

Retail Management And Its Impact On Indian Economy

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ABSTRACT

In India, retailing is the buzz word now-a-days. This sector has modernized and expanded at a rapid pace in synchronization with India's economy growth. The Indian retail Management is at present the 5th largest in the world comprising of organized and unorganized retail. In the era of globalization, for the last few years it has seen many domestic and international players entering into the highly untapped organized retail segment of the country. Post liberalization, there has been an exponential growth of organized retail. The burgeoning middle class and their purchasing power due to the increase in per capita income have led to the growth and expansion of this sector. Realizing the change in tastes and preference of consumers and a shift of customers towards high service experience, different retail formats like specialty retail stores, discount stores, hyper malls, super markets, etc. have mushroomed in every big and small town and city of India. As a result a strong competition has emerged among Indian companies and between Indian companies and MNCs. The retail players thus, started feeling the need to bring the desired change in their present state of working with respect to technology, infrastructure, employee management policies, business strategies, etc. to provide better customer services to the highly sophisticated customer base. This paper aims to explore Retail Management and its impact on Indian Economy through the study of secondary resources.

KEYWORDS: Retail Management, Global View, Indian Economy

INTRODUCTION

Retailing is one of the pillars of the economy in India. This economic activity is both growth promoting and employment generating. Being labour intensive its contribution in creating opportunities for employment is quite high. The organized retailing which is hovering around 3% of the total has a great potential of contributing to GDP as well as employment level of the economy, which was not possible for unorganized retailing. In India, retailing is the buzz word now-a-days. This sector has modernized and expanded at a rapid pace in synchronization with India's economy growth. The Indian retail industry is estimated to be \$470 billion. The organized or modern retailing with 6% share stands at \$26 billion.

Since liberalization, the Indian economy slowly progressed from being state led to become market friendly. This is the beginning of new era for retail in India. With a dominant retail sector, the farmers and other suppliers can sell their products directly to the major retail companies and can ensure stable profit. On the other hand, to ensure steady supply of goods, the retail companies can inject cash into the production system. This whole process can result into a more efficient production and distribution system for the economy as a whole. The Indian retail industry is expected to generate 10 to 15 million jobs by direct and indirect effects. This huge employment generation can be possible because being dependent on the retail sector shares a lot of forward and backward linkages. India is now prepared to tap the enormous potential of the retail sector. Wal-Mart, the world's largest retailer, is interested in opening shops in India. Other popular brands like Pantaloons, Big Bazar [India] and Archies[U.S.] are rapidly increasing their market share in the retail Management.

OBJECTIVES OF THE STUDY

- 1] To study Retail Management Scenario in India.
- 2] To evaluate the emerging sector in retailing.
- 3] To study the growth & development of retail sector in India.
- 4] To the impact of retail management on the Indian economy.

RESEARCH METHODOLOGY

Data Collection:

This is a descriptive research paper based on secondary data. Data have been collected through the books, magazines, Journals, research paper and websites.

CONCEPT OF RETAIL

Retailing as an economic activity involves all the steps in which a product [goods and services] reaches to the final consumer after its production. It is a process of distribution channels. It finds place every where whether it's a metro or a small village. In the process of distribution it is necessary that customer gets greater satisfaction and producer gets a reasonable profit by selling the product without building a huge inventory. The retailing concept has four pillars.

- Customer orientation
- Coordinated effort
- Value driven
- Goal Orientation

Definition of Retail Management

A process of promoting greater sales and customer satisfaction by gaining, a better understanding of the consumers of goods and services produced by a company. A typical retail management strategy for a manufacturing business might research the retail process that distributes the finished products created by the business to consumers to determine and satisfy what buyers want and require.

RETAIL MANAGEMENT SCENARIO IN INDIA

Retailing is the largest private industry in the world, with total sales of \$ 6.6 trillion World over the retail sector is not only the oldest but also one of the most advanced users of the technology. Retailing is also India's largest industry accounting for over 10% of the country's GDP and around 8% of the employment (CII-Mckinsey report). Retailing in India is gradually inching its ways towards becoming next booming industry. The Indian retailing industry is highly fragmented with 97% of its business being run by the unorganized retailers such as the traditional family run stores and corner stores.

Table -1
Retail Trade in India and south East Asia (%)

Sr. No.	Country	Organised	Unorganised
1	Malaysia	50	50
2	Thailand	40	60
3	Philippines	35	65
4	Indonesia	25	75
5	South Korea	15	85
6	China	20	80
7	India	3.5	96.5

Source- Crisil and A.T. Kearney

Organized retailing, however, is at a very nascent stage though its share is expected to rise to 9-10% by the year 2010. The figure is much higher for the U.S. & U.K. and relatively higher too for neighboring Asian countries like China, South Korea, Indonesia, Philippines, Thailand and Malaysia. (Vedamani G. Gbson "Comprehensive policy vital", The Hindu survey of Indian Industry 2007). According to India Retail Report 2009, even at the going rate, organized retail is expected to touch Rs.2,30,000cr (at constant prices) by 2010, constituting roughly 13 per cent of the total retail market. Global Retail Industry is of size USD 08 Trillion. Over 50 of the Fortune 500 companies are retailers. In this modern era Indian retailing industry is eyeing the global retail players. Indian retail industry is one of the fastest developing industries which have inculcated modern techniques, exclusive retail outlets, emergence of retail chains etc. Large Indian players like Reliance, K Rahejas, Bharti, and ITC are making significant investment in this sector, leading to the emergence of big retailer who can bargain with suppliers to reap the benefits of economies of scale.

THE EMERGING SECTORS IN RETAILING:

Retailing, one of the largest sectors in the global economy, is going through a transition phase not only in India but the world over. For a long time, the corner grocery store was the only choice available to the consumer, especially in the urban areas. This is slowly giving way to international formats of retailing. The traditional food and grocery segment has seen the emergence of supermarkets/grocery chains (Food World, Nilgiris, Apna Bazaar), convenience stores (Convenio, HP Speedmart) and fast-food chains.

As many as 10% of the world billionaires are retailers. The industry accounts for over 8% of GDP in western countries, and is one of the largest employers. According to the U.S. Department of Labour, more than 22 million Americans are employed in the retailing industry in over 2 million retail store.

Table-2:

Top 10 Retailers World Wide

Rank	Retailer	Home Country
1	Wal-Mart Store, Inc.	USA
2	Carrefour Group	France
3	The Home Depot, Inc.	USA
4	The Kroger Co.	USA
5	Royal Ahold	Netherlands
6	Metro AG	Germany
7	Target Corporation	USA
8	Albertson's, Inc.	USA
9	Sears, Roebuck and Co.	USA
10	Kmart Corporation	USA

Source: Retail Forward, Inc.

INDIAN RETAIL SECTOR-STATUS AND STRATEGY

Indian retail sector was of the order of Rs. 13,000cr. In 2000 whereas it is estimated to reach at Rs.50,000-55,000cr. During 2008-09, the size of different types of retail formats other than hyper market chains, Big Bazaar, Malls, etc. has been quite large in India. Primarily, the formats are of 3 types-Haats, Melas, Mandis besides public distribution system, post office and mom-and-pop stores in the neighborhood. A glance over the nature and size of these are given in

Table-3

The different type of retail formats of India

Type of Retail	Features
Haats	Average sales per day Rs. 2.25 lakhs Number of sales outlets per haat 300+No. of visitors per haat 4500+Average sales per outlet Rs. 900 Villages covered by per haat 20-50
Melas	Annually held: 2500+Outlets held at every mela 800+Average sales per mela Rs. 143 lakhs.
Mandis	Exists: 6800 average. Population catered to- 1.36 lakhs.

Source: BW Marketing White book, ABP Private Ltd Calcutta, 2005, pp.99-101.

A number of Indian and international professional organizations e.g., AT Kearney, Ernst & Young, PWC, Technopak, KPMG, ICICI, Synovate, Cushman & Wakefield, India Retail Forum and Images F&R, Research have observed that India is one of the best place for the retail growth. It has a number of advantages:-

- About 89 million young population in various age groups below 45 years.
- Appx.600 million effective buyers by the years 2010.
- Appx.550 million under the age of 20 years by 2015.
- Appx.70 mn. Customers earning Rs. 8 lakh (appx.\$ 18000) per year may rise to 140 mn. By 2011.
- In 2006, total consumer expenditure is Rs.2,000,000 of which expenditure on retailing is likely to Rs. 55000crs. By 2010 this may increase to Rs. 2 lakh cr.
- By the end of 2008 appx.100mn.Sq.ft. of quality shopping space would be available.
- In the coming years space for15000 new outlets, 100 hyper markets, 500 departmental stores, 2000 supermarkets, is likely to be available.

A number of large retailers have already entered on the stage and are planning to operate chain of stores in near future. The plans are given in the table -4

Table 4
Plans of Big retailers between 2010-2015

Sr. No.	Retailer	No. of stores	Floor Space	Investment Rs. Cr.
1	Reliance	-	-	30,000
2	RPG	500	4 mn. Sq. ft.	
3	Life style	-	-	450
4	Rehejas	55	-	-
5	Subhiksha	750	-	650
6	Pyramid	150	1.75 mn. Sq. ft.	-

7	Trent	Existing=27	1mn.Sq. ft.	-
8	More	220	-	300
9	Vishal Group	220	5 mn. Sq. ft.	1250
10	Bharti Group	100	-	31,500

Source: www. Knightfrank.com/research reportdirphase 2./10949

A number of malls have already come up in different regions of the country. A brief idea can be gathered from the Table -5

Table 5
Region wise Malls in India

Sr. No.	Location	No. of Malls	Built up area Mn. Sq. ft.
1	North India	49	21.82
2	West India	46	10.64
3	South India	28	6.66
4	East India	11	2.40
	Total	134	41.52

Source: Knight Frank R; M Review Quarter 3, 2006:

IMPACT OF RETAIL MANAGEMENT ON THE INDIAN ECONOMY

Retailing is the timely delivery and availability of products to consumers at prices they can afford. In the last few years, the concept of retailing has changed considerably in India with the traditional neighborhood "Kirana" stores being replaced by huge malls and large chain of stores. Nowadays, the Indian consumer gives more emphasis on quality of products even if it comes at a price. The Indian retail management is becoming increasingly competitive with big brands both national and international entering the market. The retail management has a tremendous contribution in boosting the Indian Economy by increasing employment, enhancing exports and giving small scale industries the opportunity to sell their products at competitive prices.

The boom in the retail management is mainly due to the following reasons;

- Increase in the purchasing power of middle class Indians
- Indians becoming more and more quality conscious
- Change in taste and living styles
- Emergence of big international names in the retail sector
- The entry of FDI in the retail sector
- Rapid growth of IT and engineering sectors

Retailing in the recent era stands as an exciting yet complex business sector in most developing economies. According to recent surveys, the Indian Retail economy is growing but it needs to pick up more speed. Nevertheless, the contribution of the retail sector cannot be underestimated and has extensively helped in enriching the economy of our country. But the Indian retail industry needs to be more organized since retail management offers huge benefits.

Benefits of Modern Retail Management

- I. Better Quality Products & Services
- II. Better Lifestyle
- III. Bridges the gap between consumers and manufacturers
- IV. Up-gradation of the agricultural sector and other small-scale industries
- V. Promotes Tourism
- VI. Increases Employment
- VII. Boost in Exports

CONCLUSION

The retail management in India offers an opportunity for large player to operate in retail business spanning multiple categories. Little wonder that large domestic business houses and international retailers have expressed a keen interest to enter the retail sector in India. To capitalize on the opportunity, however, players need to be aggressive in outlook and build scale quickly. Retail Management will have a far-reaching impact on various aspects of the Indian economy. If rolled out in phases and with proper checks and balances, it will give a boost to the economy.

Customers will get a wide assortment of quality goods at reasonable prices. They will be able to buy the best brands across various categories. Large investments in infrastructure would lead to a rise in farm productivity, manufacturing and food processing as well as cold storage facilities. This would cut down wastage and spur growth in employment, exports and GDP. It can also help revive the textile and handicrafts sector. With appropriate controls in place, our exports can double in three years. The introduction of technology and good management practices will improve product availability, reduce wastage and improve quality and customer satisfaction. So the Indian Retail economy is continuously growing but it needs to pick up more speed.

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