

The Landscape of Indian Organized Retail

Trends in retailing in India are more dynamic to benefit organized retailers, customers, intermediaries and foreign direct investment

Indian organized retail occupies 6% of \$470 billion retail Industry and is growing at CAGR 40% per annum which is estimated to be \$107 billion by the year 2013. The exponential growth of organized retail is exhibiting the following features.

Recent Changes in the Retailing:

- The faster growth of retailing has provided more customer choice
- Modern retail witnessed technology adoption, higher quality of products, better prices, efficient procurement and opportunities for more employment
- Modern retailing is able to offer products at better prices due to the efficient supply chain practices
- Modern retail is not able to attract customers for meat, fish and poultry products. Customers rely more on traditional channels for fresh produce
- Customers are doing unnecessary shopping due to increase in Impulse buying and brand switching behavior to buy non-essential products.

Trends in retailing in India are influenced by increased urbanization, penetration of branded goods into market, and the growth in customers' demand for new and varied products. Many established organizations such as Tata's, Reliance, Birla's etc. have entered retail sector to exploit the growth potential of the retail sector. Advances in technology are helping to improve merchandise management, inventory management, sales forecasting, etc.

Enhanced Customer Choice:

- Customers are moving from brand loyal to value conscious and pressurizing retailers with more demands
- There is a positive growth of packaged and fast food for more convenience
- There is a growth in all types of retail formats such as supermarkets, hypermarkets, cash and carry stores and convenience stores. Hypermarkets are facing tough competition from kiranas than supermarkets in food and grocery items.
- Customers perceive modern formats are good at quality products, safety and convenience
- Customers are becoming variety seeking and at the same time price sensitive
- Food and grocery occupy the bigger segment i.e. 65% of Indian retail market
- There is a positive trend for increased consumption for fruits than vegetables

Supply and Distribution Channels:

- Investment in logistics and Supply Chain Management benefit customers 20-25% and farmers 24-48% due to Supply chain efficiency
- The linkage of local producers with the modern retailers benefit the economy as well but the cost reduction happens over a period of time with better supply chain management and technology
- Private labels occupy 15-30% retail sales with the increasing footfalls
- Procurement outlets of retailers provide an opportunity for farmers to bargain for better prices. But still farmers hesitating to deal with retail procurement outlets due to lack of trust
- The exorbitant real estate costs are hampering the growth of Indian retailing

Entry of Foreign Retailers:

- Foreign retailers' investment is allowed up to 100% with a condition of 30% sourcing from India. 51% investment is allowed for Multi-brand retailers with the consent of State Government
- The entry of Foreign Direct Investment in Retail has facilitated better merchandizing, store management and technology
- Government made it a condition for foreign retailers to invest in logistics and infrastructure
- Kiranas have its own place in spite of organized retail growth but with a slower rate
- Since unorganized retailers have many intermediaries, they earn more profit during crisis such as onion crisis where the prices went up 3 times due to intermediaries heavy margins

Impact:

- Smaller independent stores have enhanced assortment, ambience and delivery
- Investment in Supply Chain Management facilitated more savings and better prices
- Private labels are occupying a dominant status
- Retailers are gearing up to localize their products and practices

Source: Sinha, PK; Gokhale,S; and Thomas, S (2012), *Development of Modern Retailing in India: It's Impact on Distribution and Procurement Networks and Changing Consumption Pattern*, Working paper No. 2012-12-04, Indian Institute of Management, Ahmedabad

Topic	Course
Trends in Retailing in India: Retailing: Unit 18.8	Marketing Management