

# Retail in india - revolution or evolution

[History](#), [Revolution](#)



Executive Summary Retailing in India came with evolutionary patterns from Kirana store to Super market. This sector was un-organized in the initial stage, and after that it carried forward by the textiles industries through the dealer model.

Now it is growing as supermarket and hypermarket. The main drivers of the retail evolution in India are buying behavior of the customer, increase in disposable income of middle class, infrastructure development and changing customer choice. The target segments of retailers are the younger middle class earners which belong to more than 20% of total population. The growth in retail sector also comes through innovative ideas. As retailers are providing the innovative buying options at different store like as cash & Carry, lowest price day (Sabse Sasta din) which help to increase the customer base.

Initially organize retail was involve in the apparels and footwear. Now retail has included the food chains, book & CD store (landmark) and electronics (CROMA store a Tata retail chain). These all changes occurred at a passage of time so; it is an evolution rather than revolution. This paper help to give information about the journey of retail in India, different formats of retails chains, drivers of the retail industry, and finally the barrier in the growth of Indian retail.

Retail in India: Revolution or Evolution Evolution of Retail in India: The journey of retail started long back through the Kirana store in India. This is first effort by local shopkeeper. The shopping centre concept comes into the existence in year 1869, with Mumbai Crawford market and Kolkata's New

Market in year 1874. The underground shopping complex Palika Bazaar in New Delhi was established in the late 1970s and mini malls on the Bangalore's Brigade Road came into existence in 1980s. Government of India entered into the rural India by franchisees called Khadi Bhandar.

These stores serve as outlets for products made by village industry i. e. Khadi, matchsticks, incense sticks, decorative items made from wood and earth, ahinsak (non-violent) honey, ahinsak leather items etc. The industries came in the retailing in 1980s through dealer network. In 1980s, the big group of textile industry i.

e. Raymond, S. Kumar, Bombay dyeing and Grasim came with this concept of retailing. In the manufacturing sector, the pioneers were DCM group & Bata. Titan came with an organized retail concept and establishes number of showroom for premium watches.

All the above effort for retailing came by the manufacturer. But the pure retailer approach came in the existence in 1999s with the establishment of "Ansal's Plaza" in Delhi and Crossroads in Mumbai. After the 2003, many other organizations either planning to come into the retail market through the retail store or initiated the establishment work. Currently some popular groups which are operating the organized retail in different formats are following.

Table-1: India's leading retailers and their format  
Retailer Format  
RPG  
Retail Hyper market (Spencer's), Specialty Store (Health & Glow)  
Piramal's Discount store (Trumart) Pantaloon Retail Super Market (Food

Bazaar), Hyper market(Big bazaar), Mall(Central) K Raheja Group Supermarket(TBA), Hyper market(TBA) Tata/Trent Hyper market(star Bazaar India) Landmark Group Hyper market(TBA) Reliance Group Super market Others Discount store(Subhiksha, Margin free, Apna Bazaar), Super market(Nilgiri's), Specialty Electronics(Vivek's, Vijay sales) From the above long journey shows that organized retailing in India came through a long path and many changes. It means it is an evolution rather than sudden, revolutionary change. Drivers of Evolution: Accelerating Household Income in India: After the 1991, the income of the educated middle class houses is increasing at the rate of 3.6%. It is expected that this rate will be 5.3% in future.

The rate of growth in the urban middle class is 4.6% as compare to the growth rate in the rural middle class households. It is also expected that average real household disposable income (income minus taxes, adjusted for inflation) will reach \$6,977. Following graph is showing the estimated growth in disposable income of Indian middle class.

Average household disposable Income (thousands, Indian rupees) \*Circled figures represent compound annual growth rates. Source: Mckinsey Global institute Change in Population Structure and Choice: The Indian population structure is changing now. It consists more than 60% of people who are below the 30 years. The people (20-30 year age group) who affect the buying pattern of the family are more than 20% of whole population.

After the 1991, the income of younger middle class is increase at higher rate because of open of Indian economy. The choice of this new young middle

class earning people is also changing and they now shifted from local brand to global brand, Dhaba to Macdonald, bread to burger and most important is from money saving to money enjoying. This younger middle class is the main target segment of the retail industry. Table-2: Population pattern of India

Source: Reference (A) Infrastructure development: After 2003, India is recognized for all round development in the important infrastructure sectors. The government is investing hugely on the road, port, aviation and basic need. All these factors attract the foreign investor to invest in retail sector.

Now, the reach of information has easier than previous years because of the development in infrastructure i. e. Telecommunication, IT, Internet and satellite TV. Now customer is more aware of the product and their features because of the Internet accessibility. The reach of satellite TV channels is helping in creating awareness about global products for local markets. So, rapid development in the infrastructure sector is one of the important factors to accelerate the retail in India.

Future growth in Retail: The retail business in India is still highly fragmented. Nevertheless, with global biggies like Wal-Mart, Carrefour, Marks & Spencer, Gap etc. raiding the Indian retail space, coupled with domestic biggies like Ambanis and Mittals giving tough competition. As till 2006, the India's total retail market was US\$ 202. 6 billion which was expected to grow at a compounded 30 per cent over the next five years. But in year 2008, due to recession in Indian economic growth its pace slow down.

The organized retail segment is growing at the rate of 25-30 per cent per annum. The revenues from the this sector are expected to triple from the

current US\$ 7.7 billion to US\$ 24 billion by 2010. The share of modern retail is likely to grow from its current 2 per cent to 15-20 percent over the next decade.

Table-3: Growth in Indian retail Source: Economist intelligence unit and A. T. Kearney report Some new mega projects of the big retailer are in pipeline stage i. e.

Wal-Mart, Tesco; while some foreign retailer has already establish their retail store in India and now are in expansion phase. Some major upcoming retail houses are following. Wal-Mart's is about to enter India in a tie up with Bharti group and plans to open " hundreds of stores" all around in wholesale sector. The financial details haven't been released yet as India still don't allow FDI in retail sector. Mukesh Ambani has established a separate company, Reliance Retail Limited, which is 100 percent owned and would invest Rs.

25,000 crore in the retail business over the years. Stores are be set up in phases, and around 1,600 stores will be in place. The New York-based fashion retailer Saks Fifth Avenue has tied up with realty major DLF Properties to set up shop in a mall in New Delhi. Hong Kong-registered Tommy Hilfiger has entered into a tie-up with Arvind Brands, among India's largest integrated mills and a leading menswear manufacturer.

Tommy Hilfiger has recently set up shop in the country. Madura Garments, a division of the Aditya Birla Nuvo Group, has distribution licensing arrangement with Hong Kong Based Esprit. It currently operates 12 stores in India and has put plans in place to set up over 100 stores in the coming

three years. Tesco, the UK's largest retailer is entering India with a wholesale cash-and-carry business.

At the same time, Tesco is also partnering with giant Indian conglomerate Tata Group for retail business in India. Its new wholesale business will supply merchandise to Tata's retail arm, Trent, for its Star Bazaar hypermarkets. ITC's is planning to expansion of its Wills and John Player's retail stores to 300 in the next couple of years. Key Challenges: The retailing is growing at a tremendous pace in India but many environmental factors are creating barriers to it. Therefore, the industry is also fearing and trying to overcome these problems. The retail sector growth can be faster than the current growth rate if retail organization crosses following hurdles: The organized retail industry in India is faced with stiff competition from the unorganized sector.

The local shopkeepers are making cartel for wholesale buying which help them to reduce the cost of inventory. Small traders also oppose to Foreign Direct Investment in retail industry. So, government is prohibiting foreign investment in real estate business. Another factor which is hampering the retail sector most is; high price of quality real estate and infrastructure. It is high because of very high stamp duty on transfer of property.

Shortage of retail space in central and downtown locations also hinders the growth of retail industry. Land-use conversion is time consuming and becoming complex. For settling property disputes, it consumes lot of time and rigid building laws makes procurement of retail space difficult. The entry barriers are also high as non residents are not allowed to own property

except they are of Indian origin and customs duties are levied on import of goods in India. Conclusion: The Indian retail sector came with evolutionary patterns from Kirana store to Super market. This sector was un-organized in the initial stage, and then it moved through the franchise model.

As with the change in the regulation it transformed in pure retail market. so, we can say that retail come from evolution rather than a revolution. Word Count-1411 Reference: (A). Johree Rajan, Singh Ruhbani and Makhaniya Karan:” KIRANIZATION OF INDIAN MALLS: The Snow White and the Seven Dwarfs Effect”. (B).

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