

## AN OVERVIEW OF ORGANIZED RETAIL IN INDIA

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### ABSTRACT

*Multi-brand retail and entry of large foreign players has been a highly debatable topic. India offers a very lucrative market to these players, because of its fast economic growth, favourable demographics, rising disposable incomes and urbanization. Notwithstanding these structural tailwinds, the sector faces enough challenges such as high real estate costs, lack of infrastructure and a stiff competition from low cost traditional formats. Given these challenges, an ecosystem housing both organized and traditional format players is expected to pan out.*

**Keywords:** Retail, multi-brand, consumer, urbanization, credit cards

### Introduction

Indian retail industry has arisen as the most dynamic and fast paced industries because of the entry of a few new players. It represents more than 10% of the nation's (GDP) and around 8% of the employment. India is the world's fifth-biggest worldwide objective in the retail space.

It is estimated that by 2021, traditional retail format will still hold a majority share of 75%, followed by organised retail which is expected to account for 18% and E-commerce retail share will reach 7% of the total retail market.

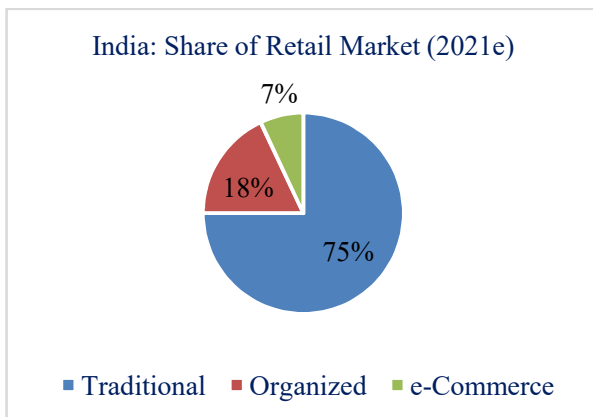


Figure 1: India - Retail Market Share  
(Source: ibef.org, 2021)

### Literature Review

There is ample research available on organized retail in India. Below are some of the abstracts. Kohli and Bhagwati (2011), have posited that, sales for organized (for example "large") retailers grew multiple times quicker than the sales for unorganized (for example "small")

retailers in India during 2005-09. Be that as it may, unorganized retailers caught as much as 85% of the increment in retail sales throughout this time-frame. We gauge a period arrangement model that proposes that retail sales can keep on developing at the post-2005 rates in the short run. Provided that this is true, organized retailers may expand a lot of sales from 4.8% to 9.1%, and unorganized retailers may in any case catch 3/4 of the all-out expansion in retail sales, during 2009-16. We examine the general benefits for organized and unorganized retailers, and presume that unorganized retailers are probably going to co-exist with organized retailers over the long haul. We additionally contend that "large" multinational retailers, specifically, whose entry is feared, can possibly profit purchasers, farmers, and manufacturers; and that they can make interests in, and improve the productivity and execution of, the appropriation framework in India. Moreover, we argue that they are probably not going to annihilate the "small" retailers in India.

Akhter and Equbal (2012), have argued that, Indian Retail Industry is positioned among the ten biggest retail markets globally. The attitudinal shift of the Indian consumer and the rise of organized retail formats have changed the face of Retailing in India. With the indication of reappearance of financial development in India, consumer purchasing in retail area is being projected as a key opportunity. As an outcome, Indian corporate houses are pulling together its strategic perspective in retail advertising with the plan to utilize assets ideally to make create core-

competence and gain competitive advantage. The paper topic is to dissect finer strategic perspective for the retail area in India and propose gauges so the corporate planners could incorporate the same both qualitatively and quantitatively. In light of the subjective judgment, a retail unit might be given a by and large understanding about the expected performance that can additionally be corroborated by quantitative analysis.

Goyal and Aggarwal (2009), have opined that, the retail segment and its current status have encountered revolutionary changes somewhat recently. A large portion of the difficulties are because of evolving demographic, social, politic, business climate, and changes in the retail area including the expansion of Wall Mart, Carrefour, K-Mart, and so forth. This paper inspects the overall significance of the different items bought at organized retail outlets and the choice of format, the consumer has when purchasing an item. The paper likewise talks about the expected improvement of organized retail later on, zeroing in on angles with possible impacts on consumer purchasing behaviour. Not all things are similarly significant for retail outlets and different items need explicit retail formats.

According to Srivastava et al. (2020), this paper is an endeavor to recognize the obstacles for the speedy development in the Indian retail market. This paper follows the examination up until now and dissected different business parts of the country for the decade 2010. It recognized major infrastructural and operational challenges of the Indian market looking by organized retails for their manageable development. The exploration is restricted to those significant challenges which fundamentally affect the generally organized Indian retail market as it were. Further examinations on a different sub segment of the market can distinguish a couple of more applicable challenges too. The retail market has immense employment and economy development opportunity inside. The ideal climate for retail will help India consequently. In understanding, very much outlined strategies considering the distinguished challenges will upgrade the profitability of the segment.

According to Gupta and Sharma (2020), the retail business did a great job in expanding the consumption of consumer goods and services everywhere on the world. The retail business of India is dynamic in nature and is persistently developing. It is positioned among top 5 retail markets globally. Despite the fact that the business is viewed as a prospering area yet it lacks behind when contrasted with retail industry of developed nations. This paper centers around the challenges and opportunities looked by the organized area of the retail business in India. The opposition with unorganized area is viewed as a significant test by the organized retail area. Other than that, lack of infrastructure, dearth of supply chain management, high operating cost and so forth are other challenges looked by the organised retailing in India.

### **Retail Industry Drivers**

1. **Robust Demand:** Fast growing economy, attractive demographics, higher disposable income, rising urbanization, changing consumer preferences all these things translate into a very robust demand for the retail sector. The sector is expected to add 39 mnsq ft. space by 2022.
2. **Innovation in Financing:** Banks and NBFCs along with the retailers are offering easy credit and payment terms for consumer discretionary products which is driving the growth.
3. **Policy Support:** GST brought a single tax rate for the sector. 51% FDI is allowed under multi-brand retail format while, 100% FDI is allowed for single brand retail. These policies will support the growth of organized retail in India.
4. **Increasing Investments:** The retail sector saw PE investment of around \$1 bn in 2019 with cumulative investments of \$3.35 bn during the last decade.

### **Challenges for the organized retail sector**

1. **Competition from the traditional format:** Organised retail faces stiff competition from the traditional formats. These small format retail shops are in existence for so many years. They have low cost structure, mostly owner operated, has negligible real estate and low labour. Organized retailers

have to pay for all these things and yet compete on prices with the traditional players (Akhter and Equbal, 2012).

2. Not recognized as an industry: There are some financing challenges existing and new players face as retail is not being recognized as an industry.
3. High costs of real estate: Real estate costs in India in some cities are the highest in the world. They impact the overall operational costs and result in lower profitability for the project.
4. High stamp duties: Apart from the high real estate costs, the operators face significant stamp duties which add to the base costs for the venture.
5. Lack of infrastructure: Poor roads and lack of cold storage facilities make it difficult to run the food and grocery retail in India. The established players have to invest significantly in these areas to be able to serve these categories.

### Opportunities

1. Urbanization: Urbanisation has shifted people to one place and hence a large retail store can attract a lot of customers.
2. Nuclear Family: Rise in nuclear families with higher disposable income and less time means higher retail stores which offer everything under one roof.
3. Credit cards: Use of credit cards create buying behaviour even when the things are not urgently needed.

### Conclusion

The entry of large retail players in India has been a very debatable topic. Given strong sector tailwinds, such as rising disposable incomes, favourable demographics and rising urbanization, most of the leading corporates wanted to take advantage of this opportunity. However, some of the challenges faced by the sector, such as high real estate cost and lack of infrastructure on top of the stiff competition from low cost traditional format players, makes the rapid penetration of the organized formats difficult. Summarily, both -organized and traditional formats, will co-exist in a very large market such as India.

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