

Organized retail current and future prospects



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The word Retail comes from the French “retailleur” which means “to cut a piece of” or “to break bulk”. Retail involves activities whereby products or services are sold to consumers in small quantities as per their requirements. The retail sector in India is evolving and undergoing transition. Early consumers use to visit kirana stores for their daily necessities but with the advent of retail formats with products under one roof, consumers were attracted to it. Retail formats have trained staff that cater to consumer requirements and is more organized. Organized retailing provides consumers an experience characterized with comfort, style and speed. It provides consumers more control, convenience and choice. Organised retailers have a network of retail outlets that are managed by professionals.

CURRENT SCENARIO IN ORGANIZED RETAIL

India is a hot spot for many retail giants due to its vast middle class population and untapped retail markets. The retail industry in India has seen a transition. An annual growth of 25% is expected in India. In the last few years, India has witnessed a tremendous growth. Change in consumer

profiles and demographics, increase in the number of international brands in the market, government policies, urbanization, credit availability, improved infrastructure, increasing investments in technology and real estate are the factors responsible for the retail boom in India. The retail sector has provided employment to people in rural areas and contributes to 10% of its GDP and 8% employment. In India 3% of the market is organized whereas 97% of the market consists of mom and pop stores. The retail sector is gradually increasing. Retail sector can be broadly classified into food and groceries, textile and clothing, consumer durables, footwear, jewelry and watches, furniture and furnishing, catering services, books, music and gifts, mobile handsets and others. Retail managers make complex decisions in selecting their target markets and location. Determining what merchandise and service to offer to consumers. The distribution channels to be used are another important step for the retailers. They have to make complex decisions on training and motivating sales associates and on deciding how to price, promote and present merchandise. Retail in India is not at the same pace as other Asian counterparts but is gearing up. India has secured a great position in the international market. India provides huge scope for companies due to its demographic composition. These companies bring different products and target different consumer segments. Global Retail Development Index has positioned India as the foremost destination for retail investment and business development. This is due to the large population comprising of the age group 20-34 having high purchasing power, which has caused high increase in demand in the urban market. Thus causing growth in the retail business.

TRENDS IN RETAIL

Demographic

Increase in disposable income

India becoming a popular destination for foreign retailers

India revamping its retail sector

24% growth in departmental sales annually

Growing population of double income individuals

Use of information technology

Rural markets as emerging markets for retail

Organised retail largely present in urban areas

Successful in cities due to consumer buying behaviour

CHALLENGES IN ORGANIZED RETAIL SECTOR

Retail sector in India is going through a transitional phase and has faced many challenges. Some of the challenges faced are as follows:

97% of the market is unorganized comprising of mom and pop stores. It has low cost, negligible real estate and labour cost, little or no taxes to pay.

Consumers for generations to generations tend to visit these mom and pop stores and have gained favorability.

Organized sector has huge expenses and need to keep the prices low to match the traditional store prices

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The organized retail sector is not recognized as an industry. Thus being unable to get finances and thereby affecting growth and expansion plans.

Investing in real estate is very expensive. Retailers have to pay large amount to build retail formats. The rent or lease to be paid is high. The high lease or rent reduces profitability.

High stamp duties that need to be paid by retailers. The stamp duties vary from state to state.

Lack of infrastructure poses a challenge to retailers. Poor roads and transportation. Lack of cold storage in food and grocery segments.

Retailers often face multiple taxes in different states. Value added tax system.

Approval of foreign retail in India is not an automatic process.

Regulations enforced on purchasing real estate.

Local laws.

Tax policies that favor small businesses.

Poor supply chain and information technology infrastructure.

Lack of skilled and trained work force.

Low levels of skill in retail segment.

Rapid price change.

Threat of products becoming obsolete.

Threat of low margins

OPPORTUNITIES IN ORGANIZED RETAIL SECTOR

Organized retail provides product visibility and a platform for customer interaction.

It helps in launching new products and its variants

Helps in market penetration and expansion.

It has wider product range and fast delivery process.

Due to urbanization, consumers can be catered to through a single retail outlet.

Nuclear families have to earning members which increases the available disposable income. Due to lack of time consumers want everything under one roof.

Retail outlets have various payments modes like cash payments and payments through credit or debit card.

Retail outlets have proper infrastructure, air conditioning, well maintained buildings, trained staff, electronic machines, parking facilities and categorical display of goods.

It provides customer an experience and enhances customer engagement.

Organized retail provides employment opportunities to skilled. Semi-skilled as well as unskilled individuals.

It contributes to social- economic development of the country.

Due to emergence of retail outlets, there is a lot of competition. Thus retailers offer discounts, promotional events, festival offers etc.

It reduces supply chain management process

FUTURE PROSPECTS

The retail industry in India is growing more and more rapidly. The retail sector in the small towns and cities is expected to increase 50-60%.

The factors that play a crucial role in shaping the future of the retail sector are as follows:

Due to the increase in the income of an average individual, the purchasing power is increasing.

There is improvement in the infrastructure and thus is contributing to market growth.

With liberal policies formulated by the government, foreign investors can enter the Indian market and make investment.

As Indian consumers are evolving through purchase of different products and services. The national and international brands are benefitting.

The internet has made it easy for international brands to understand Indian consumers and influence them before entering into the market. Due to

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internet penetration in the remotest markets, consumers are aware of global products and service offerings.

With well developed retail, large areas of land lying ideal in prime location with governmental and non-governmental agencies can be used to set up large retail formats and cater to the requirements of the consumers.

Major tourist destinations have well organized retail sectors. Thus, well established retail sectors can attract tourist to the city and promote it.

Realizing the need gap is important in the retail sector.

Use of decision support system by retailers.

Use of technological innovations to provide real time information of products sold, thus managing inventory levels.

Building store brand by creating footfalls and converting them into sales.