

A STUDY ON INDIAN BUSINESS MARKET & RETAIL SECTOR

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ABSTRACT

India is the second fastest growing economy in the world. It is third largest economy in the world in terms of GDP and fourth largest economy in terms of Purchasing Power Parity. India presents a huge opportunity to the world at age, to use as a hub. Standing on the threshold of a retail revolution and witnessing a fast changing retail landscape, India is all set to experience the phenomenon of global village.

India is the “promised land” for global “Vibrant economy”psinthe. listIndiaofemergingtomarket for global retailer and India’s retail sector is exp line with India’s economic growth. The fu growing, government policies are becoming more favorable and emerging technologies are facilitating operations.

KEYWORDS:

Retail Sector, Indian Market, Business

INTRODUCTION

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Retailing in India is gradually inching its way toward becoming the next boom industry. The whole concept of shopping has altered in terms of format and consumer buying behavior, ushering in a revolution in shopping in India. Modern retail has entered India as seen in sprawling shopping centers, multi-storied malls and huge complexes offer shopping, entertainment and food all under one roof.

The Indian retailing sector is at an inflexion point where the growth of organized retailing and growth in the consumption by the Indian population is going to take a higher growth trajectory. The Indian population is witnessing a significant change in its demographics. A large young working population with median age of 24 years, nuclear families in urban areas, along with increasing working-women population and emerging opportunities in the services sector are going to be the key growth drivers of the retail sector in India. Retailing in India is evolving rapidly, with consumer spending growing by unprecedented rates and with increasing no of global players investing in this sector.

Organized retail in India is undergoing a metamorphosis and is expected to scale up to meet global standards ove retail market has experienced enormous growth over the past decade.

The most significant period of growth for the sector was between year 2000 & 2006, when the sector revenues increased by about 93.5% translating to an average annual growth of 13.3%.The sectors growth was partly a reflection of the impressive Indian economic growth and

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overall rise in income level of consumers. Apparels and consumer durables are the fastest growing vertical in the retail sector.

Mobile phone as a product category has witnessed the highest growth in the consumer demand amongst all retail products offering, with increasing penetration of telecommunication in towns and villages. The telecommunication sector has been adding on an average 5 million new users every month. The other product categories are gaining traction predominantly in the urban areas and emerging cities, with increasing average income and spending power of young urban India.

The Retail Sector of Indian Economy is going through the phase of tremendous transformation. The retail sector of Indian economy is categorized into two segments such as organized retail sector and unorganized retail sector with the latter holding the larger share of the retail market. At present the organized retail sector is catching up very fast.

The impact of the alterations in the format of the retail sector changed the lifestyle of the Indian consumers drastically. The evident increase in consumerist activity is colossal which has already chipped out a money making recess for the retail sector of Indian economy. The debate over the future of India's retail sector has arisen because people are questioning whether the public land used for these malls, the ultimate symbol of consumerism, is being put to good use.

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The crucial sectors of the economy are on a self trajectory. The IT industry, telecommunication industry and many other industries have seen unprecedented growth during the last couple of years. But one industry that has caught the eye of the common man at almost every turning on the road is the Booming Retail Industry. There is a hue and cry over the entry of private organized industry.

The sector faced quite a few hurdles such as controversy over the involvement of FDI in Multi Brand Retail and the national wide protest by small traders against the bigger fishes. Instances are : Entry of reliance

fresh and RPG Spencer"s which faced natio they have done nothing to change many people's lives.

The size of Indian retail industry is more than US \$350 billion but it is highly unorganized. The organized sector has started developing in the past few years. Many International brands have entered the market. With the growth in organized retailing, unorganized retailers are fast changing their business models.

Organized retail is reflected in sprawling shopping centers, multiplex-malls & huge complexes which offer shopping, entertainment and food all under one roof. The last 3-4 years have witnessed the entry of a number of organized retailers Opening stores in various modern formats in metros and other important cities.

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REVIEW OF RELATED LITERATURE

Laudon and Traver have defined e-Business as “the digital transactions and processes within a firm, involving information systems

under the control of the firm, which doesn’t include the revenue”¹¹, (20p.7). For example, a company’s system and warehousing do not affect its revenue directly, such as its

sales strategies and models. It comes under the domain of e-Business.

However e-commerce does affect revenue.

By these points of view, e-Business it seems system can that also a support e-Commerce for external value exchange. Although e-Business

has been defined as an electronic information management system for a company’s internal needs, think some the scope people of - st

Business transactions should cover e-Commerce.

e-Business is used to manage a firm’s in order to be effective e-Business also needs to be supported by huge

amounts of external information. In this instance, a manufacturer inventory management needs to know from its suppliers the timeline for putting the materials on the production line.

Supply Chain management is the process of managing the movement of goods from suppliers to buyers. Supply Chain Management (SCM), also known as supply chain integration or supply chain optimization, is the process of optimizing a company's internal practices in interacting with

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suppliers and customers in order to bring products to market more efficiently. (de Jong, 2013)

SCM functions encompass demand forecasting, sourcing and procurement, inventory and warehouse management, distribution logistics, and other disciplines. The SCM procedure repeatedly succeeds where Enterprise Resource Planning (ERP) fails. In order to correctly forecast inventory levels, the supply chain management system needs ERP's database cooperation¹²). (Laudon & Laudo

A powerful SCM includes the systematization and optimization of operational and strategic information and methods within and between enterprises. SCM is connected with optimizing business processes and business value in every nook of the outspread enterprise, from the supplier's supplier to the customer's customer. (Kotzab, 2011)

SCM can utilize e-business concepts and Web technologies to bring the organization upstream and downstream. It is the strategic approach that combines all steps in the business cycle, from the beginning of the product design and the acquisition of raw materials for production to shipping, distribution, and warehousing, until a finished product is sold to the customer (Kolesar, 2012).

RESEARCH WORK

Organized retailing has begun to tap the enormous market but its share is small. A number of large business houses have entered the retail

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business with very ambitious expansion plan. However, opinions are divided on the impact of growth of organized retail in the country. Concerns have been raised that growth of organized retail may have an adverse impact on retailers in the unorganized sector. It has also been that growth of organized retailing will yield efficiencies in supply chain, enabling better access to markets to producers (including farmers and small producers) and enabling higher prices, on the one hand and, lower prices to consumers, on the other.

The Indian retail sector is highly fragmented, consisting predominantly of small, independent, and owner managed shop. The domestic organized retail industry is at a nascent stage. India got started with organized chain retailing just a few years ago. There are just very few categories, the most prominent being apparel, where organized retail chains have had a significant presence for more than 3-4 years. Indian retailers have done very well. Particularly after taking into account the various obstacles and hindrances like real estate costs, lack of trained manpower etc.

Growth of organized sector of retailing will yield efficiencies in the supply chain, enabling better access to markets, to producers and to customers. The strength of organized retail lies in resource availability. It can translate into efficient supply chain management, leading to faster inventory turnaround, resulting in improved bottom lines. It is

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anticipated that the further belongs to o organized sector is all set to explode.

Employment potential of the Indian economy has increased. By providing direct employment to people in various sectors like small manufacturing sector especially food processing, textiles & apparel the unemployment rate will be reduced besides this construction packing, IT, transfer & other infrastructure sectors will also offer employment opportunities. Besides giving employment to Professionals & skilled labor organized retail sector also generates a number of jobs for unskilled labor for the tasks of sorting, grading, labeling etc. It may adversely affect employment in unorganized retail and the trade intermediaries associated with traditional supply channels but the additional jobs created will be much higher than those that are lost.

Retailing is a technology intensive industry. Successful retailers are using their distribution and information systems work closely with their vendors to predict consumer demand, shorten lead time, and reduce inventory holding and thereby saving cost .today online system link point of sales terminals to the main office .where detailed analysis on sales by item, classification stores or vendor are carried out online.

SIGNIFICANCE OF THE STUDY

Indian Government seems determined to go ahead and gradually liberalize the retail sector despite continuing opposition from the Left

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parties. The tortoise-like slowness with which the retail sector is being opened up is due to objections by the Communists, but the amazing fact is that some movement is taking place. This seems to be due to Prime Minister Manmohan Singh's conviction that bringing in the big retail chains will unleash a wave of employment in rural and urban areas. The fears of the Left, on the other hand, are that the entry of retail giants will mean job losses as small mom-and-pop retailers get pushed out of existence. The fact is there is merit in both arguments.

On the plus side, it is clear that agriculture is not providing enough jobs for the economy and there is an unprecedented wave of migration to urban areas. The entry of retail chains, which buy straight from the farmer, is bound to bring about greater purchasing power as the producer will get much better prices. This has already been felt in parts of the country like Jharkhand where farmers have held demonstrations protesting the withdrawal of Reliance Retail by the state government.

Similarly, this gives a bonanza to the consumer who gets food products sourced directly from the farmer without having to pay the middleman's commission. Clearly, a win-win situation for all. But the Agitators have a point too. They are worried that the 15 million small retailers in the country may be forced out of existence. India has the largest retail economy in the world, according to a study by the CII (Confederation of Indian Industry) and A.T. Kearney. It pegs the size of the retail industry currently at about \$270 billion with the closure of the countless tiny

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retail outlets that dot the countryside can mean severe hardship for the families working in them.

At the same time, as the saying goes, no one can stop an idea whose time has come. And the time has certainly come for retail chains to enter this country. The process has been gradual, as mentioned earlier, but even so large retail has made a dramatic impact in the areas where it has been allowed to make an entry. In the long run, it is clear that the entry of large retail chains will benefit the agricultural sector, which is in dire need of resuscitation. They will also have a long-term effect on agricultural unemployment, which is the big worry for policymakers right now. Besides, Indian consumers are not likely to desert their neighborhood grocers en masse immediately. Therefore the hue and cry over loss of jobs is somewhat premature.

SCOPE OF THE STUDY

Domestic retail chains have already been allowed to set up business and it is now merely a matter of allowing bigger foreign players into the country. Multinational giants like Walmart and Carrefour also have deep pockets and their huge investible funds are meant for sourcing products from rural areas, which in turn will provide more jobs. The thinking in the commerce ministry right now seems to be that the existing policy of allowing only single brand retailing can be extended in a phased manner

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to multi-brand retailers. Incidentally, as much as 96 percent of the Indian retail economy remains in the unorganized sector.

India at the crossroads with regard to the retail sector. Several emerging market economies have gone ahead and reaped the benefits of modern retail. Politics is an unfortunate reality that has been coming in the way of success of organized sector and ultimately the overall retail sector. The hue and cry created by unorganized sector against Reliance Fresh, Wal-Mart especially in U.P., Jharkhand etc. is not appreciable, it is the major hindrance in the growth of retail sector. There is need of balanced approach to retail & govt. has to play a very vital role in shaping the future course. Though tradition retail has been performing a vital function in the economy, but it has to shed off its shortcomings and inefficiencies and this is actually happening. Thus, the organized sector is not only impacting the other sectors positively but also it has benefited its own competition i.e. unorganized sector. So, organized sector becomes the growth mantra of Retail sector.

CONCLUSION

The Government's initiative to allow 51 per cent FDI in multi-brand retail has been a subject for debate for quite some time now. Indian retail sector has therefore attracted the attention of people from various fields including academia, industry, research organisations.

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The analysis also covers the opportunities and emerging challenges before Indian retail sector in view of recent policy changes by

Government of India. With India's large domestic consumption, the macro trends for the sector look favorable.

The Indian retail sector is highly fragmented with more than ninety per cent of its business being run by the unorganized retailers like the traditional family run stores and corner stores.

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