

The Retail Industry's Evolution: An Indian and Global Perspective

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Abstract

The Indian retail industry is at its nascent stage. India, one of the most profitable rising markets, is undergoing a significant transformation in its retail industry. The rise of organised retail outlets in larger and smaller cities in India is the result of the country's rapid retail development. The goal of current research is to comprehend the notions of retailing and how they have changed over time. This essay discusses the many stages that the retail sector goes through while also addressing the stage that the Indian retail industry is in. The analysis finds that there is a huge potential for Indian and Global retail industry expansion.

Keywords: Retail Industry, Organized Retail Market, Growth and Development.

Introduction

One of the most rapidly changing and dynamic industries in the world today, the retail sector has helped many nations' economies flourish. The needs of consumers are evolving, new players are joining the market, and technology is bringing new retailing strategies to the sector. Due to the rapidly shifting environment in which retailers operate, retailing is also evolving quickly at the same time. Retailers must therefore learn how to keep up with these changes in order to draw in and retain customers if they want to thrive and sustain the industry.

Retail Industry in India

The retailers have been attempting to remodel themselves in order to provide customer happiness by implementing modern retailing concepts like as self-service, free home delivery systems, credit facilities, and other value added services. Customer expectations and impressions of the services provided by retail organised retails ultimately determine customer

happiness. With a rapid growth of malls and branded outlets, the Indian retail market is transitioning from traditional retailing to modern/organized retailing forms. One of the highest retail densities in the world is in India. In India, the retail industry is thought to employ 21 million people, or 7% of the country's total labour force.

Evolution of Indian Retail

The village hats and small town markets played a role in the development of retailing in India. Weekly hats and village lunches are two subcategories of the rural retail sector. Weekly forms mostly met the needs of villagers' everyday needs. The advent of larger commodities sold from food, clothing, cosmetics, and small consumer durables led to larger meals in villages as well as a wide array of goods offered from these sources. Greater towns and cities brought about a rise in local kirana organised retail stores that serve Indian consumers' convenience. In order to give rural craftsmen equitable chances for employment and income, India's Khadi and Village Industries Commission established a nationwide network of more than 7000 organised retail stores. To provide all necessities at reasonable prices, the government fostered the establishment of super bazaars and cooperative organised retails in major cities. During this time, shopping centres with adequate automobile parking facilities began to emerge in major cities and metro areas. The emergence of world-class malls and massive shopping complexes that provide shopping, entertainment, and food all under one roof has sparked the modern retail revolution, which is now seen throughout India's small towns, cities, and metro areas. The value, variety, and volume that the hyper and supermarkets aim to offer the client are constant efforts.

Retailing Formats in India

In India, there are both organised and unorganised formats for retailing. The following forms are typically preferred in India out of all of them. The following provides a succinct summary of these formats.

Kirana Organized retails

A common retail model in India is called Kirana, which is characterised by the owner managing the organised retail, a limited floor area, and typically no aisles. In this arrangement, the organised retail sector is separated from the unorganised retail sector. With

the exception of the absence of aisles, organised retails in this structure are remarkably similar to mom-and-pop organised retails in western countries.

Convenience Organized retails

Small, well-organized stores with a limited selection of small-scale goods that are situated close to residential areas to make them easily accessible to the target market. It serves customers that prioritise convenience over product cost while making purchases. These retail establishments/outlets are contemporary iterations of the conventional "kirana" establishments.

Specialty Retail

Retail establishments that specialise in a specific product category, have limited product lines, and provide customers with specialised services.

Departmental organized retail

A retail establishment that is organised and houses many sections, such as apparel, kitchenware, housewares, electronics, and so forth, under one roof. These vast, organised retail spaces are frequently held by big, international corporations. Excellent service is provided.

Hyper Market

A hyper market combines a hypermarket and specialised retail in a highly organised setting. Large organised self-service retailers offering a wide variety of goods, including whole product lines for home furnishings and everyday things. Customers can complete all of their regular weekly shopping needs in hypermarkets in a one trip.

Buying Mall

A shopping mall is a collection of organised stores that offers the ideal balance of stores, food courts, entertainment, and parking options. Anchor organised stores and other retailers (tenants) share the retail space. Tenants are responsible for paying rent or lease payments to the mall's developers in order to set up their business within the mall's boundaries.

Discount Organized retails

A type of specialty retail known as discount organised retails sells goods for less than specialty retail and other traditional organised retails do. It provides a wide range of goods at competitive costs, but only a few services.

Growth Estimates of Indian Retail Industry

Driven by changing life styles, rising income levels, favorable demographics pattern and by the entry of corporate sector, Indian retail is growing like never before. The fundamental drivers of change are increasing per capita income, growing GDP, availability of consumer finance and therefore irreversible. As per the EY-RAI Retail Survey, 2014, it is expected that, retail in India could be worth US\$ 950 billion by 2018. The retail business in India in the year 2007 was Rs.1,54,000 and a study conducted by Mckinsey says it is estimated to go up to Rs. 6,080,000 by 2025. It is opined that in the next five years, India should have retail entities strong enough to compete with the best in the world. India is way behind when compared with developed markets such as the USA and emerging markets in Asia, Europe and South America, where significant progress has been made in the last two decades. Several well-known corporate houses, such as Tatas, RPG., the Rahejas, Biyani's Future Group, Piramal, Reliance, Bharti and Birlas have already entered the Indian retail arena.

Organized Retail Growth in Indian Cities

Organized retail in India is expected to increase from 5 percent of the total market in 2008 to 24 percent by 2020 as per the study conducted by Deloitte in 2013. The boom in retailing has been confined primarily to the urban markets in the country. There are two primary reasons for this. First, the modern retailer is yet to feel the saturation effect in the urban market and has, therefore, probably not looked at the other markets as seriously. Second, the modern retailing trend, despite its cost –effectiveness, has come to be identified with lifestyles. Gradually, organized retail is also penetrating into rural areas. Organized retail is at its nascent phase wherein the large organized retail groups are having aggressive expansion plans to penetrate the Metros and Tier I cities and also have taken aggressive steps to establish themselves amongst rural masses of Tier I and Tier II cities. The total retail market in the top 67 cities in India in 2006 was Rs. 2.55 trillion, and Rs. 3.91 trillion in 2011. According to CRISIL, around 87 percent of the retail opportunity comes from top 25 cities comprising Metro Delhi, Mumbai, Calcutta, Mini Metros Hyderabad, Chennai, Bangalore, Mini Metros Ahmedabad and Pune, Tier I cities of Kanpur, Nagpur, Surat and Ludhiana, Tier II cities Coimbatore, Chandigarh, Lucknow, Kochi, Jaipur and Tier III cities Vadodara, Vizag, Indore, Vijaywada, Thiruvananthpuram, Bhopal, Nashik and Madurai.

Global Retail Industry

One of the greatest sectors in the world, global retail is gradually being dominated by a small number of huge companies, primarily based in the United States and Europe. These companies include Wal-Mart, Tesco, Carrefour, and Metro. Since organised retail has barely penetrated these MNCs' native markets, which have largely become saturated, they are searching for new and entering markets like Russia, China, and India. Shopping will become more experiential, with a focus on eating, having fun, and "living" the experience. In a flat future, the global market will expand quickly as the top retailers in the world gain access to markets like China and India.

Retailing in BRIC Countries

The BRICs – Brazil, Russia, India and China - offer major opportunities for retailers. Growth in these countries is expected to continue to outpace the majority of other economies in the world. As the developed markets are becoming mature, retailers are eyeing new growth opportunities in upcoming economies. In the Goldman Sachs BRIC report, India is predicted to be amongst the top three countries in the world by 2050, along with China and Brazil. Together, China and India, or Chindia as they are now termed, are estimated to see the GDP rise to \$ 6 trillion by the year 2020.

Brazil

Brazil has many appealing features for global retailers. It is a large and growing market with 190 million people – many of whom are young – making it the fifth most populous country in the world. Strong economic growth has boosted average incomes, with GDP per capita rising from US\$7,203 in 2000 to US\$11,290 in 2010. Brazil is a major destination for foreign retailers. Food retailing is already highly consolidated and dominated by foreigners, including Carrefour, Casino and Walmart, who have all been in the market for many years. Brazil's growth outlook is strong and confidence is high among the global business community, so that the retail playing field remains attractive in the years ahead.

Russia

Russia is the largest retail market in Central and Eastern Europe, thanks to increasing incomes and the development of a middle class. Foreign retailers have also expanded into Russia, including Metro Group and Auchan – both of which are in full expansion mode, as well as Globus, Rewe Group, Rautakirja Group, Carrefour and others. The financial crisis has

impacted on the retail scene over the last two years. In particular, as credit became more difficult to obtain and developers struggled to maintain building programmes, retailers were forced to adjust their development strategies.

India

India is an attractive market for retailers. It has a large, young and growing population. Incomes are rising, with more households entering the middle class. Less than a third of the population live in urban areas, but urbanization is increasing and there are several very large cities with a large middle class. All of this bodes well for consumer and retail demand in the years ahead, and should augur well for the development of retail market. Consumer markets in emerging economies like India are growing rapidly because of the robust economic growth. India's modern consumption level is expected to double within five years to US\$ 1.5 trillion from the current level of US\$ 750 billion. The growing middle class is an important factor contributing to the growth of retail in India. By 2030, it is estimated that 91 million households will be 'middle class', up from 21 million today. Also by 2030, 570 million people are expected to live in cities, nearly twice the population of the United States today (FICCI, 2011). There are many obstacles for foreign retailers to enter the market, so that local players dominate. With the market set to grow strongly in the years ahead, domestic retailers are looking to expand fast. Initial expansion plans of major retailers proved too ambitious and regulation prevented them in some cases from rolling out large-scale developments.

China

China regained the title "land of retail opportunity". Over the last three decades, China, on the back of economic reforms, emerged as a global export powerhouse. Purchasing power has increased dramatically, with GDP per capita rising 29 times between 1980 and 2010. By 2020, China is expected to become the third biggest consumer market, after US and Japan. The organized retail makes up about a quarter of the total retail market for China. Hypermarkets are becoming increasingly popular, especially in big cities. The development of hypermarkets has been led by global retailers, including Wal-Mart, Carrefour, Vanguard, Tesco, Metro, RT Mart Shanghai and Trust-Mart.

Retailing in other Countries

The United States of America dominates the world retail market space and accounts for 32.3% of the global retailing group. The U. S. retail industry generates \$3.8 trillion in retail

Research paper

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sales annually that is approximately \$11,993 per capital. Of the top 200 global retailers, 42.5 percent are headquartered in the United States, 39 percent in Europe, and 13 percent in Japan. American retailers in the top 50 list operate, on average, two formats in 3.5 countries, while top 50 retailers headquartered outside the United States operate twice as many formats in three times more countries. Europe generates a further 30.8% of the group's value, Asia Pacific- 25.6% and the rest of the world -11.20%. Thailand is one of the countries whose economy has developed rapidly in recent years. There has been a tradition of independently owned outlets called shop houses. Thailand's first specialty retail opened in 1956 and the first buying centre in 1967. Discounts and super organized retails were introduced in 1989. Specialty retail were emerging in Thailand in mid 1990s. Malaysia, Indonesia, Thailand and Japan have enforced zoning restrictions for mega-retailers. There are minimal capital requirements for foreign retailers in Sri Lanka. The Philippines has imposed "sourcing" and reciprocity requirements on foreign retailers. In Japan, mega-retailers must seek the views and permission of small local organized retails before opening new organized retails.

Conclusion

In this research paper, the researcher has presented the evolution of retail industry in Indian and Global context. It highlights the Retail Industry in India, Evolution of Indian Retail, Retailing Formats in India, Growth Estimates of Indian Retail Industry, Organized Retail Growth in Indian Cities, and Global Retail Industry.

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