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## **THE EMERGING SECTORS IN RETAILING**

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### **ABSTRACT**

Indian retailing, thus enjoys many unique features, is still done in a primitive way. Barring a few exceptions, Indian retailers, particularly FMCG retailers, are not in a position to implement world-class practices of supply chain management. The concepts of Quick Response or Efficient Consumer Response are unheard of in Indian retailing. The two bases of modern retailing management, the Electronic Data Interface and a mutually respectable partnership among retailers and suppliers (the manufacturers) are missing to a great extent in Indian context. Also, Indian marketing channel members are performing some unnecessary tasks, which makes the channel structure heavy and inefficient. Though these inefficiencies are observed in all retailing irrespective of industry, the symptoms are more evident in Indian FMCG retailing. Inefficiency in retailing leads to lower profitability of the retailers and lower service outputs for the consumers.

### **INTRODUCTION**

Retailing<sup>1</sup> worldwide is passing through a dramatic period of transformation in a climate where businesses are obliged to generate ever-increasing levels of differentiation just to maintain market share. New technologies and practices combined with the globalization of products and services have driven retailers to leverage every part of the business in strategic response. Consumers have become, to a large extent, more sophisticated and demanding with their expectations of products, services and businesses. The word, "retail" is derived from the French word „retailer“, meaning „to cut a piece off“ or „to break bulk“. In simple terms, it implies a first-hand transaction with the customer. Retailing can be defined as the buying and selling of goods and services. It can also be defined as the timely delivery of goods and services demanded by consumers at prices that are competitive and affordable. Retailing involves a direct interface with the customer and the coordination of business activities from end to end- right from the concept or design stage of a product or offering, to its delivery and post-delivery service to the customer. The industry has contributed to the economic growth of many countries and is undoubtedly one of the fastest changing and dynamic industries in the world today.

## **TYPES OF RETAIL OPERATIONS**

Retail operations enable a store to function smoothly without any hindrances. The significant types of retail operations consist of:

- Department store
- Specialty store
- Discount/Mass Merchandisers
- Warehouse/Wholesale clubs
- Factory outlet

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Retailing, one of the largest sectors in the global economy, is going through a transition phase not only in India but the world over. The emergence of new sectors has been accompanied by changes in existing formats as well as the beginning of new formats:

- Hypermarts
- Large supermarkets, typically 3,500-5,000 sq. ft.
- Mini supermarkets, typically 1,000-2,000 sq. ft.
- Convenience stores, typically 750-1,000sq. ft.
- Discount/shopping list grocer

## **RETAIL MANAGEMENT**

System targets small and midsize retailers seeking to automate their stores. The package runs on personal computers to manage a range of store operations and customer marketing tasks, including point of sale; operations; inventory control and tracking; pricing; sales and promotions; customer management and marketing; employee management; customized reports; and information security.

## **THE GLOBAL RETAIL SCENARIO**

The US\$ 9 trillion Retail industry is one of the world's largest industries and still growing. 47 of the Global Fortune 500 companies & 25 of Asia's Top 200 companies are retailers. Even as the developing countries are making rapid strides in this industry, organized Retail is currently dominated by the developed countries with the USA, EU & Japan constituting 80% of world. Retail is a significant contributor to the overall economic activity the world over: the total Retail share in the World GDP is 27% while in the USA it accounts for 22% of the GDP. The share of organized Retail in the developing markets ranges between 20% to 55%. Traditionally, local players tend to dominate in their home markets. Wal-Mart, the world's leading retailer, has about 8% of the US\$ 2,350 billion market in the USA. Similarly, Tesco has a market share of about 13% in the US\$ 406 billion UK market. The main value propositions that most large retailers use are a combination of low price,

„all-under-one-roof“ convenience and „neighborhood“ availability. India has emerged as the most attractive retail market three years in a row. The Indian Retail industry is a US\$ 270 billion industry and is growing at over 13% per annum. Only about 4.6%(US\$12.42 billion) of the industry is organized. If this share increases to 10% by 2011, the size of organized retailing could touch US\$ 55 billion – a CAGR of over 35%. At the Centre of India’s booming economy are the top six cities of Mumbai, Delhi, Chennai, Kolkata, Bangalore and Hyderabad representing 6% of the population yet contributing 14% of the GDP. Also notable is the fact that 85% of India’s urban. Dr.Manmohan Singh, the Finance Minister of India, quoted Victor Hugo while presenting the Union Budget 1994-95, making a reference to the Indian economy's unlimited potential. If Dr. Singh were to use the quote again today, he would probably apply it in the context of the promise contained in the Indian retail industry and, in particular, organized retail in India in the days to come. Retailing in India is currently estimated to be a US\$ 200 billion industry, of which organized retailing makes up 3 percent or US\$ 6.4 billion.

**Table-1: Top 10 Retailers World Wide**

Rank	Retailer	Home Country
1	Wal-Mart Store, Inc.	USA
2	Carrefour Group	France
3	The Home Depot, Inc.	USA
4	The Kroger Co.	USA
5	Royal Ahold	Netherlands
6	Metro AG	Germany
7	Target Corporation	USA
8	Albertson’s, Inc.	USA
9	Sears, Roebuck and Co.	USA
10	Kmart Corporation	USA

**Source: Retail Forward, Inc.**

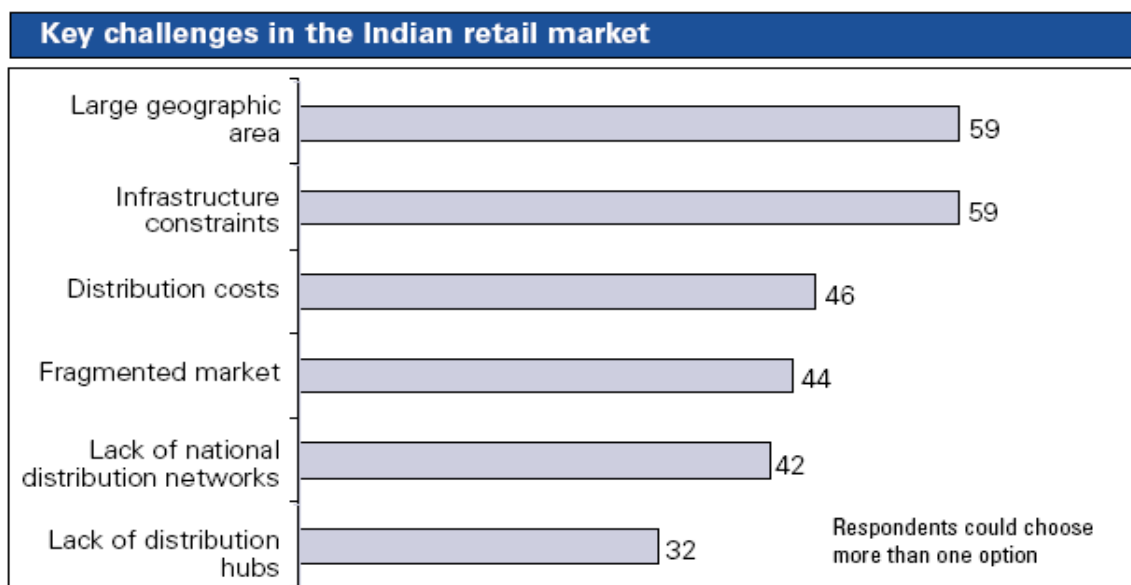
The Table-1 is showing the top retailers of the world with their country ranking, which clearly shows that USA is a big market for retailers.

### **INDIAN RETAIL SCENARIO**

Retail is India’s largest industry, accounting for over 10 percent of the country’s GDP and around eight percent of employment. Retail in India is at the crossroads. It has emerged as one of the most dynamic and fast paced industries with several players entering the market. Most retail firms are companies from other industries that are now entering the retail sector on account of its amazing potential. There are only a handful of companies with a retail background. One such company is Nilgiri’s from Bangalore that started as a dairy and incorporated other areas in its business with great success. Their achievement has led to the arrival of numerous other players, most with the backing of large groups, but usually not with a retail background. Most new entrants to the India retail scene are

real estate groups who see their access to and knowledge of land, location and construction as prime factors for entering the market. Companies entering India cannot have just one game plan to apply to the entire country as the people, their tastes, the lifestyle, the budgets etc are all too divergent. International entrants must enter each market specifically focusing only on that area to be successful. According<sup>8</sup> to the international management consulting firm, A.T. Kearney's 2005 Global Retail Development Index (GRDI), India moved from second place to first in the latest index, displacing Russia, which had held the top spot since 2003. The Index is a study of retail investment attractiveness among 30 emerging markets across the globe. The report said India's improved investment climate due to more liberal rules for foreign direct investment (FDI) helped earn it the top spot this year.

India's retail market, which totals \$330 billion, is vastly underserved and has grown by 10 percent on average over the past five years, the report said. At the same time, India is also one of the most fragmented retail markets in the world -- the combined market share of the top five retailers in India totals less than two percent. "The message for retailers on India is clear: move now or forego prime locations and market positions that will become saturated quickly," said Mike Moriarty, A.T. Kearney vice president, in a statement. "Global retailers that missed opportunities to capture first-mover advantage in China can for it in India."



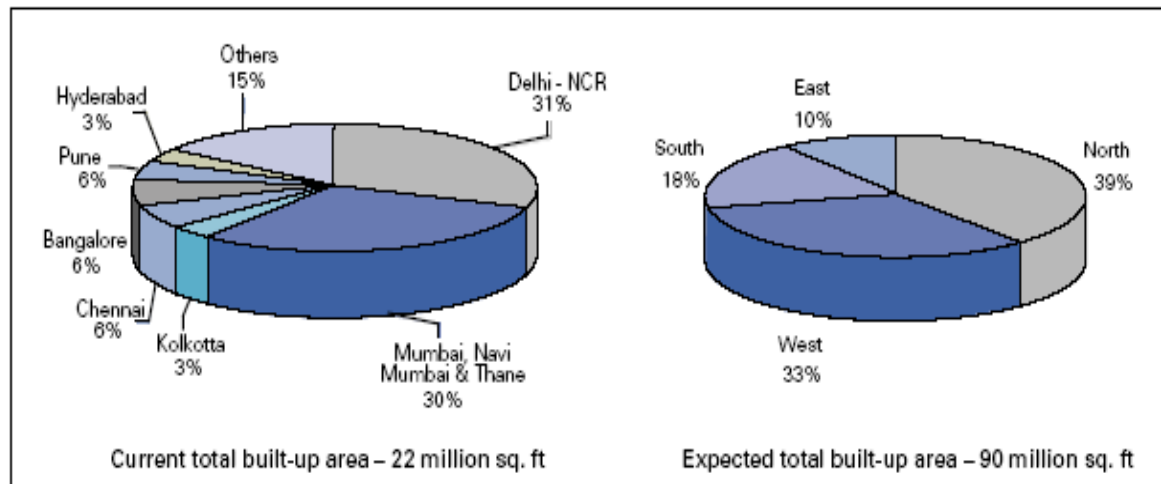
Source: KPMG International Consumer Markets in India Survey, 2005

## Formats adopted by key players

Retailer	Original formats	Later formats
RPG Retail	Supermarket (Foodworld)	Hypermarket (Spencer's) Specialty store (Health & Glow)
Piramal's	Department store (Piramyd Megastore)	Discount store (TruMart)
Pantaloon Retail	Small format outlets (Shoppe) Department store (Pantaloon)	Supermarket (Food Bazaar) Hypermarket (Big Bazaar) Mall (Central)
K Raheja Group	Department store (Shopper's Stop) Specialty store (Crossword)	Supermarket (TBA) Hypermarket (TBA)
Tata/Trent	Department store (Westside)	Hypermarket (Star India Bazaar)
Landmark Group	Department store (Lifestyle)	Hypermarket (TBA)
Others	Discount store (Subhiksha, Margin Free, Apna Bazaar), Supermarket (Nilgiri's), Specialty Electronics (Vivek's, Vijay Sales)	

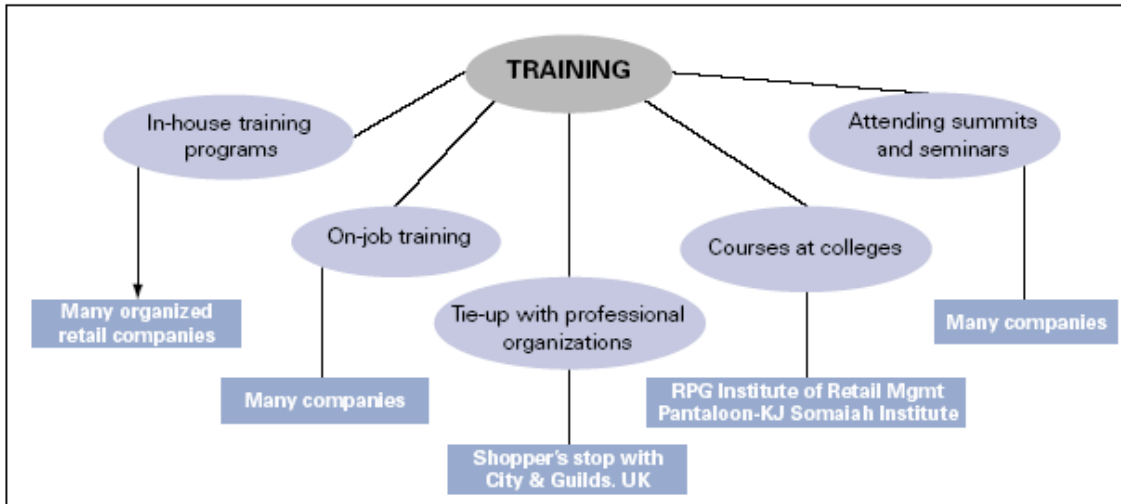
Source: KPMG in India analysis 2005

## Current and projected mall space by end-2007

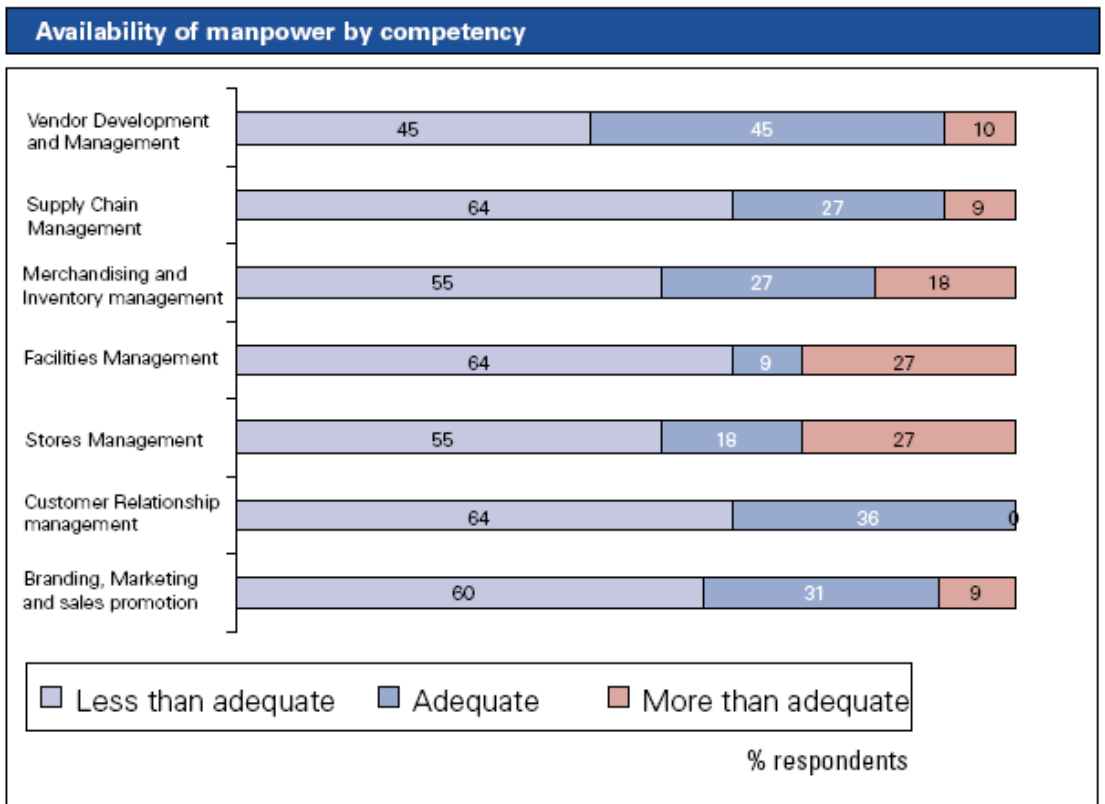


Source: www.retailyatra.com, 'Shopping malls-Boom or doom', 2003

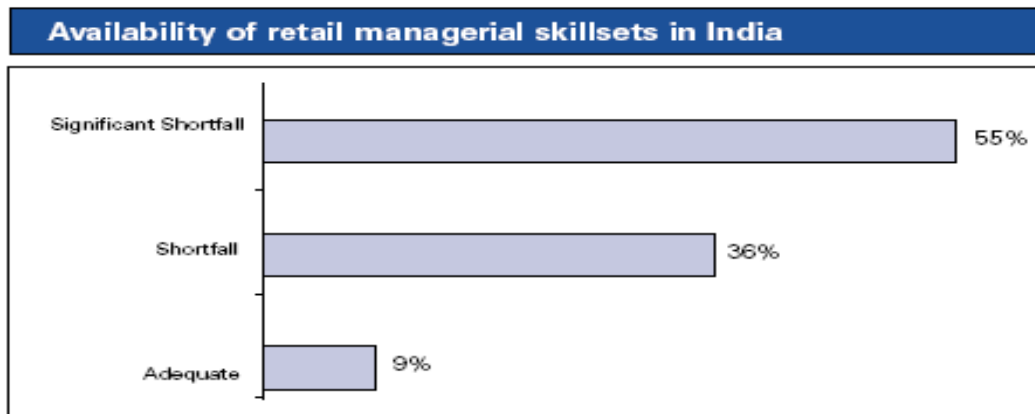
Given the shortage in numbers and available competency, proactive training is a key imperative for Indian retailers.



Source: KPMG in India analysis 2005



Source: KPMG in India Retail Survey 2005



Source: KPMG in India Retail Survey 2005

## GROWTH OF RETAILING IN INDIA

Indian retailing industry has seen phenomenal growth in the last five years (2001-2006). Organized retailing has finally emerged from the shadows of unorganized retailing and is contributing significantly to the growth of Indian retail sector. RNCOS9 “India Retail Sector Analysis (2006-2007)” report helps clients to analyze the opportunities and factors critical to the success of retail industry in India.

- Organized retail will form 10% of total retailing by the end of this decade (2010).
- From 2006 to 2010, the organized sector will grow at the CAGR of around 49.53% per annum.
- Cultural and regional differences in India are the biggest challenges in front of retailers. This factor deters the retailers in India from adopting a single retail format.
- Hypermarket is emerging as the most favorable format for the time being in India.
- The arrival of multinationals will further push the growth of hypermarket format, as it is the best way to compete with unorganized retailing in India.

The retail business in India in the year 2000 was Rs.400, 000 crore and is estimated to go an annual increase of 20%.The contribution of the organized retail industry in the year 2000 was Rs.20, 000 crore and is likely to increase to Rs.1,60,000 crore. Global10 majors too are showing a keen interest in the Indian retail market. Over the years, international brands like Marks & Spencer, Samsonite, Lacoste, McDonald’s, Swarovski, Domino’s among a host of others have come into India through the franchise route following the relaxation of FDI (foreign direct investment) restrictions. Large Indian companies – among them the Tata, Goenka and the Piramal groups – are investing heavily in this industry. Buying behavior and lifestyles in India too are changing and the concept of “Value for Money” is fast catching on in Indian retailing. This is evident from the expansion of the pantaloons chain into a large value format, Big Bazaar, and the entry of new discount stores in food retailing in the South, namely, Subhiksha and Margin Free. The11 modern retailing action is in the urban areas now. A distinctive feature of organized retailing in India is that it is largely an urban phenomenon so far. Organized retail has been more successful in cities, more so in the south and west of India. The reasons for this regional variation range from differences in consumer buying behavior to cost of real estate and taxation laws.

## Conclusion

Establishment of Retailer co-operatives, which will maintain warehouses etc. to work as a distribution centre for the member retailers can help Indian retailer attain a respectable position in the relationship matrix mentioned above. The whole organisation will run at a no-profit, no-loss basis. This would enable the retailers to buy the products they want directly from the original manufacturers in huge quantity. This would make the application of the concepts of QR (Quick Response) and ECR (Efficient Consumer Response) possible to a certain extent. However, many inherent difficulties may make the functioning or even establishment of such a co-operative difficult. Nevertheless, these problems are inevitable and must be dealt with firmly. Merger and buy-out of weak retailers by a stronger one, specially in metros and big cities may be another step towards this direction. This would give the new retailer the desired leverage to be world class. Use of technology to the greatest extent possible may also help strengthening the retailers position in the marketing channel. First step may be taken with setting up of a network of independent firms believing in use of technology for business excellence. Then a collection of strong retail organisations may pressurise the suppliers and other channel members to use compatible technology. This may open the door for implementation of QR or ECR or other relevant concepts for the retailers.

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