

Retail in India and Problems Faced By Organised Retail

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ABSTRACT:

Retailing in India goes through evolutionary patterns from kirana store to super market. Initially retail was only restricted to un-organized sector, and after that it is carried forward and now it is growing organized sector such as supermarket, hypermarket, malls etc. This paper provides detailed information about the growth of organized retailing industry in India and various problems face by them. In India retail industry is going under a transition phase from unorganized to organized retail. Unorganized retail consist of kirana shops, general stores, corner shops in and around the locality, are traditional kind of shops which are being owned and operated by the single person on a small scale with very less operational cost. In India, organized retail sector is also flourishing. The mind set of people is changing and they are moving towards the organized retail outlets for shopping. These day in India organized retail industry is booming but still it is not reached to the desired growth when it is compared with the developed countries. There are so many major and minor challenges faced by the Indian organized retail outlets.

INTRODUCTION:

Today consumer is become smarter in terms of selecting retailer to fulfil their needs. The rise of mobile and internet affects selection of retailers by customers. Modern consumers mostly focused on product and store location. If a retailer is offering right product at right price at right place then only it is successful. In 21st century retailing is revolve around consumers. The modern retailing needs to understand customers' psychology properly to establish their business successfully.

Now a days customers get easily access of information through various sources available on the internet and it changes nature of commerce between buyers and sellers. Even customers expectation about product and services, pricing, quality of product, delivery process etc are affecting reputation of retailers. All this makes retail business more complex now a days.

Today India is becomes one of the largest retail business hub in world. At present Indian retail business is dominated by unorganised retail sector, which is around 80% of market size. However the organised retailing shows growth with help of technological innovation and customers oriented services.

MARKET SIZE:

India's retail market is expected to rise by 60 per cent to reach US\$ 1.1 trillion by 2020, on the back of factors like rising purchasing power and lifestyle changes by middle class and increased digital connectivity. Online retail sales are forecasted to grow at the rate of 31 per cent year-on-year to reach US\$ 32.70 billion in 2018.

Luxury market of India is expected to grow to US\$ 30 billion by the end of 2018 from US\$ 23.8 billion 2017 supported by growing exposure of international brands amongst Indian youth and higher purchasing power of the upper class in tier 2 and 3 cities, according to Assoc ham.

INVESTMENT SCENARIO:

The Indian retail trading has received Foreign Direct Investment (FDI) equity inflows totalling US\$ 1.42 billion during April 2000–June 2018, according to the Department of Industrial Policies and Promotion (DIPP).

With the rising need for consumer goods in different sectors including consumer electronics and home appliances, many companies have invested in the Indian retail space in the past few months.

- BECCOS, a South Korean designer brand is set to enter the Indian market with an investment of about Rs 1.00 billion (US\$ 14.25 million) and open 50 stores by June 2019.
- Walmart Investments Cooperative USA has invested Rs 2.75 billion (US\$ 37.68 million) in Wal-Mart India Pvt Ltd

Reasons of growing retail market in India

1. Due to increasing income and purchasing power of Indian customers , over all purchasing pattern of Indian customers is rapidly changing. It makes retailers to adopt modern technology and invest in shop infrastructure to fulfil need of customers
2. The increasing population is one of the reason foe increasing retail market. Due to increasing population in India, demand for various consumer goods is increased which bring s boom in retail sector. In last decade household demand increased more then double.
3. Growing communication network in rural area of India is also reason for growing retail market. Modern communication helps to create awareness about new product and services among customers and provides various product information to customers very easily. It results in growing demand of rural customers in market.

4. Development of new product also helps to grow retail business in India. New brands of FMCG products have been increasingly introduced in India and it gets mass market due to growing population in India. FMCG companies like HUL, reliance, P and G, are some of the companies which brings many new products in retail market to attract new customers.
5. Growing infrastructure is also brings boom in retail market. Development of roads, railways, and airline network makes supply chain shorter. Development of infrastructure opens door of rural market for retail. It creates new shopping area and destination for new entry in retail business.
6. Government policies related to retail sector also brings boom in retail in India. The central government opens door of 100 % FDI for retail sector which attract many organised retail players in India. Such increase in FDI brings changes in overall retail sector and develops competition for unorganised retailer at large.

Problems faced by organised retail in india

1. Frauds in organised retail

In case of organised retail. Retail outlets facing problem of frauds done by customers. Shoplifting, product spoiling, inaccuracy in security of stores are biggest challenge for organised retail in India. Even use of C.C.T.V and POS system fails to stop such frauds in stores. As organised retail operates on large space such frauds are increased day by day.

2. Improper supply chain

In case of organised retail business, proper supply chain is needed to fulfil customers need on right time. In India still today supply chain is subject to various problems. Due to problems in supply chain organised retail faces problem of timely availability of products. Due to shortage of product organised retail faces problem of customer loss. Poor distribution network creates problem of non availability of required products on right time.

3. Rising cost of real estate and rental values

Organised retail mostly focuses on prime location for their outlets. Now a day's cost of real estate's increases day by day which creates problem for organised retailers to open their shops. Even rental values of shop premises are going high which increases operating cost of organised retail outlets. The high rental cost creates threats foe new entry.

4. Problem of skilled manpower

In india organised retailers pays huge amount on manpower cost. Organised retails needs to spends huge amounts on training and development of the employees. Even retail industry faces problem huge labour turnover. It forces organised retail players to pay more salary to skilled and trained employees to retain them long term.

5. Competition from unorganised retail

In India still retail market is dominated by unorganised retail sector. These unorganised retail formats operates at low cost and they are not facing any problems of labour as most of unorganised retail outlets operates by single person i.e owner. Even unorganised retailers offer credit facilities to regular customers which are not available in organised retail outlets. In India unorganised retail is strong base as they deals with customers personally and established emotional attachment with customers. In organised retail there is lack of personal touch with customers.

6. Competitions of online commerce companies

Online selling companies creates problem to establish organized retail outlets in india at large. These days so many online marketing companies are coming up. These companies are providing goods to the customer at their door step and at low prices as compared with retail outlets. Online companies are providing so many attractive offers to the customers. So this is also a major challenge for the organized retail outlets.

CONCLUSION:

Various challenges faced by organized retailers in India and now there are opportunities developing for them which can help them to overcome the threat from traditional market. The challenges facing the Indian organized retail sector are there but it will have to be dealt with and only then this sector can prosper. Organized retailers considered 'Competition from Unorganized Retail' as their biggest challenge. Inefficient Supply Chain Management, Lack of supply chain, Understanding customer, High Cost of real estate and rental values, Scarcity of Skilled Workforce, Frauds in Retail, Ever-increasing customer demand as major challenge for development of organized retail .The Retail Industry in India has come forth as one of the most dynamic and fast developed industries with several players entering the market. But all of them have not yet get success because of the heavy initial investments are required to break even with other companies and compete with them. The India Retail Industry is gradually inching its way towards becoming the next boom industry.

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