimal quantity of customer services and a reasonably low markup, and they finish on a low price basis. They include full line limited service stores, catalog-style order offices, promotional stores, and small open showrooms. They purchase their inventory from manufacturers directly as well as wholesale dealers.

Vending: It's a very recent addition to the retail industry. Here, vending machines sell drinks, snacks, and other minor goods.

Category Killers: Customers can choose from a wide range of categories at these small specialist shops. Because they concentrate on particular categories, including electronics and recreational goods, they are referred to as category killers.

Specialty Stores: are retail chains that offer a wide variety and specialize in particular sectors. Examples are RPG's Music World and Mumbai's Crossword Book Store. divided into two categories: non-store retailing and store retailing.

Direct Selling: Personal interaction between a salesperson and a customer outside of a retail location is known as "direct selling" in the retail industry. Home selling is another name for this kind of retailing. Since the start

of the twenty-first century, the annual volume of direct selling in India has been rapidly increasing.

Telemarketing: Telemarketing, often known as telephone selling, is the practice of a salesperson calling a customer and concluding a deal. Cold canvassing using the phone book is a common practice in telemarketing. A lot of goods that can be purchased virtually are sold over the phone.

SWOT analysis of Retail Industry in India:

<p>Strengths:</p> <ol style="list-style-type: none"> 1) Retailing was organized at US\$ 3.31 billion, with an 8% growth rate. 2) At 20%, agriculture is the second-largest contributor to GDP. 3) Consumption patterns are evolving in tandem with consumer purchasing patterns. 4) The annual increase in consumer spending is 11%. 5) There is about 25 million square feet of retail space available. 6) A paradigm shift in the way customers shop that attracts more people. 	<p>Weaknesses:</p> <ol style="list-style-type: none"> 1) A lack of reasonably priced, high-quality retail spaces. 2) Government rules pertaining to real estate development (Urban Land Ceiling Act) 3) Value must be delivered while preserving profit margins. 4) Insufficient industry standing. 5) The monolithic urban-rural split prevented the retail revolution from reaching 250 million people. 6) Insufficient large investments for growth
<p>Opportunities:</p> <ol style="list-style-type: none"> 1) A growing urban population means more people are taking part in the retail revolution. 2) A rise in the population of middle-class consumers. 3) Spending power has increased due to social variables, such as multiple household income. 4) Spending is shifting toward lifestyle and self-esteem-boosting items. 5) The average monthly grocery expenditure is 42%, which offers a significant possibility. 6) A rise in credit card usage. 	<p>Threats:</p> <ol style="list-style-type: none"> 1) Project viability is impacted by rising lease/rental expenses. 2) Consumer spending may be significantly impacted by weak monsoons and slow GDP growth. 3) Providing a 24/7 shopping experience is hampered by antiquated labor regulations. 4) Kirana stores provide individualized service. 5) A shortage of skilled workers to sustain retail's rapid expansion. 6) Dissimilar tax laws that impede growth.

✓ **Share of Projected Retail Growth by Country 2010-2015:**

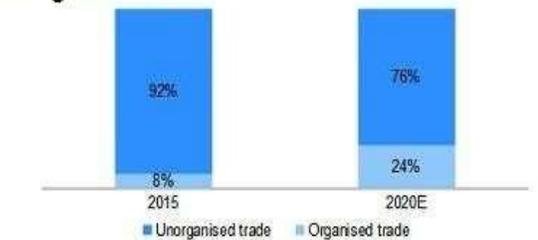
Country	2015 Share	2015 Growth	Cumulative Growth Share
China	21.5%		21.5%
United States	19.1%		40.6%
Russia	7.5%		48.1%
India	5.9%		54.0%
Venezuela	3.3%		57.3%
Mexico	3.1%		60.4%
United Kingdom	2.9%		63.3%
South Korea	2.8%		66.1%
France	2.2%		68.3%
Brazil	1.7%		70.0%

Source: Kantar Retail

✓ **Challenges in Indian Retail Sectors:**

- Lack of Retail Space and High Stamp Duty:** The retail industry has grown negatively due to the sharp rise in real estate prices, which also brings with it high stamp duty rates that differ from state to state. The competition comes from the unorganized retail sector, which is less expensive, employs less skilled workers, and needs less space.
- Lack of Recognition of the Retail Sector:** Despite its economic contribution, India's retail sector needs significant financial resources to advance by implementing a number of legal system reforms.
- Lack of Skilled Workers:** The retail industry is currently struggling to retain skilled workers to keep up with competition, which lowers profit margins.
- Government Regulations:** Variations in the country's economic policies lead to a slowdown in the expansion of the retail industry. Foreign direct investment is now only permitted in one brand in India, up to 51%. This aspect presents a barrier to merchants and impedes expansion.
- The rise of online retailing:** As consumers' purchasing habits, disposable income, and lifestyles change, they are shifting their mindset from traditional retail establishments to online businesses.
- Rigid Tax Structure:** Although the government implemented value added tax, organized retail must pay a significant amount of tax before their products are delivered to final customers. In contrast, unorganized retail avoids paying taxes, which becomes a problem for retail sector.
- Distribution Channel Conflicts:** The retail industry serves as a middleman between buyers and sellers. Maintaining effective supply chain management is one of the system's primary challenges.
- Investment:** To launch a retail operation, the retail sector needed significant financial resources. Because there are more sources of funding available, it will be challenging for new competitors to open retail locations.
- Penetrating the Rural Market:** The retail industry's next task, according to the blue ocean strategy, is to capture the rural market.

Significant scope for expansion in organised retail



Source: BCG, KPMG-indiaretailing.com, Deloitte Report, Winning in India's Retail Sector, TechSci Research Notes: 'Mom-and-pop' stores are small stores that are typically owned and run by members of a family, E - Estimate

Market size over the past few years (US\$ billion)



Source: BCG Retail 2020, Ernst & Young, Deloitte, indiaretailing.com, Economist Intelligence Unit, Euro monitor, TechSci Research Notes: CAGR - Compound Annual Growth Rate, E - Estimated

✓ Future opportunities of Retail Sector:

- 1. Growth of Middle Class customer:** As customer behavior changed, the retail industry saw an opportunity to launch new product brands that would meet their demands and turn a profit.
- 2. Urbanization and the Rise in Working Women:** The idea that the digital age is turning rural areas into cities, which in turn is contributing to the expansion of the retail sector. Since they don't have free time to buy elsewhere, striking a balance between work and home can be seen as beneficial for retail growth.
- 3. Employment Opportunities:** The retail sector transforms unskilled workers into employable resources through training. Nevertheless, it creates jobs for a variety of groups.
- 4. New Corporate Entries:** The retail industry saw a price war between rival corporations as a result of the influx of new rivals. It turned into a chance for the retail industry to expand and maintain its market share.
- 5. Emerging Rural Markets:** By meeting the requirements of rural residents, the retail industry in India is proving to be the second-largest generator of job opportunities. organized retail industry that creates goods and services to satisfy rural markets' needs.
- 6. Attracting International Retailers:** Indian government policies, legal framework, and retail formats are drawing in more international retailers, who have done so indirectly through joint ventures, franchising, and international direct investments in single brand.
- 7. Technology Development:** The nation's technological progress is another important factor. Retailing has seen a transformation with the advent of computerization, electronic media, and marketing information systems.
- 8. Consumerism:** Today's consumers are well-informed and have high standards for the things they want. This element made it necessary to switch from an unorganized retailer to an organized retailing sector. Retail forms are being shaped and flourishing by consumer demand, preferences, lifestyle, and purchasing patterns.

✓ Conclusion:

The retail industry is anticipated to make a greater contribution to national development and job prospects in the years to come. As a result of shifting consumer preferences, governmental regulations, and the idea of globalization, the retail industry grew from an unorganized to an organized sector. The retail industry can achieve significant development by leveraging the rural market through the blue ocean concept. Despite the difficulties, India's retail industry has benefited from opportunities brought about by the country's demographics.

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