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The Evolution of the Retail Sector and India's Expanding Organised Retail

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Abstract:

India's "modern" retail industry is in its infancy. In the upcoming years, it is anticipated to grow at a promising rate and see the establishment of several national retail chains. International retail behemoths now have more opportunities to establish operations in India thanks to the government's easing of FDI regulations. Several factors are driving this expansion, including rising urbanisation, rising consumer spending power, rising consumer awareness, and the rural market's enormous growth potential.

keywords: Retail industry, infancy, grow, retail chains, International, opportunities, government, FDI.

INTRODUCTION

The phrase "organised retailing" refers to the range of commercial endeavours engaged in by sizable registered retailers, encompassing both privately held and corporately supported retail chains. In India, organised retail is commonly referred to as "modern retail." These retailers' supply chains are clearly defined, and their operations are expertly run. The majority of these retail brands have several sites for their stores. Retailers such as Reliance Group, Aditya Birla Group, Tata Group, Future Group, Bharti Group, and Raheja Group are among the prominent Indian companies in the organised retail space at the moment. Organised merchants may operate under a single brand or several brands. Retailers who

only carry one brand of goods in their stores across the globe are known as single brand retailers.

Typically, they range in size from 1000 to 5000 square feet. Currently, single-brand retail is permitted to accept 100% FDI. Benetton, Nike, Apple, and other international shops are a few examples of single-brand stores that operate in India. Biba, FabIndia, and Raymonds are those with Indian ancestry. Multi-brand retailers are establishments that carry more than one brand. They are mostly department stores, hypermarkets, and shopping centres with a floor area of at least 50,000 square feet. Multi-brand retailers include major international retail behemoths like Tesco,

Metro, Carrefour, and Wal-Mart. Although 100% FDI in multibrand retail is still prohibited, they are present in India in the approved formats. A few Indian multi-brand retailers include Westside, Pantaloons, Shoppers Stop, Lifestyle, and Big Bazaar.

Retailers discovered that it was challenging to provide good cross-counter customer service with such an expanding product line. They could thus provide considerably better customer service than they could have previously by switching to a self-service structure. More and more customers are choosing to shop from organised retail formats because they find them more convenient, as their purchasing power increases and their disposable time decreases. Major Indian merchants with established brand names and solid financial standing, like Tata, Aditya Birla, Reliance, and Bharti Telecom, are opening additional locations every year. India's retail landscape has been influenced by a number of variables, including the country's population, urbanisation trends, corporate history, legal frameworks, customs, and customer behaviour.

This country's so-called less wealthy tier II and tier III cities have mom-and-pop shops with relatively few malls and super stores, while large metropolitan areas have an elite, contemporary retail system. And it is precisely this retail distribution pattern—which is likely to persist in India for the time being—that distinguishes and complicates the Indian market in numerous ways. India is a large country in terms of economy. There is no other country that has the level of social stratification that we do.

LITERATURE AND REVIEW

Agnihotri (2012) The author notes that customers are aware of retail market information. They are knowledgeable about all of the rivals' promotions. They observe what the storefronts both inside and outside

are displaying. Customers enjoy concentrating on the layout and aesthetics of stores, and they are greatly impressed by appealing themes and sensible prices.

Amit Mini (2013) The application of data warehouses is discussed in this paper. Retailers are leveraging business intelligent systems to analyse data and enhance their firms' performance. Because the expenses have decreased and performance in terms of price, promotion, space allocation, and replenishment has been optimized, they have made enormous profits employing this. Data-driven decision-making is always used to achieve successful outcomes. The retail industry places a high value on innovation, and those who use it to their advantage use business intelligence. Only when senior management is consulted and all parties' decisions are taken into account can business intelligence be employed.

A combination of online marketing, branch services, and advertisements can be used to effectively disseminate information to a large audience, according to Anand & Selvaraj (2012). Furthermore, free home delivery ought to be implemented in order to draw clients and encourage timely and effective service utilization. Online sites may provide information as well, and mobile devices and the internet can be used to make purchases, which benefits both customers and management.

Being the second most populous country with great spending power, Nidhi Bagaria (2014) found that the current regulations are sufficient to oversee the activities of retail and have the potential to accelerate the expansion of the industry. The nation should focus on standardizing the retail structure following the announcement of 100% FDI in single brand retail and 51% in multi-brand retail. Additionally, the author believes that the current regulations are inadequate given how the retail industry is evolving.

According to Bahuguna (2012), in order to achieve greater national growth, the majority of developed nations are concentrating more on this industry. Of all the industries in India, the retail sector is the biggest. These days, this industry is growing. He also notes that in order for this industry to flourish, enormous amounts of capital are needed in order to break even and remain competitive.

RETAIL'S DEVELOPMENT IN INDIA

The concept of "retail" is just as ancient as commerce itself. For ages, things were traded in India through markets or hawkers, with barter being the most ancient mode of exchange. The concentration of retail activity was found in towns or urban hubs that served as various rulers' capital cities. India has always had a sizable consumer base and an economy the size of a subcontinent. Due to independent village economies that forbade commerce, retail activity did not become substantial for a considerable amount of time. The emergence of commercialized exchange undermined village autonomy and gave rise to large-scale contemporary shopping. As a result of urbanization, rising income levels, and increased population density, retail arose as a unique activity. Customary merchants have been providing generic goods without labels and offering them for sale in different amounts.

This quality has made it easier for them to serve a wide range of customers. Because they offered merchandise on credit, these shopkeepers also served as moneylenders. Due to the lack of set prices for the products, businesses were able to charge customers who were using credit a somewhat higher price, plus implicit interest. A few of them even made quality compromises in order to boost profitability. On a more lighthearted note, a number of novels and Hindi films have portrayed regular shopkeepers as villains. India has evolved from melas and

weekly markets to permanent retail establishments. Mother-and-pop stores, also known as little shops, proliferated in ancient bazaars and wet markets, stocking a wide range of necessities for people. Along with other cooperative stores, there were also the public distribution shops (PDS) operated by the government. Each of these establishments offered counter service and catered more to essentials than luxuries. "There was not a single supermarket in all of India".

The number of counter-service styles increased over time, reaching about 12 million by the end of the twentieth century. These developed into groups that gave rise to high-street bazaars, which became the centre of activity for retail in every city. The emergence of organised retail in India can be traced back to the late 1980s, when establishments like as "Akbarally" in Mumbai and "Nilgiris" and "Spencers" in Chennai opened. These stores eventually developed into multi chain stores. The organised retail growth graph has been rising ever since. Modern retail is capital- and skill-intensive, needing significant investment, whereas traditional retail is labor-intensive and typically consists of independent small-business owners. The final The last ten years have seen a rapid advancement in modern retail across a range of forms, including department stores, hypermarkets, supermarkets, and malls.

However, India's percentage of contemporary retailers had only reached 6.5%, while China's share was at 65%. However, the rate of change has accelerated, with modern retail now accounting for 10% of the total. When comparing Indian retail to Western retail, there are some differences in the working dynamics. While inter-type competition—a phrase used to describe the competitive forces that exist among modern retail formats—is the centre of attention in

the west, contemporary retail layouts are currently gaining ground in India's sizable and well-established conventional and unorganised retailing base. Consequently, understanding the evolution of retail necessitates researching how the contemporary sector affects the conventional retail sector rather than concentrating on rivalry between various formats found in the contemporary sector.

THE CURRENT INDIAN RETAIL MARKET

Currently, the Indian retail market is valued at 500 billion USD overall. The retail

industry has expanded significantly during the last 10 years, with organised retail's share increasing noticeably. By 2020, organised retail is anticipated to develop at a rate of 25% and reach a size of US\$ 200 billion, while traditional retail is predicted to increase at a rate of 7% to reach a size of US\$ 650 billion (about 76%). Websites and smartphone apps will increasingly contribute to retail sales through digital channels. Figure 1.1 illustrates the increasing proportion of contemporary retail in the overall Indian retail industry as well as the retail sector's contribution to GDP (Gross Domestic Product).

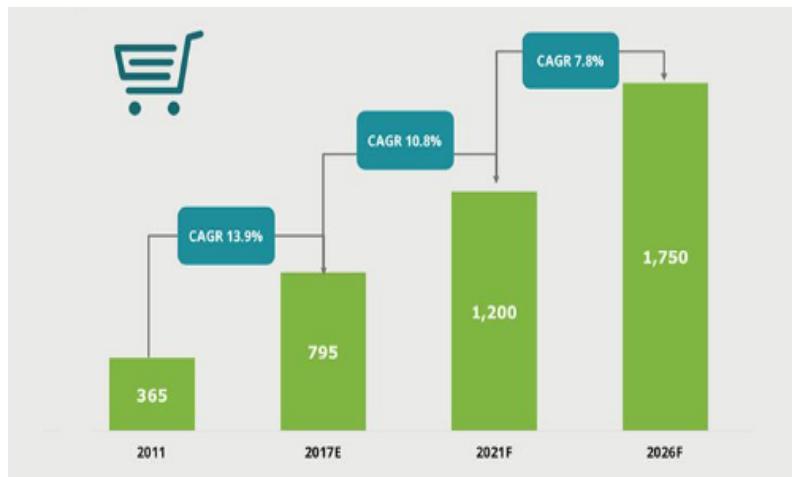


Figure 1: CAGR of organized retail in India

The figure displays the organized retail share of total retail for a few selected nations.

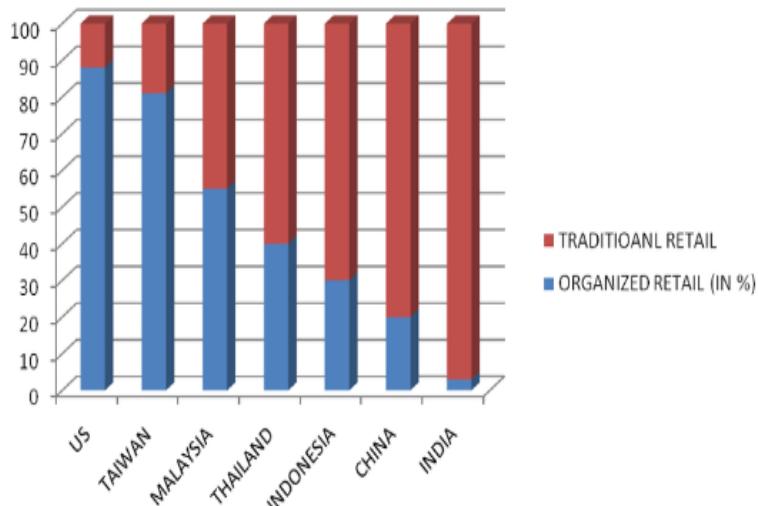


Figure 2: Country-wise share of organized retail to total retail

In India, the proportion of organised retail is far lower than in America and the United Kingdom, Malaysia, Thailand, China, and other nations. India is still a long way from being able to match these countries. In India, the retail industry generates 8% of all jobs and provides 20% of the GDP of the nation. According to the Report of the Planning Commission titled "Report of the Task Force on Employment Opportunities," which is chaired by Montek S. Ahluwalia, the Employment to GDP elasticity ratio for "Wholesale and Retail Trade" has been estimated to be the highest among all sectors. India has 300 million members in its sizable and growing middle class. In India, there are almost 500 million persons under the age of 25. Owing to a sharp rise in disposable income and quick urbanisation, Indian consumers are starting to appreciate luxury purchases in addition to necessities. Global brands view this as a chance to grow their companies and reach a wider audience. The Indian market is appealing to foreigners for the following reasons. Additionally, because of the recent economic unrest that industrialised nations have experienced, emerging markets have emerged as foreign retailers' preferred locations for retail. Over the past five years, the revenues of multinational retail giants like Tesco, Metro, and Wal-Mart have increased in emerging countries at a rate that is 2.5 times more quickly than in their native markets. India

was placed fourteenth out of thirty emerging economies as the most desirable place for retail investment by the international management consulting company A T Kearney. Their ranking criteria are determined by taking into account a number of variables, including the degree of retail market attractiveness, the degree of retail market saturation, and the gap between retail and GDP growth. 2011 saw \$49.3 billion in 2022 awarded to India, a 20% increase over prior years. India was in third place globally in terms of FDI value, after only China (first) and Brazil (second). The US continues to be the top investor in India in terms of projects and jobs created, as has been the pattern. The top five Indian cities—Bangalore, Chennai, Pune, New Delhi, and Mumbai—are the recipients of 42% of investment projects and 36% of the employment produced by FDI.

A multitude of causes are contributing to the growth of organised retail in India, which coexists harmoniously with kirana businesses in a symbiotic relationship (see also Evolution of Indian retail). Some factors to mention are rising disposable incomes, exposure to international brands, and the quick introduction of new technology that lead to changing lifestyle styles and an increase in the need for replacements. The table below lists the major Indian companies in the organised retail sector.

Table 1: Major participants in the organized retail sector in India

Sr. No.	Retail firm	Description
1	Pantaloons Retail Ltd	35 cities and more than 2 million square feet of retail space comprise 65 stores and 21 factory outlets.
2	Shoppers Stop	51 establishments occupying more than 3.21 million square feet of retail space distributed over 23 cities
3	Spencers Retail	Almost a million square feet of retail space spread over 45 towns and 200 stores
4	Lifestyle Retail	About eight home centre stores and fifteen lifestyle stores
5	Bharti Retail	74 Easyday locations with intentions to invest over USD 2.5 billion over the following five years to add roughly 10 million

		square feet of new retail space nationwide
6	Reliance Retail	700 outlets generating 7,600 crores in sales
7	Aditya Birla „More“	575 outlets with an estimated INR 2,000 crore in sales. recently acquired a portion of Pantaloon Retail
8	Tata Trent	26 Landmark bookshops, 13 Starbazaar hypermarkets, and 59 Westside stores

Some of the major international retailers that have opened stores in India under one of the permitted formats (see FDI in Retail) are Wal-Mart, which partnered with Bharti Retail to open 195 Easy Day stores; British retailer TESCO signed a deal with The Tata Group will launch cash-and-carry businesses; and French retailer New Delhi is the location of Carrefour's first cash and carry store. Wal-Mart is based in Germany. Out of all the new retail channels, e-commerce has become very popular. Businesses use it to market their goods, and a key component of their overall strategy is internet promotion. Google indicates that there are of the over 100 million people in India who use the internet, half make purchases online. ASSOCHAM predicts that the Indian internet market will develop steadily at a 35% CAGR and reach a valuation of 70 billion by 2015. Considering how readily available broadband is India will witness a sharp increase in online retailing due to its expanding internet access and services. With over 800 million mobile subscribers, India presents a big opportunity for companies looking to expand their consumer base beyond e-commerce into mobile commerce. This medium will alter how we access entertainment, handle personal finances, and do business, among other things. India is a multicultural nation with a wide range of consumer inclinations, tastes, and purchasing patterns.

Retailers must exercise caution while designing store assortments to accommodate the various customer demographics, as these differ for every state, town, and village. Because information is readily available

online and through other channels, customers are become increasingly knowledgeable. Expectations for high-quality international goods have grown. Retailers must constantly innovate in both product design and advertising tactics due to the shifting wants and wishes of their customers. Those who can do so successfully will prosper in the future.

FDI IN THE RETAIL SECTOR OF INDIA

For a very long time, the Indian retail industry has been significantly shaped by FDI policies. "An investment that is made to acquire a lasting interest in an enterprise operating in an economy other than that of the investor" is how Foreign direct investment (FDI) is defined by the International Monetary Fund (IMF). The goal of the investor is to effectively control the enterprise's management (IMF, 1977). Foreign investors from the source country obtain ownership of assets in the host country in proportion to their equity holdings through the process of foreign direct investment (FDI). Up until 1991, India's policies were rather restricted in comparison to those of most industrializing economies. In India, the 1970s were a time when foreign commerce was prioritized over foreign direct investment. Instead of businesses collaborating financially and technically, technology was imported. All operations relating to foreign investment were subject to severe limitations. For instance, foreign companies were limited to 40% stock interests under the Foreign Exchange and Regulation Act (FERA),

1974. It is thought that this kind of restrictive regulation has slowed down domestic technological advancement, as evidenced by the subpar quality of Indian goods. It also meant that labor-intensive manufacturers would lose out on export opportunities, in contrast to many prosperous East Asian economies. This atmosphere persisted into the late 1970s.

The Indian government's foreign investment policies were only gradually loosened during the 1980s. The best example of this is the 1982 establishment of the joint venture between Maruti, a small automobile project initiated by the central government, and Suzuki Motors of Japan. Prior to the 1991 reforms, India had a foreign direct investment policy that was somewhat restrictive. The 1991 changes brought about a significant shift in the situation. These days, foreign investment is seen as a source of the rare cash, technology, and managerial expertise deemed essential in a global economy that is open and competitive. FDI, which is regarded as an essential component of the globalisation of the economy, has facilitated the flow of private capital. The literature on globalisation and foreign investment has demonstrated that foreign companies have several positive effects on the host economies in addition to their own financial success. Through the procurement of manufactured goods (and services) from home companies, they offer access to foreign markets.

In terms of the host economy, they aid in expanding job opportunities, boost productivity (they have firm-specific advantages), transfer technology, make it easier to use and exploit local raw materials, educate staff on international standards, introduce cutting-edge management and marketing strategies, and so forth. According to the World Bank (2002) and the new theory Foreign direct investment (FDI),

a measure of economic growth is viewed as a growth engine that advances the economic development of the host nation. A formal wholesale trade policy that required government clearance for 100% of FDI was implemented in 1997, marking the first time the trading industry was opened to FDI. FDI inflows rose significantly during this period. However, the amount of FDI didn't demonstrate a quantum leap until after the second phase of reforms, which occurred between 2005 and 2007. In 2006, the stretch was placed under automated route, liberalising the policy. Nonetheless, there are several rules that must be adhered to. The majority of multi-brand retailers and e-commerce businesses have opted for the B2B route, which allows for 100% FDI. Foreign retailers gain from this since they enter the Indian market early and may consolidate their firms later on, if and when the policy is liberalised. They offer cash-and-carry formats for sale to enterprises, merchants, and wholesalers. Since 2006, subject to certain restrictions, up to 100% FDI is permitted in retail for single brands. Under this window, 60 brands have been granted permission to open stores in India throughout the past seven years.

The restrictions placed on single-brand retail are as follows: goods must be sold under the same brand worldwide; only products branded during manufacturing may be included; the foreign investor must be the brand's owner; and for proposals involving more than 51% foreign direct investment, the company must get items from Indian small, village, and cottage businesses for at least 30% of the total value, as well as from artisans and craftsmen. Any company wishing to have the statutory 30% local sourcing requirements waived would need to establish a manufacturing site within the nation. The government had agreed to permit up to 51% FDI in multi-brand retail at the beginning of 2011, but this move was

quickly met with fierce criticism from some political parties and other independent groups. These put pressure on the government to temporarily halt the policy. Nevertheless, it ultimately made the decision to reverse the policy in a more forceful manner in September 2011.

In multi-brand retail, FDI of up to 51% is currently the norm. Global retail behemoths like Tesco, Walmart, and Carrefour will benefit from the ruling as they can now establish retail locations in India under their own brands. Currently, Wal-Mart and India's Bharti Group have a 50:50 cooperation to open cash and carry stores. The anticipated dissolution of the partnership was just recently announced. Carrefour operates its own warehouses. Tesco, on the other hand, has partnered with the Tata Group and is supporting the Indian company in managing the Star Bazaar retail network. The multi-brand retail policy imposes the following restrictions: foreign investors wishing to enter the Indian multi-brand market must invest a minimum of USD 100 million, of which 50% must be invested in rural areas; if FDI is 51% or more, they must source 30% of their products from micro, small, and medium-sized enterprises; 50% of the total investment must be reinvested in "backend infrastructure" within three years; and in urban areas, foreign investors may only open stores in cities with a population of one million or more. Bharti Enterprises Vice Chairman and Managing Director Rajan Bharti Mittal responded to the eagerly anticipated news by saying, "This is a landmark decision in India's economic reforms process."

The growth of organised retail in India will benefit all parties involved in the value chain, including small manufacturers, farmers, and consumers most of all. However, chief minister of Madhya Pradesh Shivraj Chouhan declared, "Foreign

investment in financial difficulties," in opposition to the FDI reforms. There is a protracted national discussion between proponents and opponents of foreign direct investment. Here, we address the advantages and disadvantages raised by the opposing sides. The supermarket industry will see a rise in unemployment and place thousands of people under extreme.

CONCLUSION

While shopping has been a part of Indian epistemologies from the evolution of civilizations, it has taken centuries for it to take on the current form. Even now, just 5% of India's retail setup is in the so-called "organised" sector; the remaining 75% is in "traditional" retail. However, industry analysts believe that in the near future, modern retail will expand dramatically, starting in the city and escalating into tier II and tier III locations. This study is relevant because modern retail is relatively new in this country. As a result, it was necessary to investigate different facets of organisational growth, such as how retail businesses grow and thrive, in order to offer insights to both current and prospective retailers who may join the market in the near future.

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