

Golden Research Thoughts

Abstract:-

India is one of the fastest growing retail markets in the world with 1.2 billion people and 12 million billion people. It accounts for 14% - 15% of GDP. It is the second largest employment generating industry. About 8% population in India is engaged in retailing. Introduction of new technology, growing use of internet and globalization has created many challenges and opportunities before Indian retail Industry. The present paper is an attempt to overview Indian retailing industry and to study the issues and challenges before retail marketing.



T. K. Jadhav

Sahakar Bhushan S.K. Patil College,
Kurundwad , Tal. Shirol,
Dist. Kolhapur , State - Maharashtra.

Keywords:

Indian retail industry, employment, growth, internet, technology, globalization.

A STUDY OF INDIAN RETAIL MARKETING- ISSUES AND CHALLENGES



INTRODUCTION

Retailing is one of the most important industries in every country as it employing major share of workforce. It is one of the fastest growing segments of the economy. It provides largest business opportunities. Retailing is not only an important segment of the economic structure but very much a part of our lives. Today retailing is largest contributing sector to country's GDP in India 10%, in China 8%, and in Brazil 6%. Modern retailing is capable of generating employment opportunities for 2.5 million people by 2010. Retailing includes various activities of shopping, purchasing through internet (e-retailing), dealing in financial services, eating at restaurant, visiting to cinema, beauty parlor etc. It means retail marketing includes complexity. Retailing is the sale of goods and services to the ultimate consumer for personal, family and household use.

In the era of 21st century retail marketing becomes modern as e-retailing and e-marketing. The e-retailing is the concept of selling of retail goods using electronic media, in particular internet. The e-marketing refers to the application of marketing principles and techniques via electronic media.

RESEARCH METHODOLOGY:

The present study attempts to analyze the situation of retail marketing in India. It also analyzes the various issues and challenges before Indian retail marketing. The data have been collected for the present study through secondary sources. The secondary data have been collected from the published and unpublished sources. The data have been collected through the sources such as, websites, annual reports and statements, books, Journals, Periodicals and reports.

OBJECTIVES:

1. To study the profile of India's rural retail marketing.
2. To identify and study the issues and challenges before retail marketing.
3. To come up with the observations and findings.

RESEARCH DESIGN & METHODOLOGY

PRIMARY DATA:

The primary data will be collected by using observation method. For this purpose the questionnaires will be prepared.

SECONDARY DATA:

We have collect secondary data from the office record, daily newspaper, published literature by various magazines, seminar papers, Government Reports.

LIMITATION OF THE STUDY

- 1) The study is limited to India's rural retail marketing.
- 2) The study covers only the issues and challenges before retail marketing

DATA ANALYSIS AND RESULT:

Retailing in India is one of the pillars of its economy and accounts for 14 to 15 percent of its GDP. The Indian retail market is one of the top five retail markets in the world by economic value. India is one of the fastest growing retail markets in the world, with 1.2 billion people. In India there are 12 million retail outlets, out of which seven million are in rural area. It is a sunrise industry. With about 11 retail shops per thousand peoples, India has the highest shop density in the world. There is one shop for every 20-25 families. The current organized retail market is just 2 percent of the total retail market worth 180 billion dollar globally About India employs 8 percent of its population in retailing. It is the second largest employer. There are nearly about 50 lakh small mom-pop type retail shops in India.

Indian retail market is estimated to be worth Rs. 1350000 crore, though only a small part of is organized. It accounts for 3% at the present. It is the livelihood of 40 million people. It is expected to grow to 635 million dollar by 2015. It is currently employes nearly 15 percent of educated youth in India (Chunawalla, 2009).

Table 1
India's Retail Trade

| Sr. No. | Year | Billion (Dollar) | CGR |
|---------|------|------------------|-----|
| 1. | 1998 | 201 | 100 |
| 2. | 2000 | 204 | 101 |
| 3. | 2002 | 238 | 118 |
| 4. | 2004 | 278 | 138 |
| 5. | 2006 | 321 | 160 |
| 6. | 2008 | 368 | 183 |
| 7. | 2010 | 421 | 209 |

Source: Retail in India, CII-AT Kearney's Report.

Table 1 show that the India's retail trade from 1998 to 2010 continually increased. In 1998 the business was 201 Billion and in 2010 was 421 Billion so that it is increases by more than dabble in last 12 years. It shows the growth rate of 100 in 1998 to 209 percent in 2010. In the year 1998 to 2004 it is smoothly increased in retail trade but than in the year 2006 upwards it has been increased by fast track till the date.

Table 2
India's Sector wise Retail Trade Share

| Sr. No. | Sector | Percent Share |
|---------|---------------------------------------|---------------|
| 1 | Clothing, Textiles and Accessories | 40 |
| 2. | Food and Grocery | 19 |
| 3. | Consumers Durables | 13 |
| 4. | Footwear | 09 |
| 5. | Furniture and furnishing (Home Décor) | 07 |
| 6. | Jewelery and Watches | 07 |
| 7. | Books, Music & Gifts | 03 |
| 8. | Health and Beauty Products | 02 |
| | Total | 100 |

Source: Retail in India, CII-AT Kearney's Report.

It is observed that the share of retail trade of Clothing and Textiles 40% In India. Food & grocery comprise 19% where as 13% occupied by consumer durable business. It means 72% business in retail is driven by three sectors. Other five sectors comprise the remaining 28% business in retail trade. The lowest share of retail trade is Health and Beauty Product i.e. 2% and 3% of Books, Music and Gifts. Furniture and furnishing (Home Décor) and Jewelery and Watches share has only 7% respectively and 9% share of Footwear in India.

RURAL RETAILING:

The majority of Indian population is lived in rural area. Now the rural market is emerging as an important consumption area. The rural consumer is become more aware of products and willing to experiment with new products. The total size of the rural market is Rs. 41550 crore. It is more than urban area which is Rs. 37130 crore. The rural middle class is steadily increasing. The middle to high income households in rural India are now 17% of the total Population and increasing at 7%. It means there is huge potential in rural retailing.

Table 3
Comparison between Rural and Urban Markets

| Sr. No. | Particulars | Share of Market | |
|---------|--|-----------------|---------------|
| | | Rural | Urban |
| 1. | Size of Market in FMCG Products | Rs.41,550Cr. | Rs.37,130 Cr. |
| 2. | Market Share | 59% | 41% |
| 3. | Policies sold by LIC in servicing Industry | 55% | 45% |
| 4. | Share of out of 2 Billion mobile connections | 50% | 50% |
| 5. | Issue of Kisan Credit Cards (KCC) | 24 million | 18 million |
| 6. | Percentage of 20 million on mail sign ups | 60% | 40% |

Source: Retail Biz. Dec. 2004.

Table 3 shows that there is huge potential for rural marketing in India. it shows more than 50% share is from rural area in every segment.

ISSUES/OPPORTUNITIES BEFORE INDIAN RETAIL MARKETING:

The post liberalization era in India has seen a significant change in the market scenario with the customer. In this scenario customers are constantly looking out for convenience of one stop shopping. Further, they also seeking speed and efficiency in processing and hence on the lookout for additional information, better quality and value items, shorter queues and healthy and clear shopping environment. It brings various issues/ prospects before Indian retail marketing. This are discussed as follows.

1-Consumer upliftment is one of the major influencing factor for growth of retailing in India. The growing

- population in rural as well as urban markets affect positively on retailing in India.
- 2-It is an increase in double income households and working women segment, customers are looking for a different life style. This affects on growth of retailing in India.
 - 3- Retailers because of their proximity to customers are in a position to get a pulse of the market tastes and communicate the same to the manufacturers.
 - 4- The rural middle class is steadily increasing. The rural customer is now more aware. The middle to high income households in rural India are now 17% of the total Population and increasing at 7%. It means there is huge potential in rural retailing.
 - 5-The demand of organized retailing is growing fast by today's consumer. The retailers are involved in finding the means to incorporate maximum innovation with minimum efforts. Now a day's mall, departmental stores are trying to attract customers with display of branded products.
 - 6- Farmers are cultivating crops as per the demand of retailers. Customers are getting benefits of reduced pricing while the farmers are receiving higher returns for the produce.

CHALLENGES BEFORE INDIAN RETAIL MARKETING:

- 1-The labor productivity in Indian retail was just 6% of the labor productivity in United States in 2010. India's labor productivity in food retailing is about 5% compared to Brazil's 14%; while India's labor productivity in non-food retailing is about 8% compared to Poland's 25% (4).
- 2- Lack of trained manpower is common phenomena in each industry. Retailing also faces the problem of talent shortage and trained manpower. Training and development of labor and management for higher retail productivity is expected to be a challenge.
- 3- There are too many intermediaries in Indian distribution channel. These long intermediary chains are in turn driving up their costs.
- 4-Indian retailing is still dominated by the unorganized sector and there is still a lack of efficient supply chain management. India must concentrate on improving the supply chain, which in turn would bring down inventory cost, which can then be passed on to the consumer in the form of low pricing.
- 5-Infrastructural facilities in India are not up to the mark, such as roads, electricity, cord chains and posts etc. Therefore retailers have to resort to multiple vendors for their requirements which are raising their costs and prices.
- 6-Government restriction on FDI limit, Tax burdens etc. are resulting in limited exposure to international best practices in retailing.
- 7-Most of the retail outlets in India have outlets that are less than 500 square feet in area. This is very small by international status.

CONCLUSION:

Though Current Indian Retail market 3 % of the total retail market, it can grow to 50 to 60 % pertaining to easy and inexpensive availability of land and demand among consumers at a rate of 8.3% per annum. It is expected to acquire 15-20 % of the market share by the year 2010.

India's rural markets will emerge as a huge opportunity for retailers which are reflected in the share of various categories of consumption. It is a sunrise industry as it has 12 million outlets and it is second largest employer. There is need of positive approach to retail and government has to play a vital role in development of retailing in India. It is a sunrise industry as it has 12 million outlets and it is second largest employer. In India retailing is the dynamic industry and represents a huge opportunity to retailers. India's rural markets will emerge as a huge opportunity for retailers which are reflected in the share of various categories of consumption.

REFERENCES:

- 1.A.T. Kearney (2011): "Retail Global Expansion: A Portfolio of Opportunities-2011 Global Retail Development Index", A.T. Kearney, 2011 .
- 2.www.ficci.com Retail profile.
- 3.<http://www.citeman.com/7710-challenges-to-retail-development-in-india.html>.
- 4.<http://www.ibef.org/industry/retail.aspx>.
- 5.Department of Industrial Policy and Promotion, 2010. "Foreign Direct Investment (FDI) in Multi-Brand Retail Trading," Discussion paper. Available at <http://www.dipp.nic.in>.
- 6.Kalhan, Anuradha, 2007, "Impact of Malls on Small Shops and Hawkers," Economic and Political Weekly, Vol.42, No.22, pp.2063-66.
- 7.Basker, Emek, 2007. "The Causes and Consequences of Wal-Mart's Growth." Journal of Economic Perspectives, Vol. 21, No.3, pp. 177-198