
Retailing Sector – Emerging trends and challenges

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Introduction

The term "Retailing" refers to any activity that involves a sale to an individual customer. In India, the unorganized retailing sector comprises of 96.5% while that of organized sector just 3.5% that is mainly in major metropolitan and urban areas. Indian retailing traditionally dominated by a small family run "Kirana" store. Retailing in India is the second largest untapped market after China. Professional management and strong customer focus characterize organized retailing. Despite the huge size of the industry, only 8% of the country's population is engaged in retailing while that in United States of America it is 20%. The positive factor such as increased purchasing power, rise in number of double income families and demanding customers, due to change in life style and paucity of time, customers are increasingly looking for convenience. To woo the customers to the store retailers are providing a wide product range, quality and value for money, apart from creating a memorable shopping experience. If economy continues to register a growth of 7- 8 % of the GDP annually, estimated by 2010, retailers will comprises of \$300bn industry .retailing is the last stage of distribution process. Retailing is one of the fundamental building block of the Indian economy. Indian retail market has undergone an immense transformation in the post liberalization & witnessing tremendous growth. Indian retail growing at the rate of 30% per annum and provides the highest employment after agriculture in India. The growing sophistication in retailing like A.T Kearney & Kurt Salmon Associates have become active in India. Industrial houses take to Retailing and set up retail chains like R.P. Goenkas, Nandas, K Rahejas,Tata, Birlas, Piramals, ITC, Ambanis, find a place in the list. Many others have worked out their plans and are likely to enter the line in the next couple of months.

Concept- To Woo the customer to the store retailers are providing a wide range of product, Quality, and value for money, apart from creating a memorable shopping experience. Organized retailing has made a considerable headway in product like food & groceries, clothing books, and music. Product like food & groceries segment has undergoing a transformation with super market chain like foodworld, nilgiris, apna bazaar, subhiksha. The apparel sector has seen the emergence of store like pantaloons shoppers'stop, Westside, lifestyle, etc have gained prominence in lifestyle\fashion segment & chain like archies,musicworld and crossword cater the books & music market.

The leading Indian retail players are Westside (Tata), Pantaloons, Big Bazaar, food bazaar(PRIL), Food world(RPG) and Shopper's stop(Raheja Group). Book retailing by cross word, Landmark and Oxford bookstores, watches and jewelry by Tanishq and Titan(Tata), luggage(VIP and Samsonite), footwear by the Loft and Bata.

International players such as Wal mart is largest retailer in world annual sale and as well as employer in the U.S.A.. Others include Carrefour Group (France), the Kroger Company(U.S.), Metro AG(Germany), the home depot Inc. (U.S.A.).

INDIAN PLAYERS-

1- Pantaloons retail India limited (PRIL)- Renamed itself as "FUTURE RETAIL" in march 2006, as part of its restructuring and expansion plans. Headed by Kishore Biyani include pantaloons. Big bazaar, food bazaar, gold bazaar and the central mall.the first menswear pantaloons outlet was set up in 1992. The company sold products under the bare denim, springboard, Lombard and John miller brand names. Pantaloons offered a wide range of clothing options to Indian consumers . It stocked garments, accessories and life style products. The target audience for pantaloons was upper and middle class urban population in India. Customer feedback and customer satisfaction were the key focus at PRIL. Company relied heavily on IT for collecting customer data and opinions .PRIL realized the potential of huge middle class population in India, apart from retailing lifestyle products, it ventured in to BIG BAZAAR-in 2001 PRIL opened its first big bazaar, which had an area of 30,000 sq ft. in Kolkata .the major USP of the big bazaar store was low prices and the best price proposition being offered to customers. The caption used in the promotion – is se sasta aur accha kahin nahin (cheaper and better than this ? nowhere else!) indicating value for money stores. Big bazaar stocks over 2,00,000 products that include apparel, food products, apparel are cheaper by 25-60% . the success of PRIL comes from cheaper sourcing of products and lower

home appliances, and cosmetics. Product are cheaper than the the market price by as much as 5-60 %, distribution costs . In addition to big bazaar, PRIL also started 'FOOD BAZAAR'.in 2001 . The first food bazaar store was set up in the lower parel region of Mumbai. Food represented PRIL's foray in to yet another value retailing business, which focused on food and grocery products. The stores were designed based on PRIL's understanding of the domestic needs of Indian housewives . the caption used in the promotion campaign of food bazaar was –ab ghar chalaana kitna Aasaan (now, it is so easy to run a house). It had over 50,000 stock keeping units that covered a range of products like cereals, pulses, sugar, rice, juices, milk products and FMCG products, besides stocking vegetables and fruits. Most products were sold at Disounts ranging between 2- 20 % . Due to its focused Maretting and merchandising strategies, the food bazaar stores soon became popular among customers.

PRIL,s central malls are targeted towards the up-market segment of urban population . In 2005 PRIL had three central malls located at Hyderabad, Bangalore & Pune . Each central mall has different departments for home Products, fashion, leisure, food, health, restaurant, beauty parlours, a pub and a nightclub. PRIL also ventured in to online retailing by launching its e-retail portal, futurebazaar.com, in may 2006 .with the launch of this online shopping portal, PRIL planned to invest Rs 150mn and hoped to earn Rs 3 bn from the venture. To counter competition from leading e-commerce portals in India like e Bay, Rediff, Fabmall and Indiatimes.

2- RPG Group- the Ramah Prasad Goenka group – one of the entrants in to the organized retail sector in India . They launched the 'FOOD WORLD' chain of grocery stores in 1999. By 2005, there were more than 90 Food world stores across India, making it the largest food & grocery retail chain. Food world has been growing at an annual growth rate of 30 % over last 5 years. Food world stocks almost 5000 items. In each outlet. Suppliers can deliver products directly to warehouse, from warehouse the products than be distributed to individual food world. This shortens the distribution channel, resulting saving and saving passed on to the customer, providing quality goods at lower costs.

RPG too used IT for running operation smoothly and also hi- tech

Cash registers and bar – code scanners.

RPG also owns spencer's hyper market – a chain of retail hyper market in India. Spencer's hypermarket stock a wide range of products right from groceries, food items, home needs, fresh food, garments and consumer durables.

MUSIC WORLD- launched in 1997 is another RPG retail venture, largest music retail chain in India with over 170 outlets. It stocks music videos, audios, accessories etc. the store ambience and presentation of products have contributed strongly to music world's success.

'Health & Glow'- joint venture between RPG & Dairy farm international. Launched in 1997- it is the first retail chain catering exclusively to the health and beauty requirement .the health & glow outlets offer cosmetic and medicinal products and services, all under one roof.

3- Tata Group

The group started its Retail Bussiness in 1998 with the purchase of the little woods Retail stores, originally owned by a UK based firm. The company was renamed Trent limited and the littlewoods store was called westside. As of 2005, there were 16 west- side stores across India about 20,000 sq ft in size. The Westside outlets are in apparel stores a cross India about 20.000 sq .ft in size. The Westside out lets are in appored and accessories retailing and offer international shopping experience with value for Money. Offer quality products with latest designs. Each Westside store has two divisions, one apparel division and other product division. These divisions are further classified in to seven departments (catering to men, women, kid's wear and needs)

Trent launched a hypermarket 'STAR INDIA BAZAAR' in 2004. To further consolidate its position in retail market, Trent bought a 76 % stake in landmark, a leading book and music retailer in India.

Titan industries established in 1984- it is India's leading watch manufacturer and retailer. Titan market its range of watches under the 'Titan' and 'sonata' brands and hold a 25% market share in watch industry . Titan's series of watches included Fastrack, Edge, Nebula, Raga, Sonata, Regalia, Bandan and Steel. Sonata was targeted at middle class consumer, who is both price conscious and quality conscious. Competitors of Titan are HMT and TIMEX.

Titan entered in to jewelry segment under the brand name 'Tanishq' in 1995. Tanishq jewelry is sold exclusively by 69 outlets spread over 53 Indian cities and also exported to US, Europe, Australia, and Middle East.

4-K.Raheja Corp. Group of Companies-

India's largest real estate players. They launched Shopper's Stop in 1991 & its outlets stock apparel, accessories, household items, perfumes and cosmetics, coffee shops and book stores to give consumers a complete shopping experience.

Crossword Bookstores Ltd- a subsidiary of Shopper's Stop in book retailing business has 22 stores across India.

5-RRL (Reliance Retail Limited)-

On June 26, 2006, Mukesh Ambani, C & MD, Reliance Industries Limited, announced his plans to foray into the retail sector with an initial investment of US\$ 5.6 bn. RRL was expected to have its presence across India with different retailing formats such as warehouse clubs, hypermarkets, supermarkets, specialty stores and convenience stores. Reliance also had plans to open restaurant outlets within its stores. In Nov 2006, RIL launched its first retail store 'RELIANCE FRESH' at Hyderabad. The store catered to consumer needs by providing fresh fruits, vegetables, groceries and dairy products.

6- A.B.Birla Group- which has acquired supermarket chain TRINETHRA has ruled out partnering foreign firms in its bid to be among the country's top retailers.

7- Gati- a cargo management and logistics solutions provider, on Jan 07 launched its foray into the retail sector, opening the first of its retail store, 'Cafe d'eliver' in Hyderabad on 6 Jan 07. Gati has targeted the opening of 100 'Cafe d'eliver' by March 2008 to offer various services like fax, document photocopying, calling and printing, internet browsing in addition to own cargo services.

8- SUBHIKSHA- is a chain of food and pharmacy discount retail stores. It is based in Chennai and has a strong presence in southern India.

9- MARGIN FREE- is a Kerala based chain of discount stores.

10- CALVIN KLEIN, MURJANI GROUP-

Calvin Klein Inc., the clothing design and marketing studio formed in 1968, is to set up a retail operation in India. The clothing empire and Murjani India Ltd. have announced an agreement for the latter to market and distribute the brand's various labels throughout India and open dozens of retail stores planned for the subcontinent.

The agreement authorises Murjani to market the Calvin Klein lineup through exclusive retail outlets and select department stores approved by the company. It includes the original Calvin Klein Jeans line and the unisex ck Calvin Klein label, which the company introduced in the mid-1990s.

Murjani India, a subsidiary of the Murjani Group, focuses on attracting international brands and retail concepts to India. Murjani forged a separate deal with The Warnaco Group, a New York-based apparel company, granting Warnaco exclusive rights to distribute the Calvin Klein Underwear line of products in India and supply Calvin Klein Jeans to Murjani.

The broad plan is to open at least 40 Calvin Klein-branded stores during the first five years of the operation, with construction beginning as early as March 2007.

11- DISNEY ARTIST STORES-

The Ravi Jaipuria held company RJ Corp has signed an exclusive master franchise agreement with Disney Consumer Products to source and market Disney character branded cards, stationery, arts, crafts and party products through exclusive Disney Artist stores in India. The first of the stores is to open in Mumbai in January 2007.

Under the Disney Artist brand in India, RJ Corp will sell a vast range of Disney character-led products aimed at the kids and youth category. The Ravi Jaipuria held company RJ Corp has signed an exclusive master franchise agreement with Disney Consumer Products to source and market Disney character branded cards, stationery, arts, crafts and party products through exclusive Disney Artist stores in India. The first of the stores is to open in Mumbai in January 2007.

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12 -Vishal Group - launched their first hyper market Vishal Mega Mart in Udaipur this month. Spread over 25,000 sq.ft, the store offers extensive range of men's, women's and kids' range of fashion clothing. Beside fashion attire, it will also have separate sections and counters for watches, sunglasses, fashion accessories, gifts and novelties, electrical appliances, digital diaries, perfumes, cosmetics and grocery items etc. Currently, Vishal Mega Mart operates 29 fully integrated and self-owned stores spread over a total shopping area of 5,70,000 sq.ft in 21 cities across India

FOREIN PLAYERS IN RETALING—

1- Wal-Mart Stores Inc- is the largest retailer in the world and is based in Bentonville, Arkansas, USA. For the year ended Jiniuary 2006, Wal-Mart had revenues of US\$ 315.65 bn and a net income of US\$ 11.23 bn (source: finance.google.com).it tied up with Bharti mittal group to launced its product in India. It is also the largest employment provider in USA.

2- CARREFOUR SA - is a French retail group that operates networks of hypermarkets, supermarkets, discount store, convenience stores and cash- and – carry outlets. for the year ended december 2005, Carrefour had revenues of 74.49 a net income of 1.58 bn (source: finance.google.com)

3- TESCO Plc- is the largest retailer in UK. For the year ended February 2006, the group's sales were 57.93 bn and a net income of 2.31 bn (source: www.hoovers.com)

4- Rosy Blue Group - the world's largest Diamond manufacturer is planning to invest Rs.900mn in setting up 40 exclusive ORRA Diamond Jewelry showrooms in India.

5- LVMH Group - Dior, the well known watch brand from the Louis Vuitton Moet Hennessy (LVMH) Group is planning to include India among its top 12 world markets, most global players were opting for the franchisee route.

However, despite the restriction on FDI, Foreign retailers had other modes of entry in to the Indian retail market. This included franchising, strategic alliances and the wholesale trading. It was reported that Tesco had plans to enter the Indian retail market through a joint venture through Homecare Retail Mart Pvt.Ltd. for opening 50 stores by 2010.

Challenges - The competition from the unorganized sector is formidable. Change in consumer behavior, intensification of competition with the emergence of new players & rapid technological advances have made it difficult to achieve success in the retail industry. Unorganized retails enjoy higher margin due to low operational cost, Taxations, logistics, lack of trained workforce, high cost of real estate, limited land available at prime locations, FDI investment in Retaling industry has been an issue of debate for over a decade, poor inventory turnover & stocks availability measure, perception of customer that retail stores are more expensive etc., poses significant challenges for the retail market.

Facts-

- * India is 2nd fastest growing economy in the world.
- * India, in 2003-2004 grew at 8.2%.
- * More English speaking people.
- * 2nd most attracting developing market, head of china.
- * AT Kearney has estimated India's total retail market at US \$ 202.6 billion which is expected to grow at a compounded 30 % over the next five years.

Conclusion- Due to rise in the per capita income, augmented product availability, exposure to international lifestyle brands& media explosion all adds to the booming retail industry investment in this area is poised to reach Rs 40000 crore by 2006.

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