

The growth of retail business in india marketing essay



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This project describes the growth of retail business in India. In the recent years the retail business in India has grown tremendously with consumers becoming more brand conscious. Firstly, the difference in purchasing behaviour among consumers will be investigated and evaluated. Secondly, the purchasing power of Indian consumers over the past decade is compared and contrasted. From 2007 the income generation among consumers is critically appraised. Then, the reasons for the growth of retail business in India are explained. In conclusion the future growth potential for the retail business India will be appraised.

Since India being the 2nd fastest growing economy in the world the retail business in India has emerged as the most dynamic sector with several companies worldwide entering the Indian markets. According to the study undertaken by The Associated Chambers of Commerce and Industry of India (ASSOCHAM) retail sector constitutes 10 percent of the countries total GDP and 8 percent of employment. (Corporate catalyst India: Indian retail sector survey reports)

The whole concept of purchase has changed in terms of format and consumer behaviour showing that modern retailing such as has shopping centres multiplex malls and etc has entered India. This is due to increase in young working population, increase in working women population increase in income and customer aspiration, increase in expenditure for luxury items. Due to the growing demand for retail business in India, In 2006 AT Kearney's Global Retail Development Index (GRDI), ranked India at the top for retail investment destination among the 30 emerging markets across the world. (Corporate catalyst India: Indian retail sector survey report)

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This topic was chosen because of personal interest and experience in my family firm. The rapid development of retail in India is something I have seen at first hand in our company.

The main purpose of this research is to compare and contrast the purchasing behavior of Indian consumers over the past decade, then, critical appraise the growth among the Indian consumers from 2007 onwards. After evaluating the reasons for the growth retail business growth, the future growth potential of the retail business in India will be critically appraised.

CHAPTER-2

LITERATURE REVIEW:

Meaning of Retailing, " The sale of goods or commodities in small quantities directly to consumers".

Retail business in India has shown an immense growth in the recent years providing space for foreign direct investment. However organised retailing in India is witnessing a radical change. The increase in retail chains store across the country shows that the industry is emerging. Organised retailing is just 3%, one of the countries leading retailer " The future group" is in tie-up with Everonn Education Company to provide training in organised retail to the coming generations.

According to a report prepared by McKinsey & Co. and the Confederation of Indian Industry (CII), India's retailing industry has the potential to generate 300 billion per year by 2010. Population growth combined with an increase in disposable incomes is providing the impetus to this boom. Household
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groceries and apparel are the drivers in organized retail industry. Food retail in particular is the sunrise sector. Research reveals that food retail is expected to grow to \$1.6 billion over the next five years. The organized apparel segment is \$1.8 billion and is expected to grow at a steady 9.5 percent per annum over the next three years. This means there is enough space for many big players.

Srivastava, R. K. 2008. Changing retail scene in India. *International Journal of Retail and Distribution Management*, 36(9): 714-721.

Sengupta, A. 2008. Emergence of modern Indian retail: A historical perspective. *International Journal of Retail and Distribution Management*, 36(9): 689-700.

Retailers association of India:

www.rai.net.in

CHAPTER-3

METHODOLOGY:

My research topic is on the growth of retail business in India. It is a literature based research; I chose this topic out of my own interest because when I was an under graduate in India I experienced a dramatic change in the retail business in India because of the boom in the IT sector, From then I started looking for magazines and I tried to keep myself updated with about the retail news in India. As I could not find any books about this topic in the JMU

library, I have used a lot of web referencing to source information. The websites that I used are Google scholar and Google books.

The objective of this research is to compare and contrast the purchasing power of Indian consumers over the past decade. Secondly to critically appraise the growth in purchasing power among Indian consumers from 2007 onwards and then evaluate the reasons why retail business in India is growing. Finally, appraise the future growth potential for retail business in India.

However, if time and resources were available, the project could have been improved if longitudinal studies on consumer behaviour in India were available, this could become a useful area for analysis of change in consumer behaviour over time for future researchers.

CHAPTER-4

ANALYSIS:

Retail business in India is growing at a brisk pace estimating US\$ 900 billion by 2015; Since 1985 the income levels of Indian consumers has doubled thereby enabling the consumer to consume excess basic necessities. This has led McKinsey to predict the purchasing power parity (PPP) terms to reach US\$ 8. 2 trillion by 2025 as a result India will be largest consumer market in the world. Such a growth will be stimulated by the increase in the Indian middle class population, which is estimated to reach 583 million that is approximately 41 percent of the country's population, and their earnings would be between US\$ 4, 400 and US\$ 22, 000. A. T. Kearney ranked India

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as the most attractive destination for foreign investment in retail in 2005.

(Center for strategic and international studies)

In early 1990's Indian consumer market was protected with minimal growth by high tariffs and other forms of barriers to trade was preventing the western imported consumer goods to enter the Indian markets. Most of the retail stores was family owned and small in size. There was only a few small super bazaars and consumers had a very few brand to select and also they were not allowed to walk freely inside the stores to compare and examine various brands.

The growth of modern retailing is categorised into two formats they are namely organised retailing and unorganised retailing. However organised retail is only 4 percent total countries total retail market, it is changing the lifestyle in the disparate Indian society, in which the huge market is about 70 per cent of households and relies largely on traditional outlets whereas the growing urban middle-class is demanding for more luxury goods and western style of living. This change in the socio-cultural, economic and demographic environment has moved the growth of consumerism in India. Therefore the retail growth depends on the evolving consumer needs, wants and preferences.

From 2007 onwards the retail industry in India is at its best. The Indian market has become a buyers market from a sellers market owing to the fact; change in the lifestyle of Indian consumers has changed their decision-making behaviour, consumers have become value sensitive and are not very much price sensitive. These days after the era of modern retailing

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consumers preferences varies, they prefer shopping in malls better than shopping in high street, multiplex's instead of traditional cinema halls and due to the emergence of IT companies into India, people are starting to adopt western culture and also IT sector has employed the youth population on a vast scale and they have been paid large sum money which increasing the purchasing power among youth. This has led the financial institutions to penetrate the credit card facilities furthermore increasing the purchasing power and motivating them to go for luxury products.

India is at the crucial point with regard to the retail business. Even though several emerging economics have gone ahead, India however a latecomer to organised retail expansion the future of organised retailing is boundless. However traditional retailing is performing a vital role in the economy by providing employment, the consumers are not immensely satisfied with their needs and farmers also tend to get prices below their produce. Whereas organised retail provides much better prices and also the desired shopping experience to the consumers.

Nielsen's Global Consumer Confidence survey (2009) stated that more than 91% of Indians are confident about their jobs and eight out of ten Indians are showing optimism about their state of personal finances, this is the highest percentage globally. The survey that polled 26000 consumers in 53 countries saw India's index at 129 comparing to the global index at 90. The consumers' confidence on their job, status of their personal finances and their willingness to spend shows the degree of positive approach on the economies that are expressed through their savings and spending. As per the survey taken in the third quarter of 2009, from the view point of Indians <https://assignbuster.com/the-growth-of-retail-business-in-india-marketing-essay/>

on the country's economic recession, 67% responded that currently India is not under recession. Therefore this survey explains all about the purchasing power of consumers. (Nielsen: global consumer confidence index)

Owing to the fact that India is filled with unlimited opportunities, huge markets and availability of quality raw material at cheaper cost India is expected to overtake the world's best retail economies by 2042. (Stated by leading industry players)

A T Kearney's study on global retailing trends stated, " India is the least competitive as well as least saturated of all major global markets. This shows that there are significantly low entry barriers for players trying to setup in India, in terms of competitive landscape". Therefore from the above statement we can understand that global retailers such as Wal-Mart, Carrefour and Tesco would go with partnership with local retailers to enter in the Indian market.

The future growth potential is determined by the various factors such as Migration of population to higher income segments with the increasing per capita income, urbanisation leading to the change in the attitudes of consumers by the increasing use of credit cards and growing vehicle population improving mobility and consumers are becoming value sensitive on buying behaviours.

There is a large opportunity in services sector market. Compounded annual growth rate (CAGR) is estimated to reach 30-35% for the next five years.

(Indian wellness services market- India retailing) due to this the number of shopping malls is expected to increase at a rate more than 18. 9% from <https://assignbuster.com/the-growth-of-retail-business-in-india-marketing-essay/>

2007 to 2015. Tier 2 and tier 3 cities are expected to hold 50% of the market share of retail landscape in India by 2012. It is also expected that the apparel, food and grocery industry will lead the organised retailing in India. (Indian brand equity foundation)

CHAPTER-5

RECOMMENDATIONS:

On the whole even though retail industry in India is growing the industry is lacking behind certain factors that needs to be improved. Most Indian retail players are under serious pressure to make the supply chain more efficient in order to deliver superior quality and services demanded by the consumers. Inefficiency in this leads to long intermediation chains that would raise the cost by 15%. There is a lack of adequate infrastructure with respect to roads, electricity and cold chains. The industry is also facing shortage of talented professionals, especially at the middle-management level. The government is plagued with differential tax rates leading to increase in various costs. These are the difficulties that should be improved in this industry.

CHAPTER-6

CONCLUSION:

This dissertation as discussed about the growth of retail business in India. The findings has indicated the change in the purchasing power among Indian consumers over the past decade and evaluated the reasons for the growth of retail business in India. Then finally the future growth potential for retail
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business in India is critically appraised. With lots of time constrain I managed to gather information for my research. If the time resources were not a problem the research would have been more longitudinal with surveys and statistics, which would have been more accurate and useful for future resources. Therefore there is a great potential for retail business in India.