



ORGANIZED RETAILING: A STUDY OF FACTORS CONTRIBUTING TO THE GROWTH

SYED AZHER ALI

Research Scholar

Swami Ramanand Teerth Marathwada University,

Nanded (MS) INDIA

ABSTRACT

India is on the list of global retailers. It is amongst the top ten emerging destinations for retailers. A significant share of Indian economy is contributed by organized Retail Sector. Organized retailing has immense potential for future growth in the country. There are many factors contributing to this rapid growth. The present paper discusses major factors contributing to this growth. The study included secondary data collected from different sources such as journals, books, magazines etc. The study concluded that increasing urbanization, changing consumer attitude are the major factors responsible for the growth of this sector.

Keywords: Retailing, Retailers, Organized Retailing

INTRODUCTION

Retailing is the act of selling goods and services to final consumers for their personal and non business use. It can also be defined as the connecting link between the producer and the final consumer. The word retail is derived from a French word retailer which means to cut a piece off or to break the bulk.

The retail industry is divided into organized and un-organized sectors. Organized retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. Un-organized retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, the local kirana shops, owner manned general stores, paan/beedi shops etc.

OBJECTIVE OF THE STUDY:

The primary objective of the research is to find the factors contributing to the rapid growth of retailing in India. It aims at investigating the reasons responsible for increase in sales at organized retail stores.

RESEARCH METHODOLOGY:

The research is descriptive in nature. The data have been collected through secondary sources such as journals, magazines, books, theses, market research reports etc.

Indian Retail Sector:

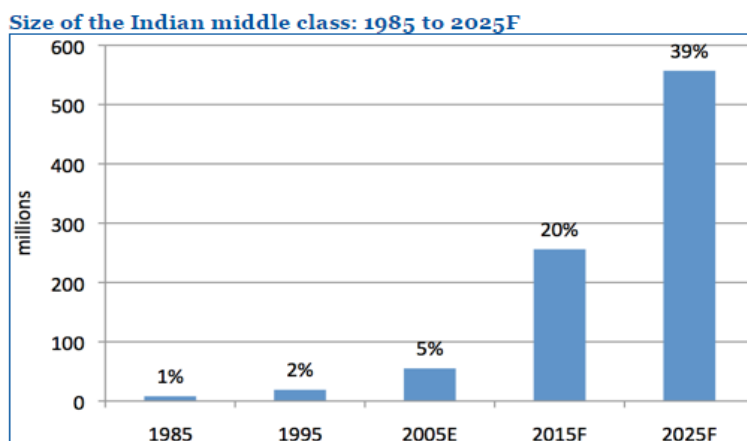
The sector in India is divided into two segments. The first is value retailing. It is a low profit and high volume business which includes food and grocery. The second is Lifestyle retailing. It is a high profit and low volume business. It includes apparel, footwear, accessories etc. The sector is again divided into various categories, depending on the types of products offered. Many studies have shown that the sector has seen a sudden growth. Few of them are listed below.

- India is rated the fifth most attractive emerging retail market: a potential goldmine.
- The Rs 18,673 billion (US\$ 401 billion) Indian retail market entails only 6 per cent of itself as organized retail segment as of 2010, according to Booz and Co (India) Pvt Ltd
- As per a report by KPMG the annual growth of department stores is estimated at 24%
- Ranked fourth in a Global Retail Development Index 2011 of developing countries drawn up by AT Kearney.

Factors Contributing to Growth of the Sector:

1. Size of Indian Middle Class:

The size of middle class is increasing day by day. According to a report published by McKinsey, the size of Indian middle class was 50 million in 2005 which is approximately 5% of the total population. But it has reached to 20% in the last 10 years. It is also forecasted to grow by an increasing rate in the next 10 years.



Source: McKinsey
Note: Number above bar indicates percentage of total population

Fig 1.4: Size of Indian Middle Class

2. Increasing Urbanization:

The census of India, 2011 defines urban settlement as all the places having municipality, corporation, cantonment board or notified town area committee. Urbanization is at its rapid pace in India. Approximately 32% Indian population lives in urban areas. Migration from rural area is the major reason of urbanization. Employments have also contributed and lead the pace of urbanization. Metros like Delhi, Mumbai, Kolkata, Chennai, Bangalore, Hyderabad, Ahmadabad and Pune are the major cities of urban India.

3. Working Women:

The number of working women is quite better than other countries in south Asia. According to a report about 27% workforce of India is female. Though it has not increased significantly in the past few years but is at its steady rate.

4. Entry of foreign Players:

India is one of the fastest emerging destinations for foreign retailers. Global players like Walmart, Tesco and Carrefour etc. have shown great interest in Indian market, These are operating in cash and carry format and willing to increase market share in retail.

5. Rise in Consumerism:

Consumerism is the protection or promotion of the interest of consumers. Increased consumerism has lead to greater competition among the companies. It is making the retail facilities more attractive for the customers.

6. Spending Capacity of Youth of India:

Indian population has a greater share of young people. The spending capacity of the youth is increasing at a rapid space. According to Goldman Sachs youth are dominating the country's 130-million urban mass. These will drive the consumer market growth over the next 5-10 years,

7. Easy Customer Credit:

Availability of credit has also influenced the customers in India. It contributes to increased purchasing power of customers. The banks today are lending more money to customers in terms of loans and Credit cards etc. EMI's are also a major contributor to enable the buyer to buy more.

8. Higher Brand Consciousness:

As urbanization is increasing the brand consciousness is also increasing. Brands are finding it easy to sell their products. Especially the apparel and accessories brands have been identified as the major contributor to retail industry.

9. Increasing no. of Dual Income Nuclear Families:

Another aspect of urbanization is nuclear families. A nuclear family or elementary family is a family group of pair of adults and their children. The increase in nuclear families in urban areas has lead to rapid growth of Indian organized retailing.

10. Experience with Formats:

The store formats such as malls, hypermarkets, supermarkets are another reason of attracting customers to organized retailing. Different formats give different reasons for buying. Some are specialty stores; some are discounted stores, etc. These enable buyers to make higher purchases.

11. Store Design:

The design, layout and ambiance of the store is very important for a retail facility. It helps the customers to locate the products and saves time and money. The physical structure of the store is considered as another reason for rapid growth of organized retailing in India.

CONCLUSION:

It is a noted fact that the retailing in India is at its fastest rate. There are many reasons for this rapid growth of the sector. Few of them are size of Indian middle class, increasing urbanization, working women, entry of foreign players, rise in consumerism, spending



capacity of youth of India, easy customer credit, higher brand consciousness, increasing no. of dual income nuclear families, experience with formats and store design.

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