An overview of Organized retail industry in India

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INTRODUCTION:

Retailing is the activity of selling goods and services to final consumers for their own personal use. It is a sale of product to the public in small quantities and retailing includes all activities incident to selling to the ultimate consumer.

Retail has played a major role world over in increasing productivity across a wide range of consumer goods and services. The impact can be best seen in countries like U.S.A., U.K., Mexico, Thailand and more recently China. Retail is the second largest industry in the United States both in number of establishments and number of employees. The retail industry employs more than 22 million Americans and generates more than $ 3 trillion in retail sale annually.

DEFINITION OF RETAILING:

In 2004 the high court of Delhi defined, "the term retail as a sale for final consumption in contrast to a sale for future sale or processing (i.e. wholesale) A sale to the ultimate consumer".[1]

A dealer or trader who sells goods in small quantities or more pedantically "one who repeats or relates, retailers interact with the final customer in a supply network, but they are both buyers and sellers of goods and services in that they also need to acquire the products they offer and in this will negotiate with suppliers of such items".[2]

Thus, retailing can be said to be the interface between the producer and the individual consumer buying for personal consumption. A retailer is involved in the act of selling goods to the individual consumer at a margin of profit.

RETAILING IN INDIA:

Retailing is one of the prime movers of an economy. Retailing is India's largest industries accounting for 14 to 15 percent of its GDP and around 8 percent of the employment. The size of India's retail sector is currently estimated at around $450 billion and organized retail accounts for around 5 percent of the total market. The retail trade sector of India occupies important place in the socio-economic growth strategy of the country. Nearly 40 million people earn their live hood from retailing business and majority of them are small traders, Kirana Shop's owner etc.

The foregoing analysis quoting CN and A.T. Kearney's study groups report reveals that India's retail trade could touch US $42 billion representing 5 percent of total trade from its current share of merely 2 percent by the year 2010.[3] In the developed countries the retail industry has developed in a full-fledged industry where more than three fourths of the total retail trade is done by organized sector. Wall-mart, Sears, K. Mart, Mc. Donald's etc. have now replaced the individual small stores.

STRUCTURE OF RETAIL INDUSTRY:

The retail industry are divided into following two types

1) Organized retailing 2) Unorganized retailing

Organized retailing refers to trading activities undertaken by licensed retailers that those who are registered for sales tax, income tax etc. These include the corporate - backed hypermarket and retail chains and also the privately owned large retail business.

On the other hand, refers to the traditional formats of low-cost retailing, for example - Local Kirana Shops, owner manned general stores etc. The Indian retail sector is highly fragmented with 97% of its business being run by the unorganized retailers.[4]

FDI POLICY FOR RETAIL SECTOR IN INDIA:

The government (led by Dr. Manmohan Sing) announced prospective reform in retail sector, India

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allowed FDI in the multi-brand retail up to 51 percent and in single brand retail up to 100 percent. The retailers both single and multi-brand will have to sources at least 30 percent of their goods from small and medium sized Indian Suppliers. All retail stores can open up their operation in population having over 1 million out of approximately, 7935 town and cities in India, 55 suffice such criteria. Multi brand retailers must bring minimum investment of US $100 million, half of this must be invested in back end infrastructure facilities.[5]

SHARE OF ORGANIZED RETAIL SECTOR IN DIFFERENT COUNTRIES:

Under organized retail sector trading activities are undertaken by licensed retailers. This sector is still in the infant stage because its share in total retailing in India is as low as around 4 percent compared to other developing economies.

TABLE NO. 1

SHARE FOR ORGANIZED RETAIL SECTOR IN DIFFERENT COUNTRIES

(In 2011)

Sr. No.	Countries	Total retail sales (US $ billion)	Share of organized retail (%)
01	USA	2983	85
02	Japan	1182	66
03	China	785	20
04	United Kingdom	475	80
05	France	436	80
06	Germany	421	80
07	India	322	04

Source: Planet retail and techno-pak advisers Pvt. Ltd. 2011

Its share in USA is 85 percent, 20 percent in China, 80 percent in UK, France and Germany also. Table no. 1 is also reveals that total retail sale of USA is 2983 US $ bn was highest and the India's total retail sales is 322 US $ Bn which is as low as compared to other developing countries.

As far as employment is concerned this sector employs around 8% people which are very low when compared with employment in unorganized retails sector.[6]

TABLE NO. 2

SHARE OF EMPLOYMENT IN TOTAL RETAILING IN DIFFERENT COUNTRIES

Sr. No.	Country	Employment (%)
01	USA	16
02	Brazil	15
03	Poland	12
04	India	08
05	China	07

Source: The India Journal of commerce, vol. 60, No. 4, Oct. Dice. 2007, P. No. 71.

SOME OF THE KEY PLAYERS IN INDIAN RETAIL SECTOR:

There are as follows

Pantaloon Retail Ltd., Shoppers Stop Ltd., Spencer's Retail, RPG Enterprises, Life Style Retail, Landmark group venture

Other major domestic players in India are - Bharti Retail, Tata Trent, Globus, Aditya Birla, More and Reliance retail.

Some of the major foreign players who have entered the segment in India are

Carrefour - which opened its first cash and carry store in India in New Delhi.

- Germany based Metro cash and carry which opened six wholesale centers in the country.
- Wal-mart in a JV with 'Bharti Retail', owner of easy day store - plans to invest about US $ 2.5 billion over the next five years to add about 10 million sq. ft. of retails space in the country.
- British retailer Tesco PIC (TSCO) in 2008, signed an agreement with Trent Ltd. (TRENT) the retail arm.
- Marks & Spencers, have a JV with Reliance retail.[7]

CHALLENGES IN RETAIL BUSINESS IN INDIA:

There are several challenges that Indian retailing has to face there are follows:

1. Real estate issues: Due to high cost of real estate in most cities, it is difficult to find suitable properties in central locations for retail.
2. Capital availability is for business is another challenges faces by this sector.
3. Due to the absence of 'industry status' organized retail in India faces difficulties in procurement of organized financing and fiscal incentives.
4. Retail sector is faces the problems of skilled manpower.
5. Organized retails sector in India is managed by ministries of commerce and consumer affairs. There is need to govern retail operations through a single apex body.
6. Supply chain development and management is absence in retail sector.
7. Retail sector faces one more challenges of inadequate infrastructure facilities.
8. In global situation, the retail sector is still aloof from progressive and ostentatious development. This dismal situation of retail sector undoubtedly stems from the absence of an FDI encouraging policy in the Indian retail sector.

Conclusion:

Retail has played a major role world over in increasing productivity across a vide range of consumer, goods and services. Retailing is a sale for final consumption in contrast to a sale for future sale or processing. India allowed FDI in the multi-brand retail up to 51 percent and in single brand retail up to 100 percent. In India under the organized retail sector total share is only 4 percent share of employment in retailing is only 8% which was very low as compare to other developing economics. The high cost of real estate, lack of capital, availability inadequate infrastructure facilities etc. are challenges are faces by retailing sector in India.

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