

Study Material

Class - B. Com Hons Sem VI

Subject Code – BCH- 6.2

Subject – Principles of Marketing

Topic – Retailing – 10 (Retail Scenario in India)

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Retail Scenario of India: An Overview

“The retail companies are found to be rising in India at a remarkable speed with the years and this has brought a revolutionary change in the shopping attitude of the Indian customers”.

In last one and half decades, many corporate giants have entered into retailing and have successfully professionalized this business. Many international retailers have entered Indian market and many are about to enter to explore retailing opportunities.

Interestingly, apart from a unique industry, retailing has been emerging as a discipline, a branch of study. In almost all B-Schools, many students specialize on retailing field every year. Even, primary and secondary schools have introduced retailing related topics in their curricula in one or other form. Now, retailing activities have transformed into promising business worldwide. Retail business occupies an important place in the world economy.

Retailing industry, accordingly to Global Industry Classification Standard (GICS), is growing at the rate of 5%. In year 2009, total turnover of retail industry in the world is estimated to be \$12,104 billions. It is one of the major sources of employment, too. It enjoys 6% to 7% share in total employment in India and China.

In some developed countries, its contribution in total employment much higher than India. For example, share of retail in total employment in Brazil, U.S.A., Korea, and U.K. is 15%, 12%, 18%, and 11% respectively. Wal-Mart Stores is ranked first in terms of revenues (\$ 287989 millions, 2004), and number of employees (1700000 employees in 2005) among leading multinational retailers across the globe.

Indian retailing system exhibits considerable variety. We find giant shopping malls and a small retail shops operating simultaneously in nearby area. Interestingly, some small sole proprietary retailers are competing successfully with retail corporate giants in neighboring areas.

Medium and large departmental stores also operate in retailing field amidst many small retailers and a few corporate retailers. In the same way, service sector retailing business is also booming. Most service sectors, including banking, stock markets and securities, insurance, healthcare, communication, tour and travels, hotel and restaurants, and so forth, have started concentrating their attention on effective retailing to survive and grow.

Retail Sector is the most booming sector in the Indian economy. Some of the biggest players of the world are going to enter the industry soon. It is on the threshold of bringing the next big revolution after the IT sector. Retail market is expected to grow manifolds by the year 2010. The sector contributes 10% of the GDP, and is estimated to show 20% annual growth rate by the end of the decade as against the current growth rate of 8.5%.

A CRISIL report says that the Indian retail market is the most fragmented in the world and that only 2% of the entire retailing business is in the organized sector. This suggests that the potential for growth is immense. There are about 300 new malls, 1500 supermarkets and 325 departmental stores currently being built in the cities across India.

Growth of Retail Companies in India

Growth of Retail Companies in India is still not yet in a matured stage with great potentials within this sector still to be explored. Apart from the retail company like Nilgiri's of Bangalore, most of the retail companies are the

sections of other industries that have stepped in the retail sector for a better business.

The growth of retail companies in India is most pronounced in the metro cities of India; however, the smaller towns are also not lagging behind in this regard. The retail companies are not only targeting a few metros in India, but also are considering the second graded upcoming cities like Ahmedabad, Baroda, Chandigarh, Coimbatore, Cochin, Ludhiana, Pune, Trivandrum, Shimla, Gurgaon, and others. The South Indian zone have adopted the process of shopping in the supermarkets for their daily requirements and this has also been influencing other cities as well where many hypermarkets are coming up.

Reasons for the Fast Growth of Retail Companies in India:

The retail companies are found to be rising in India at a remarkable speed with the years and this has brought a revolutionary change in the shopping attitude of the Indian customers.

The growth of retail companies in India is facilitated by certain factors, like:

- i. Existing Indian middle classes with an increased purchasing power
- ii. Rise of upcoming business sectors like the IT and engineering firms
- iii. Change in the taste and attitude of the Indians
- iv. Effect of globalization
- v. Heavy influx of FDI in the retail sectors in India

Estimates and Predictions for Retail Sector in India:

Some studies conducted by reputed groups have made following prediction:

- i. At present, the industry is estimated to be at more than US\$ 400 billion by a study of McKinsey.
- ii. The Economist Intelligence Unit (EIU) estimates the retail market in India will increase to US\$608.9 billion in 2009 from US\$394 billion in 2005.
- iii. KPMG Report says that the organized retail would grow at a higher rate than the GDP in the next five years.
- iv. The retail sector would generate employment for more than 2.5 million people by the year 2010, as predicted by Ma Foi Management Consultants Ltd.

Major Players in Retail Industry: Major leading Indian companies in retail business include:

Archies, Bata India Ltd, Big Bazaar, Crossword, Ebony Retail Holdings Ltd., Fabmall, Food Bazaar, Globus Stores Pvt. Ltd., Health and Glow, Liberty Shoes Ltd., MTR Foods Ltd., Music World Entertainment Ltd., Pantaloon Retail India Ltd., Shoppers Stop, Style SPA Furniture Ltd., Subhiksha, Tital Industries, Lifestyle, etc. New entrants entering the market soon will be Reliance Retail Ltd, Wal-Mart Stores, Carrefour, Tesco, Boots Group, etc..
