

## Organized Retailing: Rise and Growth in India



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### Abstract

Indian retail scenario is the most powerful and dynamic. Indian retail industry has become the second largest industry among all industries which contributes 8% to the employment and 10% to the GDP. It has been most tempting destination for the international players to invest in because of its profound growth. This outstanding growth has signaled the entry of organized retail not only in urban areas but also in tier 2 and tier 3 cities. This Organized retail has come into the Indian market along with various new retail formats, latest techniques, exclusive retail outlets etc. Organized retail has brought a substantial amount of profit and growth opportunities to the Indian retailer. Changing attitude of Indian consumers and their inevitable adoption to organized retail has been a supporting hand to this success. Organized retail market is anticipated to increase from 12% in FY 2019 to 25% in FY 2024. It is growing at a CAGR of 20-25% per year in India. E-Commerce market is also expected to move forward from US\$ 24 billion in FY 2019 to US\$ 98 billion in FY 2024 with a CAGR of 12%. The present study explores the changing face of Indian retail.

**Keywords:** Retail, Evolution and growth of Organized retail in India.

### Research Methodology

Information has been collected from secondary sources like several websites, various research papers, articles, books, trade journals, govt. publications, newspapers etc. and research is descriptive in nature.

### Objectives

- To study the evolution of retail in India.
- To know the growth of Organized retail
- To know the driving factors of Organized retail.

### Introduction

Retail is a set of various activities that makes possible to deliver the goods or services to the final consumers for their own personal use. It creates a link between the wholesaler and the final consumer. It is of two types i.e. Unorganized and Organized.

Under the **Organized retailing**, trading is carried out by **licensed or authorised dealer** who pay taxes to the govt. Govt. has proper record and control over them. It includes the modern retail outlets i.e. supermarket,

hypermarket, malls and other departmental stores. This type of retail sector generates huge revenue to the govt.

**Unorganised retail** includes the small shops, one manned shops, hand cart, street vendors and neighbourhood kirana shops etc. These types of shops are not in the knowledge and control of the Govt.

Retailing is a most important facet of our lives as well as of economic structure. Though retail exists in the Indian market since the olden days, but in the present scenario, it has become a brand dominated and experiencing activity.

*According to Phillip Kotler - "Retailing includes all the activities involved in selling goods and services to the final consumers for personal, non-business use."*

With the introduction of organized retailing since 2000 onwards, it has been an activity of more than just shopping. Before 1990, unorganized retail was in the domination position but with the passage of time and growth of organized retail, its share is decreasing day by day. The entry of large corporate groups like TATA, RPG, and ITC &

Raymond etc has given a new direction to the Indian organized retail. Liberalization and organized retail has given the Indian consumers an increasing exposure to the new products, services and technologies.

**Evolution of Retail in India**

As retailing is one of the dynamic and largest sectors, its revolution is witnessing. This

revolution includes the up-gradation of conventional stores to malls and other organized retail formats. This revolution indicates all the phases of the transformation and shows how the organized retailing came into existence over the passes of time. Different phases of Indian retail have gone through the following stages as:



*Source: Technopak Advisor Pvt. Ltd, BCG, News articles, DPIIT IBEF, Retail Industry Update-August 2021.*

**Pre 1990(Initiation):** Mom & Pop stores and kirana stores are the oldest form of retail in India. These types of shops were used to open in front area of their houses or nearby places. The size of these shops was used to be very small and purpose was to earn the family’s livelihood. Government also supported the retail system by the establishment of Canteen Store Department and Co-operative bodies such as Public Distribution System, Mother dairy, kendriya Bhandar etc. All these formats of retail played an important role in the growth of retail in India. Manufacturers were used to open their own outlets. In 1980, Organized retail was entered with the establishment of retail chain stores in the textile sector i.e. Raymond, S.Kumar, Bombay. All these were prominent retailers to take the organized retail ahead.

**Post 1990 (Conceptualization):** This phase indicates the major step of liberalization for the betterment of Indian economy which made possible to the international players to enter into the Indian retail market. Liberalization made the economy free to trade internationally. Due to this liberalization a tremendous change was came into the retail size as well as methods of functioning. Some new giant retailers entered into Indian retail market. These retailers were Pantaloons, shoppers Stop, lifestyle and some new retail

formats also came into the existence like shopping mall, hypermarket market, super market along with various additional services to their customers. Pure play retailers realized the hidden potential into the Indian retail market. Gradually various new retailers moved on from just manufacturing to completely retailing. In this phase, organized retail could be seen majority in the area of apparel segment.

**2005-10(Expansion):** This period has been the most dynamic phase from the various point of views i.e. growth, new entrants, profit etc. There are so many growth drivers to the organized retailing i.e. increased income of middle class, high disposable income, higher education level and large young consumer market and working women etc. A new concept of shopping also came into the existence i.e. entertainment, with the entry of shopping mall, hypermarket and supermarket. Now the shopping had become more than just to shop. In other words, now the customers want to enjoy their shopping. Due to huge untapped potential into domestic market, some Indian retailer also entered like Mahindra and Mahindra, Reliance Tata and Aditya Birla during this phase. The success of these retailers motivated the other national as well as foreign retailers to enter into the Indian retail. Indian government allowed FDI and made a FDI policy



2005-06 in which 51% in single brand retail outlet through joint venture was permitted. Some new premium brands like Gucci, Wal-Mart and Armani etc. also took the benefits of this FDI policy and entered through the joint venture.

**2010 Onwards (Consolidation):** FDI policy 2012 liberalized the FDI limit i.e. 100% in single brand and 51% in multi brand which brought a tremendous change in Indian retail. This policy gave an invitation to the international players to enter in freely. Consequently the Indian retail market has become more competitive to survive. E-commerce was also entered into the organized form of retail. The most popular online platform for shopping was flipkart, Myntra and homeshop18. In the current scenario, organized retails have started to enter into the tier 2 cities and rural areas as well.

### **Factors driving organized retailing**

Organized retailing is spreading and making its presence in different parts of the country. Several growth drivers are responsible for this boom of organized retail which is as follows:

**Increasing women workforce:** From FY 2014 to FY 2019, women workforce in India has increased from 5 million to 7 million respectively and is expected to reach 10 million by FY 2024. Resultantly, family income got increased and the spending on self-development like personal care, readymade garments, is also increased. Now women are more concern about her and her family standard. That is why she wants to shop quality product from organized retail outlets.

**Changing mindset of Consumers:** Nowadays there is tremendous growth in number of consumers in India, especially the middle class. India has the largest young consumer who spends more on luxurious and comfort product. Because of higher education and more income, consumer wants to go for organized retail where he/she can purchase and enjoy that also.

**Value for Money:** Big & organized retail outlets like Supermarket, Hypermarket, Discount store and retail chains basically deal in volumes & can easily offer a good range of products at reasonable price which attracts the more customers. It encourages the customers to shop from these organized retail outlets.

**Urbanization of Rural Market:** Today's Indian Retail market has entered in rural areas creating a big competition, as the rural population has become more literate & quality conscious.

**New Payment Gateways :** With the outbreak of online payment gave a exponential growth to the retail industry. The different modes of payment are mobile wallets, net banking Google pay and Paytm ect.

**Foreign Retailers:** Rapid expansion to cater the demand of every customer is catching the interest of foreign retailers to enter the market & provide good quality products & services through joint ventures or franchising. This will further boost the organized retail sector.

**Advance technology:** With the introduction of computerized billing system, electronic media & marketing techniques, barcode system has changed the face of retailing in providing products & services to customers. More use of internet and social media also encourage the organized retail in India.

**Raised Income Structure:** Increase in the number of working population has resulted in increase in the income structure in cities as well as remote areas. This has further led to increase in the demand for quality products & services. People nowadays tend to try new things & improve their look thus increasing the spending habits & giving an opportunity to grow & expand their business.

**Use of Plastic Money:** Use of credit and debit cards for buying merchandise is relatively a new phenomenon but gaining popularity immensely. Credit and debit cards are commonly known as 'plastic money'. Today, especially in metros, retail spending is mainly done by plastic cards.

**Increased Working Population:** In recent times the graph of working population has seen a steep increase in urban as well as rural areas. It becomes very difficult for the working people to spend enough time in shopping at different locations. This enables a retailer to provide them various products at one place, creating a platform for development.

**The government support:** Govt. support like relaxation on foreign direct investments further has accelerated the growth of Indian organized retail sector. Consequently, the shopping malls

are coming up throughout the country in a big way.

### Growth potential of Indian retail

Indian retail is estimated to reach US dollar 1300 billion by FY 2024 from US dollar 883 billion in FY 2020 (IBEF report 2021). Because of increased population, growing middle class income and increasing women workforce, the organized retail business is expected to grow from 12% in FY 2019 to 25% in FY 2024. E-Commerce market is all expected to grow from us dollar 24 billion in FY 2019 to us dollars 98 billion in FY 2024. India is the least competitive and saturated of all major global markets. A lot of opportunities in the form of cheap and huge availability of good quality resources make the Indian retail market possible to overtake the world best retail economies by 2042. India is expected to become the world's third-largest consumer economy, reaching Rs. 27.95 lakh crore (US\$ 400 billion) in consumption by 2025. The participation of foreign retailers is increasing day by day, consequently Indian retail sector is also moving towards boom. India's price competitiveness attracts large retail players to use it as a sourcing base. Global retailers such as Wal-Mart, GAP, Tesco and JC Penney are increasing their sourcing from India.

India's online retail market is projected to increase at a healthy CAGR of 25-28% reach, reach \$55-60 billion by 2020, account for 25 percent of the total organized market, and grow to 37 percent by 2030". *AT Kearney's study on global Retailing.*

"India has been ranked the third most attractive nation for the retail investment about 30 emerging market" *US based global management consulting firm.*

### Conclusion

In light of the above, it can be conclude that the Indian retail sector is undergoing through a transition phase and has gone through many variations in its style of business. The living standard and life style of Indian consumers has gone changed and brand conscious because of

raised income level, working women workforce, higher education level and easy financing options, easy availability of international products, wider choice and more use of social media & internet etc. Indian Govt. policy regarding FDI also worked like a invitation to the organized retail. All these factors played the role of driving force for the development of organized retail in India. Organized retail has a very huge potential for growth in the upcoming time. Though it is true that organized retail is making a way to success and full of good opportunities but it is not going to replace the unorganized retail completely. They will co-exist in the market in future as well.

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