

## AN OVERVIEW OF ORGANIZED RETAIL IN INDIA

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### **Abstract:**

Retail chains carrying several brands and the arrival of significant foreign businesses are two hotly debated subjects. The rapid development of the Indian economy, along with the country's favourable demographics, increasing disposable incomes, and expanding metropolitan areas, makes it a very attractive market for these businesses. Despite these long-term positives, the industry nevertheless confronts substantial headwinds, including costly real estate high prices, a dearth of necessary infrastructure, and fierce competition from low-priced conventional forms. With these obstacles in place, a sustainable ecology that includes both organised and conventional format players is likely to emerge.

**Keywords:** Retail, multi-brand, consumer, urbanization, credit cards.

### **Introduction**

Due to the emergence of a handful of new competitors, India's retail sector has become one of the country's most dynamic and rapidly evolving businesses. Or more 10% of GDP is generated here, and about 8% of the labour force is involved. In the retail industry, India ranks as the world's fifth-biggest target market. By 2021, it is anticipated that the conventional retail model would still dominate the market, accounting for 75% of sales. Organized retail will come in at a close second, with a predicted 18% share. The retail industry, one of the world's most important, is now undergoing significant change in India. The retail industry in India is booming at the moment. The expansion of novel forms of retail in India is fast. India's companies still need to learn how consumers' attitudes regarding buying from chain stores have changed. What was formerly a small-scale retail establishment is being driven into an organised retail model in order to meet the demands and preferences of more affluent and cosmopolitan clientele. As populations shift in different parts of the globe, so does the structure of the retail sector, where consumers make their regular purchases. In reality, well-organized stores serve as a one-stop shop for a wide range of consumer wants and requirements. Recently, consumers' spending habits have shifted. Social elements, such as the customer's social group and socioeconomic level, have an impact on the customer's purchasing decisions. Shopping as a whole has seen a dramatic transformation in India, both in terms of store design and customer behaviour. It is clear that India has seen the arrival of modern retailing in the shape of massive, multi-level shopping malls retail

centres and other large buildings that have many stores, theatres, and restaurants under one roof.

In India, barely 3% of the retail sector is served by organised chains. Ninety-seven percent of the market is made up of small businesses run by families. As a result, there is a growing trend of more structured retail establishments opening up. Throughout time, organised retail has steadily expanded its part in the retail industry. Food and grocery, clothes and textiles, consumer durables, footwear, furniture and furnishing, catering services, jewellery and watches, books, music and gifts, mobile phones, and many more all fall under the umbrella term "retail." When most people think of "organised retailing," they likely picture contemporary retailing, complete with bustling shopping malls, multi-stored malls, and enormous complexes offering a wide selection of items quality, great price, and an enjoyable purchasing experience. In India, the retail industry is currently evolving. In the past, people would shop in kirana stores for their daily needs. This eventually gave way to larger stores owned by a single individual and staffed by a small team. In this location, everything had to be done by hand. Much later, sophistication crept into the industry, and department shops appeared. Nevertheless, beginning in the mid-1990s, a proliferation of retail malls and plazas appeared, where consumers interacted with several employees rather than simply the owner. Customer needs are met by knowledgeable employees, which is a major selling feature. The modern shopping experience is all on convenience, elegance, and swiftness. It's an added service that gives customers greater freedom in how they interact with a product or brand. The percentage of retail sales captured via organised channels is steadily growing. Food and groceries, clothes and textiles, consumer durables, footwear, furniture and furnishing, catering services, jewellery and timepieces, books, music, and gifts, mobile phones, and more categories all fall under the umbrella of retailing. (Prof. Dr. Shahid Akhter, Prof. Iftexhar Equbal).

The term "organised retailing" is used to describe the business practises of stores that have obtained the proper licencing to engage in retail trade and are therefore subject to various types of taxation. Both publicly held corporations and privately held conglomerates support these massive retail operations. That is to say, it is a chain of shops under the same umbrella brand that also has certain forms of self-service.

### **Literature Review**

The topic of organised retail in India has been studied extensively. Some of the abstracts are included here.

The hypothesis of Kohli and Bhagwati (2011) is that, In India, between 2005 and 2009, "organised" (or "big") store sales expanded at a rate several times faster than "unorganised" (or "small") shop sales. Nonetheless, during this time period, unstructured merchants accounted for as much as 85% of the growth in retail sales. As such, we evaluate a time series model that predicts retail sales will maintain their post-

2005 growth rates in the near future. To the extent this holds true, between 2009 and 2016, organised retailers may increase sales by a significant amount (from 4.8% to 9.1%), yet disorganised shops may nevertheless account for the most (up to 75%) of the total increase in retail sales. We consider the overall advantages for both types of retailers and assume that disorganised stores will continue to operate alongside chain stores in the foreseeable future. We also argue that buyers, farmers, and manufacturers stand to benefit from the presence of "large" multinational retailers, despite the fact that their entry is feared. This is because these businesses can invest in India's appropriation framework, which should boost its efficiency and effectiveness. We also contend that they will not likely wipe out India's "little" merchants.

According to research by Akhter and Equbal (2012), the Indian retail sector is one of the top ten largest retail marketplaces in the world. Retailing in India has been revolutionised by a combination of changing customer attitudes and the expansion of organised retail forms. Consumer spending in the retail sector is predicted to be a major potential with the return of financial growth in India. Hence, Indian conglomerates are coordinating their retail advertising strategies in order to best use their resources and therefore produce core competencies, proficiency, and get a strategic edge.

The purpose of this article is to examine the Indian retail sector from a more strategic viewpoint that provide metrics that would allow business planners to integrate the same on both qualitative and quantitative levels. A retail unit's predicted performance may be roughly estimated based on subjective perception, with the results being validated by quantitative analysis.

According to Goyal and Aggarwal (2009), the retail industry has lately seen revolutionary transformations. The rise of big-scale discount retailers like Wal-Mart, Carrefour, K-Mart, etc., is a major contributor to the problems plaguing the retail sector at large. In this article, we take a look at the many formats that shoppers might choose from while making purchases at retail establishments, and we assess their relative importance. The report also delves at how consumers' shopping habits may change as a result of the anticipated enhancements to organised retail in the future. Not everything has the same level of significance for stores, and various products need for specialised layouts.

The purpose of this article, as stated by Srivastava et al. (2020), is to identify the factors slowing down the expansion of the Indian retail sector. This article continues the previous research by dissecting the economic climate of the United States' various commercial regions in the 2010s. It acknowledged the significant operational and infrastructural hurdles faced by the Indian market, which is now seeking the assistance of organised retails in order to achieve a more controllable level of growth. Only the most pressing problems that seriously impact India's well-organized retail sector as a whole will be investigated. Further research into a specific subset of the market should reveal a few other relevant obstacles. There is a huge potential for economic growth and

job creation in the retail sector. India will benefit from the favourable retail environment. For this reason, it is important to have well-thought-out plans in place that take into account the unique difficulties facing this market.

The retail sector, as stated by Gupta and Sharma (2020), has greatly contributed to the worldwide increase in the consumption of consumer goods and services. India's retail sector is ever-evolving and a dynamic industry. It is ranked as one of the top five retail marketplaces worldwide. While the industry is often seen as thriving, it nonetheless lags behind the retail sector in industrialised countries. In this article, we focus on the difficulties and prospects faced by India's organised retail sector. The organised retail sector sees the competition from the unorganised areas as a major challenge. The organised retail sector in India has a number of additional issues, including a shortage of supply chain management, high operating costs, and so on.

### **Retail Industry Drivers**

1. **Strong Demand:** A Booming Economy, Enticing Demographics, Rising Urbanization, Changing Lifestyles, and Increasing Disposable Income desires of consumers. What this means is that retail demand is strong as a result of the aforementioned factors. It is anticipated that the industry would add 39 million square feet of space by the year 2022.
2. **Finance innovations:** banks and NBFCs, as well as retailers, are facilitating consumer spending on discretionary goods by providing convenient loans and payment plans.
3. **Policy backing;** the Goods and Services Tax (GST) unified the industry under a single tax levy. Foreign direct investment (FDI) is restricted to 51% in the multi-brand retail model but is unrestricted in the single-brand retail structure. Such regulations would help India's organised retail sector expand.
4. **The amount invested is growing;** during the previous decade, \$3.35 billion has been poured into the retail industry, with almost \$1 billion invested in 2019.

### **Challenges for the organized retail sector**

Traditional forms provide a formidable challenge to the organised retail sector. The longevity of these stores of this size range is remarkable. Companies have a minimal overhead since they are mostly run by their proprietors and have cheap real estate and labour costs. Despite these costs, organised shops must remain competitive with unorganised ones by keeping prices low (Akhter and Equbal, 2012). Second, retail isn't widely acknowledged, which makes it difficult for businesses both established and startups to get necessary funding. Third, real estate is very expensive in India; in fact, several Indian cities have the highest real estate prices in the world. They have an effect on the project's total operating expenses and reduce the profit margins. Fourth, stamp duties are rather expensive, which means that the already high expenditures associated with real estate would further increase the starting point for the business's budget. Fifth,

the country's poor infrastructure makes it hard to manage a grocery store or food distribution centre. India has terrible highways and almost no refrigerated warehouse space. For the established companies to be able to service these segments, they will need to make substantial investments in these areas.

### Opportunities

1. Urbanization: Urbanisation has shifted people to one place and hence a large retail store can attract a lot of customers.
2. Nuclear Family: Rise in nuclear families with higher disposable income and less time means higher retail stores which offer everything under one roof.
3. Credit cards: Use of credit cards create buying behaviour even when the things are not urgently needed

### Conclusion

Competition from foreign retailers has been a hotly debated issue in India. There are positive trends in the business, such as the growing disposable income, which high disposable incomes, favourable demographics, and rapid urbanisation piqued the interest of many major corporations.

Nevertheless, quick penetration of the structured formats is complicated by issues like high real estate cost and a lack of infrastructure, which are compounded by fierce rivalry from low-cost conventional format operators. In conclusion, in a market of India's size, both the structured and traditional forms can and will coexist.

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