

## Impact of Globalisation on Retail Industry in India: Some Glimpses

*Kapil Sharma,*

*Research Scholar, Department of Management, Under the School of Commerce and Management, MUIT, Lucknow.*

*Dr. Trupti,*

*Department of Commerce, Supervisor, Under the School of Commerce and Management, MUIT, Lucknow.*

**Abstract---** Since opening Indian economy to global investors in 1991, India has attracted unprecedented historical inflows of retail. As mentioned earlier retail flows have both favorable and unfavorable effects on host country. However, in this paper we analyzed citizens' perception of unfavorable effects of retail on socioeconomic and environmental aspects, such as disparity in wages, influence on culture, increase in political corruption, and the effect on ecology and environment by conducting surveys in three major cities of NCR region, namely, Greater Noida, Gaziabad and Gurgaon. Retailing is the world's largest private industry with total sales of \$6.6 tn. In India too, the industry is large, accounting for around 10% of GDP, which is the second largest after agriculture. Annual retail sales in India are estimated at \$340 bn and have been growing at 5% annually. India has one of the highest densities of retail outlets in the entire world. There are more than 12 million retail outlets (including unorganized ones) in the country. Over the past decade, there has been rapid expansion of organized retail formats. The organized retail space had increased to 16 million sqft in 2008 from barely 1 million sqft in 2002. The customer profile too is quite young and spending patterns have shifted upwards, thus creating a growing opportunity for the retailers to serve and delight the customers. While 50% of India's population is less than 25 years old, 70% is less than 35 years of age. The implication is that there is a large complement of young working population, thus, resulting in increased retail spending.

**Keywords---** Retail Industry, Retail Spending, Retailing Business.

### I. Introduction

The Indian market is quite lucrative for global players in the retail sector, and India has been placed at second position in AT Kearney's annual Global Retail Development Index (GRDI) 2008. As the contemporary retail sector in India is reflected in sprawling shopping centers, multiplex-malls and huge complexes offer shopping, entertainment and food all under one roof, the concept of shopping has altered in terms of format and consumer buying behavior, ushering in a revolution in shopping in India. This has also contributed to large-scale investments in the real estate sector with major national and global players investing in developing the infrastructure and construction of the retailing business.

Even though the Indian market holds a lot of promise, the penetration of organized retail has been comparatively quite low in India. India is a nation of traditional mom and pop stores, which have an extensive reach, and have been ruling the retail sector for many years. The traditional unorganized retail outlets provide customized services to their small local clientele, including credit sales and home delivery. However, the entry of many organized retail chains, some of which are promoted by major Indian corporate houses, is posing a threat to the traditional retailers. These new retailers are experimenting with a multitude of formats, and are trying to build a strong base with superior technology and high sense of customer centricity. The organized retailers aim to capture a progressively increasing share of the total retail pie. The large number of players entering organized retail at such a pace is a cause of concern for the unorganized retailers. From a fresh entrant like Reliance Fresh, to a pioneer, like Pantaloon Retail India Limited (PRIL), all the organized retailers are upgrading and equipping themselves to capture the attention of prospective customers.

The development of organized retail started comparatively late in India. Single brand retail chains (such as those of Raymond's, Liberty footwear and such others) began to find a foothold in the major metros during the 1980s. Multi-brand retail chains came into the picture mainly during the 1990s. Shopping centers began to come up around 1995. Shopping malls and hyper markets have begun to evolve primarily during the new millennium. Now, several large Indian business houses have made a foray into retailing, with multiple formats and in varied product categories. Multinational retailers are also trying to edge their way into the Indian market in whatsoever manner the present foreign investment norms permit. International retail chains, such as Wal-Mart, Tesco, etc., are waiting in the wings for Foreign Direct Investment (FDI) being allowed in multi-brand retailing.

As per the above definition the final consumer is a key concept within the distribution chain, especially since the retailers are at the end of the chain and directly interact with the customer. Moreover, the final consumer is presumed to be the final user of a purchase unlike a customer who may have bought the goods for their own use, as a present or as part of their own business activity. Retail transactions include more than the sale of tangible products, services such as financial services, beauty care saloons or dry cleaning.

The analysis portrays the gloomy picture of retail sector both at national and regional level, as in post reforms period total factor productivity growth has been observed positive and thus, supports the inference of positive effect of economic reform on the growth performance of retail sector. Therefore, the growth of this sector based upon total factor productivity growth is not sustainable in the long run. In this context, an improvement in production efficiency is the most plausible policy tool which must be followed by Indian planners both at national and regional level to enhance the competitiveness of retail sector in post reforms period. On the other hand, an improvement in product quality through up gradation of technology seems to be the important policy tool for enhancing organized sector retail industry.

Retailing provides a crucial link between producers and consumers in modern market economy. Retail in India is most dynamic industry and represents a huge opportunity both for domestic and international retailers. Modern retailing is not threat to independent Mom and Pop stores as most of the consumers said that they never stopped visiting Kirana stores. They strongly agreed on coexistence of both is requirement of the day. Their frequency of going to kirana stores is reduced but its kind of opportunities for reorienting Mom and Pop stores for attracting more customers. So, organised retailing is beneficial for India because it's not alarming to create conflict with unorganized stores but reshaping unorganized stores into budding/nascent organised stores. Modern retailing has miles to go in India. The growth of modern formats has been much slower in India as compared to other countries and the development of this sector is restricted by the presence of regulatory and structural constraints.

## II. Findings

- It was being found during study that the above frequency counts reveal that one of major competitive advantages that organized retail has is that they offer savings in purchases, this may due to various promotional offers, quantity discounts and tie ups with brands. Second most important factor is availability of quality products, this is also possible because many organized retail stores have tie ups with good quality brands. Thirdly, organized retail stores are a one stop shop, this is again possible as they have tie ups with various brands which span across many product categories.
- It was the behavior of the respondents, they were asked to mention how much they spend in retail stores in a month and what course of action they take when a brand of product they require is not available at a store but over they were found satisfied.
- During study it was found that education level of the customer was playing key role to decide their purchasing behavior.
- In the study it was observed that on an average most customers spend an average of 1000 to 2000 INR a month. Secondly, they were what type of purchase behavior they indulge in when they go to a retail store. 230 respondents replies that they purchase many things after coming to the store, which is the highest rated option (frequency=230), thus we can say that a consistent spending pattern and thinking about purchasing things after coming to the store, indicate that the promotional offers of the stores are effective.
- The model summary for the regression analysis is shown above. As per analysis, the model explains 4.308% (multiple R- Squared = 0.04308) variation in satisfaction. The F statistic for the model  $F(9,490) = 2.451$  with  $p=.009$  ( $p>.05$ ) indicates that the model is better in predicting the outcome i.e. satisfaction, as compared to just using means as best guesses.
- From the above analysis on the beta coefficients for satisfaction with billing and smartly dressed staff are significant ( $p<.05$ ), rest all the independent variables have p-values greater than 0.05 (5% significance level). Thus, these coefficients are not statistically different from zero. Thus, from the above analysis, we can conclude that Satisfaction with price charged by retailers is significantly affected staff and managers appropriately and smartly dressed & satisfaction with the billing procedure followed.
- With the Indian economy now expected to grow at over 12% and with average salary hikes of about 45%, manufacturers and retailers of consumer goods and services can expect a major boost in consumption.
- The Demography Dynamics are also favorable as approximately 60 per cent of Indian population is below the age of 30.

India has come forth as one of the most dynamic and fastpaced industries with several players entering the market. But all of them have not yet tasted success because of the heavy initial investments that are required to break

even with other companies and compete with them. The India Retail Industry is gradually inching its way towards becoming the next boom industry, the findings as well as conclusions are being drawn in the present study are:

- A. There is ample growth for unorganized retail sector though some tough challenges exist such as inefficient supply chain management, getting approvals from government, adoption of new technologies and E-commerce.
- B. Some of the main concerns of the unorganized retail sector were variety, special offers, home delivery, ambience and price.
- C. So finally we can say that there is ample growth for retail sector though some tough challenges exist. Retail can overcome these challenges by grabbing the opportunities available.
- D. Most of the retailers think that unorganized retail sector is placed as compared to organized retail sector.
- E. Inefficient supply chain management, getting approvals from government, adoption of new technologies and E-commerce are the challenges faced by the unorganized retailers.
- F. Variety, Special offers, Home Delivery, Ambience and Price were the main concerns of the unorganized retail sector.
- G. Around 80% or retailers think that in near future unorganized sector will sustain against the organized sector.
- H. The current study finds that retail per capita does have a significant long-term non-linear impact on service export sophistication. The gradual diversion of retail from traditional to modern services results in trade-off in degrees of specialisation between modern and traditional services.

### III. Suggestions

Many agencies have estimated differently about the size of organized retail market in 2011. The one thing that is common amongst these estimates is that Indian organized retail market will be very big in 2020. The status of the retail industry will depend mostly on external factors like Government regulations and policies and real estate prices, besides the activities of retailers and demands of the customers also show impact on retail industry. As the retail market place changes shape and competition increases, the potential for improving retail productivity and cutting costs is likely to decrease. Therefore it is important for retailers to secure a distinctive position in the market place based on values relationships or experience.

There is a need for setting up of retailers Cooperatives which functions as distribution centers and warehouses. It will help the retailers to buy the products they want directly from original manufacturers in bulk quantity. Mergers of weak retailers and buy outwear retailers by a stronger one are other important steps. This will give new retailers the desired leverages to be world class. Networking of Independent firms believing the use of technology for business excellence and pressurizing suppliers and others channel members to use compatible technology. Industry status should be given to improve retail development, to facilitate organised financing and to establish insurance norms.

### IV. Future Prospectus to Strengthen Retail Industry in India

The central issue of concern for the growth of Retail industry is how to strengthen its competitiveness. First of all, if retail industry has to thrive steadily, infrastructural bottlenecks must be overcome to enable it to compete on its own based on inherent potential. And it is the responsibility of the government to remove any structural bottleneck in retail industry performance especially when market forces are given prominence through the removal of 'protective elements'. It is essential to provide the much-needed 'level playing field' to small enterprises through infrastructure development. But overcoming infrastructural bottlenecks for small enterprises is easier said than done.

Small enterprises in India have come up in an unplanned, uncontrolled and haphazard manner. They have emerged anywhere and everywhere-closer to the location of resources as well as markets - in clusters as well as in a dispersed manner, in industrial, commercial and residential areas. A considerable majority of these clusters are based on natural and traditional skills. By and large, these clusters lack reliable and efficient infrastructural facilities such as power, road, water, transportation and communications, information and technical inputs. But the infrastructural problem is more acute in case of units that are located in a dispersed manner. How does one promote infrastructure to support small industry development?

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