



**“ISSUES & CHALLENGES PERTAINING TO THE GROWTH OF RETAIL INDUSTRY: A STUDY IN CONTEXT OF INDIA”**

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**ABSTRACT**

India is one of the most attractive destinations for retailers from all across the globe. The growth in the Indian economy since the last decade and the change in consumption pattern of the Indian populace in terms of higher proportion of middle class population can unarguably be linked to the growth of the Indian retailing industry. Number of shopping malls are expected to increase at a Compounded Annual Growth Rate (CAGR) of more than 18.9% from 2007 to 2015 hence the Indian retail industry has grown at a CAGR of 13.3% for the period FY07-15. India is the 5th largest retail market in the world. The market size in 2010 was estimated at US\$ 353 bn (Source: India Brand Equity Foundation (IBEF)) and is expected to reach US\$ 543 billion by 2017.

Organized retailing has played a major role in India by increasing productivity across a wide range of consumer goods and services. In the developed countries, the organized retail industry accounts for almost 80% of the total retail trade. In contrast, in India organized retail trade accounts for merely 8% of the total retail trade. During the last decade, there has been a sudden increase in the availability of mall space in India. From just three malls in 1999, the country at present has nearly 550 operational malls by 2010 and approximately 920 malls are expected in 2017, with an estimated cumulative retail space of 335 million sq. ft. (Images Research, 2010). This growth in retail sectors & increasing numbers of shopping malls, are influenced by some factors.

This paper focuses on to explore the growth driven forces of retail sector in India, recent issues and trends, benefits, opportunities and challenges faced by Retail industries. Besides this, study tries to measure the impact of the entry of global players into the Indian retailing industry.

**KEY WORDS:** Retailing, Retail trends, organized retail sector, Un-organized retail sector, retail formats, Kirana shops, Value addition, Growth & challenges.



## INTRODUCTION

The concept of “Retail as entertainment” came to India with the advent of malls. In India, malls have transformed shopping from a need driven activity to a leisure time entertainment. In India, Shopping Mall refers to a set of homogenous and heterogeneous shops adjoining a pedestrian, or an exclusive pedestrian street, that make it easygoing for shopper to walk from store to store without interference from vehicular traffic. These centrally air-conditioned malls with piped music, high-speed escalators, underground parking space, a multiplex movie theater, multi-cuisine restaurants and a host of national and international brands, these malls generate approximately 1,75,000 footfalls each, per day, with figures doubling on weekends.

The Indian Retail Industry is the largest among all the industries, accounting for over 10 per cent of the country’s GDP and around 8 per cent of the employment. The Retail Industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. Liberalization, increasing purchasing power of the middle class and changing shopping sensibilities of consumers have sown seeds for a retail transformation and have gripped the nation with a potential retail revolution. With more Indian and international players set to jump into this stream, retail space construction is set to grow exponentially in the coming years. Retail trade has emerged as one of the largest industry contributing to employment generation, revenue generation, increased turn over and many more.

Retailing is gradually inching its way towards becoming the next boom industry. The days are gone when people had to buy different things from different places. People would visit local Kirana stores for purchasing daily need household material and some other markets for buying clothes and other things. Shopping was never as convenient for people as it is now. The shopper gets the experience of one stop shop. From apparels to FMCG goods, the consumer gets leisure time in visiting the malls.

One of the reasons for the existence of mall culture is globalization. Products and brands from various places, cultures and communities are under one roof. One of the central features of conventional shopping areas and stores has been their uni-dimensional. Local festivals and events are given special importance within the mall world. Festivals often become the occasion of greater consumption and are also reflected in the fashion trends of the season.

India is a late starter in the development of shopping malls. The first Indian shopping mall (Spencer Plaza, Chennai) was built in 1990; however, the real impetus came in 1999, when two more malls (Ansal Plaza in Delhi and Crossroads in Mumbai) became operational. During the last decade, there has been a sudden increase in the availability of mall space in India. From just three malls in 1999, the country at present has nearly 550 operational malls by 2010 and ~920 malls are expected in

2017, with an estimated cumulative retail space of 335 million sq.ft. (Images Research, 2010). The sector can be broadly divided into two segments: Value retailing, which is typically a low margin-high volume business (primarily food and groceries) and Lifestyle retailing, a high margin-low volume business (apparel, footwear, etc.). The sector is further divided into various categories, depending on the types of products offered. In India food dominates market consumption followed by fashion. The relatively low contribution of other categories indicates opportunity for organized retail growth in these segments, especially with India being one of the world's youngest markets.

#### **OBJECTIVES OF THE STUDY**

- To discuss the trends of organized retailing in India.
- To study about the major and emerging formats of retail malls prevailing in India.
- To study the growth prospects and various issues related to the shopping malls.
- To find out the segment-wise size of the organized market.
- To discuss about the opportunities & challenges of these malls in India.

#### **REVIEW OF LITERATURE**

Organized retailing in India is currently in the second phase of the evolution cycle of retail. A.T. Kearney elaborates that the Chinese retail market has entered the diminishing stage while its neighbor Indian retail market has entered the growth stage. Organized retail currently constitutes around 9 percent of overall retail sales. Retail tycoons are projected to explode with a compounded growth rate of 50 percent every year till 2011. To enhance its share further, the organized retail business has decided to target the 300 million middle class consumers, including those in the rural areas, who form a consumer market worth more than US \$100bn.

There is a paradigm shift in the mall scenario, from just three malls in 1999, the country witnessed 220 malls in the year 2006 & at present it has nearly 550 operational malls by 2010 and now 920 malls are expected.

Organized retailing in India is gradually inching its way toward becoming the next boom industry. The whole concept of shopping has altered in terms of format and consumer buying behavior, ushering in a revolution in shopping in India. Modern retail has entered India as seen in sprawling shopping centers, multi-storied malls and huge complexes offer shopping, entertainment and food all under one roof.

#### **EVOLUTION OF THE INDIAN RETAIL MARKET**

Traditionally Indian retail can be traced back from weakly markets, Melas, Village fairs in small towns, kirana Stores, PDS outlets, Khadi Bhandar, co-operative stores etc. First people were doing businesses with their neighbors'. Goods were exchanged between them. Gradually people began to

collect themselves to a given neighborhood, which provides a geographical place to do the exchange. This not only increases the exposure of a given good but also helps a lot towards the development of a more formalized system. Gradually, a few more start to get together to a place that in turn creates a need for a common place. Later this common place was called a fair. With the passing of time the number of people doing businesses in a given fair increased, issues like security, transportation becomes a matter of concern. This semi-formalized system then gave birth to small-scale groceries, where people start to provide more combinations in their own neighborhoods. Then came the issue of choice in given grocery, the choices the customer had was limited, this was the beginning of the concept of “everything under one roof”. As time passes, joint family changes into nuclear family. There too both members started earning which resulted into a new way of lifestyle. From then instead of mom-and-pop type of stores organized retail stores came into existence.

The evolution of retailing lead to an emergence of various modern formats like Shopping malls, Super-marts, Hypermarkets, Departmental Stores, etc., catering to majorly all sectors of society providing the all-important 3Vs – Value, Variety and Volume.

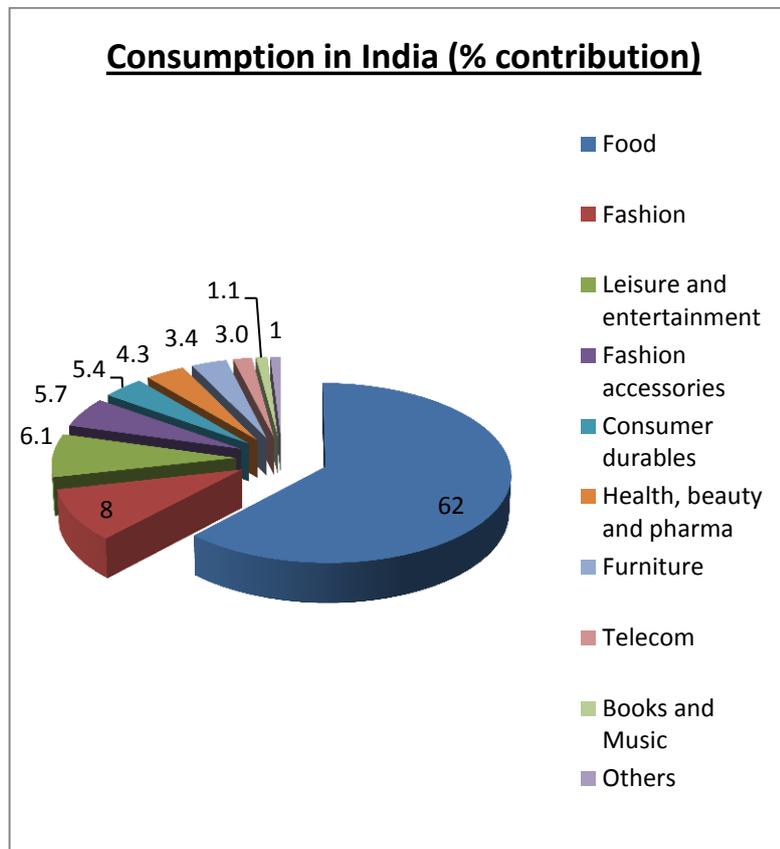
#### **WHAT MAKES INDIAN RETAIL INDUSTRY A MOST GROWING BUSINESS?**

Retail industry in India is gradually edging its way towards becoming the next boom industry, with a three-year compounded annual growth rate of 46.64 % and providing around 8% *employment*. Several Indian and global players are developing strategies to enter such a fast paced and growing market. Meanwhile, the whole retail industry is taking new shape, the traditional market giving way for the more organized market in the form of departmental stores, hypermarkets, supermarkets and specialty stores.

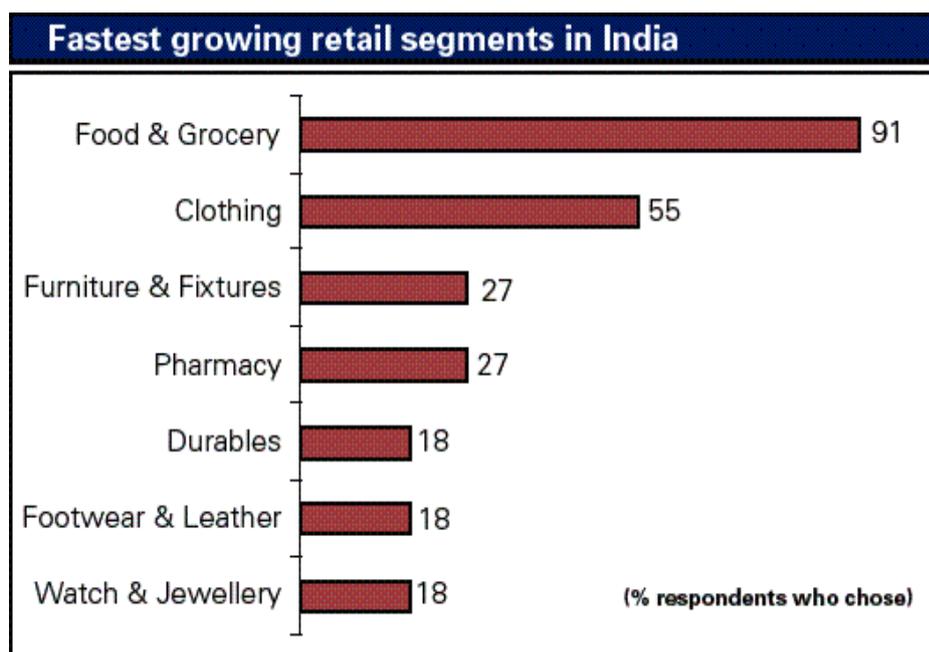
Answer is growing middle class, double income households, and large working young population. All these have significantly increased the country’s total disposable income. Changing demographics and life styles also favor this new found shopping tendency.

In the beginning of 2006, the government of India announced that it would allow foreign companies to own up to 51% of a single-brand retail company, such as Nike. As a result, companies including Zara, Gap, Timex and United Colors of Benetton have announced plans to enter the market. As such, the Wal-Mart group which sells a variety of brands has signed up a deal with the Bharti family-owned unlisted firm, Bharti Enterprises, lending a dramatic twist to India’s multibillion retail story.

Consumption in India	
Segments	% contribution
Food	62.0
Fashion	8.0
Leisure and entertainment	6.1
Fashion accessories	5.7
Consumer durables	5.4
Health, beauty and pharma	4.3
Furniture	3.4
Telecom	3.0
Books and Music	1.1
Others	1.0



(Source: Pantaloon Retail analyst report 2016)



(Source: FICCI – KPMG Retail Survey, 2015)

As can be seen from the above tables (taken from the FICCI – KPMG Retail Survey, 2015) despite Food and Grocery being the fastest growing retail segment in India today. These centrally air-conditioned malls with piped music, high-speed escalators, underground parking space, a multiplex movie theater, multi-cuisine restaurants and a host of national and international brands, these malls generate approximately 1,75,000 footfalls each, per day, with figures doubling on weekends.

**FOOD & GROCERY:** This is the largest vertical of 91 percent of retail size comprising fruits and vegetables, milk and milk products, staples, cereals, grains, pulses, processed food, ready to cook and ready to eat meals, spices and other eatables. This is least penetrated segment across all verticals of around 1.5 percent, being the most untapped pie. According to NSSO 60th round, 54 percent of the rural and 42 percent of urban expenditure was on food.

**APPARELS:** Clothing and textile is a large organized vertical dominated by textile manufacturers such as Raymond, Bombay Dyeing, Vimal, and by big retailers like Pantaloon, Pyramid, Koutons having 55 penetration levels. Increasing disposable incomes and change in the lifestyle needs has pushed the segment.

**CONSUMER DURABLES:** The electronics and consumer durable is the biggest organized segment penetrated to 18 percent. There lies more unearthed growth in the verticals as the craze for electronic gadgets have been picking up with the advent of nuclear families.

**HOME DÉCOR AND FURNISHING:** The demand for furnishing is going to be spearheaded by a huge demand for the real-estate with 27 percent growth rate is ready to tap the unorganized segment. Presently only a few players like Gautier, Godrej, & Durian function as organized entities.

**FOOTWEAR:** Leaving aside the Apparel, Footwear segment is forming a big pie with 18 percent growth rate in the organized retail sector, expected to grow to greater heights with foreign payers like Crocs Inc.

**BOOKS, MUSIC AND GIFT:** In addition to Tier-II and Tier-III cities, the habit of reading books and listening to music is picking up among the Tier-I cities. The stores like Oxford Bookstore etc. are experiencing this upswing.

#### **TRENDS IN ORGANIZED RETAIL FORMATS**

While consumer demand is driving retail growth, it is in turn being driven by the following trends. These positive macro trends are resulting in changing preferences in demand for lifestyle goods. Mind sets are shifting towards an organized retailing experience.

- Economic Growth
- Improved standard of living
- More affluence

- Mass awareness
- Demographics
- Credit availability
- Promotional offers
- Status symbol

#### **BENEFITS OF DEVELOPMENT OF ORGANIZED RETAILING IN INDIA**

**Employment Creation:** Organized retail market boom is anticipated to generate the much needed mass employment in India. This would ensure the development of India's second and third tier cities to international standards. Many professionals like real estate dealers, builders, architects, display designers, retail shop managers and workers like sales persons, security etc. are likely to get employment due to development of world class retail shops.

**Small Business Development:** Mega malls mushrooming in and around the cities give rise to upcoming of small businesses near such malls providing services to a large number of shoppers visiting the malls.

**Economic Growth:** The organized sector will contribute to the economy in terms of GDP and employment generation

**New Opportunities:** Rural and small units can find a ready market for their products and thus generate income and get private brand equity for their products. Large retailers would depend on the unorganized manufacturing sectors and small units for their successful in sourcing cost-effective goods for supply through their retail outlets.

**Income Generation:** Many women, household workers, artisans and small scale business operators can become a part of the supply chain by enhancing their skills to bring about quality consciousness and increase their real time incomes. Eradicating the middle operators these working groups will be getting better remunerations and there will be a significant improvement in their standards of living.

**Development in the Infrastructural Facilities:** There will be augmentation in transport facilities required for providing goods and services for the retail outlets. It will help our farmers to get the product to market place in time. The supply chain can again offer prospects for a horde of manufacturing, trading, and services. Air, road and rail transport is going to profit from this. Quite a few of domestic airlines are now increasing their cargo services considerably to meet the requirements of this sector.

**Improved Inventory Management Systems:** Big retailing requires a well-managed inventory system. The finest practices accessible in the world in this field would come into the country with the coming of players like Wal-Mart in the logistics of retail marketing.

**Wider market for Consumer Durables:** Products like mobiles, washing machines, refrigerators, television, air conditioners etc. would find a wider platform to present their products.

**Direct benefits to the consumers:** Consumers would get wider choices of products and cheaper prices. This will augment consumption rate and will ultimately create more employment and wealth. The local retailers will start offering enhanced discounts to capture maximum consumer sections. Customer satisfaction would enhance through value added services like online shopping, home delivery through web portal and ability for better comparison of products.

**Education Scenario:** Growth in the organized retailing has enhanced the education set-up in the country. A new area of education has emerged in the name of retail management. While retail giants inflowing there are many prospects opening up in the educational sector. To face this expected talent shortage higher educational institutions have started introducing new courses. Retail career area includes store operation, supply chain management, human resource management, entrepreneurship, IT, sales etc.

**Elimination of middlemen:** Budding organized food retailing in India will bring momentous change in the agribusiness management. The supermarket and fresh food outlet showrooms will procure directly from the farmers. Farmers are likely to get better prices for their products as these mega retailers are likely to acquire their farm products directly from the farmers. Many of the middle men would be eliminated.

**Shopping Experience:** The emergence of malls and supermarkets has given fashion and festivals a new face in the country. They have become an entertainment hub for families and friends to celebrate special occasions.

**E-tailing:** Retailing is now moving towards e-tailing with Retail showrooms & started offering multi-channel online retailing facility. The Indian society is very quickly shifting to purchase products and services online in a large amount. The online shopping destinations like eBay, Amazon, flipcart, shopping.com etc. have become more popular in Indian community.

#### **SWOT ANALYSIS OF ORGANIZED RETAIL STORES IN INDIA**

##### **STRENGTH:**

- As being technology intensive these stores are able to forecast customer demand, shorten lead time, reduce inventory holding & ultimately save cost.
- Wide assortment shows that customer has variety of choices.

#### WEAKNESS:

- Despite of high footfall the conversion rate is very low. As a result retail measure experiencing an ROI of only 8% to 10%.
- Organized stores have less customer loyalty as compare to unorganized stores.
- Low customer knowledge
- Lack of personal touch.

#### OPPORTUNITY:

- Indian middle class is already 30 crores & projected to grow to over 80 crores by 2018 making India one of the largest consumer markets in the world.
- According to Pantaloon Retail analyst projections by 2018, India will have 65 crores people under the age of 30 reflecting the enormous opportunities possible in the kids & teens retailing segments.

#### THREATS:

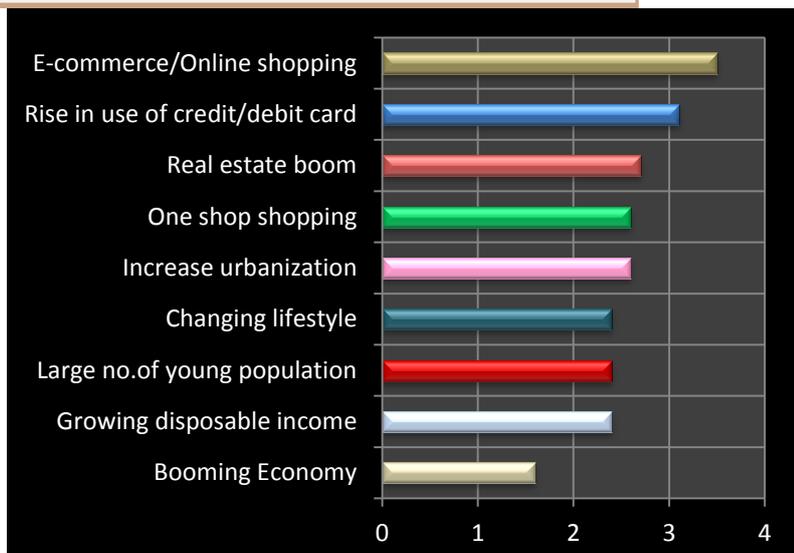
- High Real- estate rent.
- Poor Infrastructure.
- Less developed shopping culture.

#### THE GROWTH DRIVERS FOR DEVELOPING MALL CULTURE IN INDIA

Today, equipped with higher income, credit cards, exposure to new shopping culture of west, desire to show status and to improve standard of living, the Indian consumer is spending a lot. His new mentality, in turn is fueling the growth of organized retail in India.

- **Young shoppers:** Most of the consumers have grown up with television, Internet, and have been exposed to the better standard of living and consumer culture abroad. This generation is also making money at a younger stage in life due to call Centre jobs and other avenues of employment openings. As a result most of them are considering these shopping malls as the place for their entertainment.
- **Higher income/MNCs:** With the entry of MNCs in India, the people are getting better job opportunities, and the income levels are also becoming better with different allowances. This sets the stage for a very exciting and promising retail market in the future.

Growth Drivers	Scales
Booming Economy	1.6
Growing disposable income	2.4
Large no. of young population	2.4
Changing lifestyle	2.4
Increase urbanization	2.6
One shop shopping	2.6
Real estate boom	2.7
Rise in use of credit/debit card	3.1
E-commerce/Online shopping	3.5



(Source: - World Bank and D & B India research report 2015)

- **Plastic Money:** The finance section has already seen a huge expansion. Nowadays credit cards, debit cards, short time loans have become easily accessible and have contributed to the emergence of a consumer culture in India. Credit card reward schemes, flexible financing options, EMI facility, loyalty cards are tempting the Indian consumer to shop.
- **Urbanization :** Growing urbanization and different facilities of cities converted the local population from net saver to net spender.
- **Awareness level:** The urban population is well aware of the different shopping malls and through different media they are well known about the offers and schemes.
- **Aspirations:** Aspirations for better standard of living make the urban consumer spending more.
- Increased purchasing power of the customers.
- Shift in the consumption patterns.
- More Tier-2 Cities emerging across the country.
- Better infrastructure facilities and improved logistics.

#### TYPES OF ORGANIZED RETAIL FORMATS IN INDIA

**DEPARTMENT STORES:** These stores are typically lifestyle stores where most of the merchandise constitutes apparels and products other than food and grocery. These stores offer high quality service to consumers. These stores stock lesser merchandise than other formats since the merchandise is stored in a presentable manner. Notable examples are Shoppers Stop, Westside, Trent, and Globus. These are also known as Multi Brand Outlets or MBO's.

**SHOPPING MALLS:** These are the biggest structure of retail in India, malls offer customers a mix of all types of products and services including entertainment and food under a single roof. It is one of

the most popular and most visited retail formats in India is the mall. These are the largest retail format in India. Malls provide everything that a person wants to buy, all under one roof. From clothes and accessories to food or cinemas, malls provide all of this, and more. Examples include West-end (Waves) mall in Moradabad City (U.P), Spencers Plaza in Chennai or Forum Mall in Bangalore.

**DISCOUNT STORES:** Discount stores are those that offer their products at a discount, that is, at a lesser rate than the maximum retail price. This is mainly done when there is additional stock left over towards the end of any season. Discount stores sell their goods at a reduced rate with an aim of drawing bargain shoppers.

**SUPERMARKETS:** One of the other popular retail formats in India is the supermarkets. A supermarket is a grocery store that sells food and household goods under one roof. They are large, most often self-service and offer a huge variety of products. People head to supermarkets when they need to stock up on groceries and other items.

**HYPERMARKETS:** Similar to supermarkets, hypermarkets in India are a combination of supermarket and department store. These are large retailers that provide all kinds of groceries and general goods. Saravana Stores in Chennai, Big Bazaar etc. are hypermarkets that draw enormous crowds.

**SPECIALTY STORES:** These are retail chains dealing in specific categories and provide deep collection. Bangalore based Kids Kemp, Mumbai's Crossword Book Store and RPG's Music World and the Times Group's music chain Planet M are focusing on specific market segment and have established themselves strongly in their sectors.

#### **MAJOR RETAIL PLAYERS IN ORGANIZED RETAIL SECTOR IN INDIA**

**1. PANTALOON RETAIL:** It is headquartered in Mumbai with 450 stores across the country employing more than 18,000 people. It can boast of launching the first hypermarket Big Bazaar in India in 2001. An all-India retail space of 5 million sq. ft. which is expected to reach 30 mn by 2010. It is not only the largest retailer in India with a turnover of over Rs. 20 billion but is present across most retail segments - Food & grocery (*Big bazaar, Food bazaar*), Home solutions (*Hometown, furniture bazaar, collection-i*), consumer electronics (*e-zone*), shoes (*shoe factory*), Books: music & gifts (*Depot*), Health & Beauty care services (*Star, Sitara and Health village* in the pipeline), e-tailing (*Futurbazaar.com*), entertainment (*Bowling co.*)

One of their recent innovations include e-commerce' hybrid format of 'small' shops , the area for these stores will be 150 sq. ft. fitted with 40 digital screens. Customers will be encouraged to browse through the entire range of products on digital screen. They will be able to place the order, the delivery of which will be arranged by the shop to their homes within a few hours

**2. CROSSWORD:** Crossword is one of the largest booksellers in the retail industry in India and this company came into existence in the year 1992 on the 15th of October. During the year 2004, crossword was honored for excellence in publishing by the Federation of Indian Publishers. They are not only dealing with books, but are also engaged in sale of CD-ROMs, toys, magazines and stationery items through their outlets located in different cities in India.

The group has announced plans to establish a network of 75 hypermarkets across India with sales expected to cross the US\$200 million mark by 2018.

**3. TATA GROUP:** Established in 1998, Trent - one of the subsidiaries of Tata Group - operates Westside, a lifestyle retail chain and Star India Bazaar - a hypermarket with a large assortment of products at the lowest prices. In 2005, it acquired Landmark, India's largest book and music retailer. Trent has more than 4 lakh sq. ft. space across the country. Westside registered a turnover of Rs 3.58 mn in 2010.

Another subsidiary, Titan Industries, owns brands like "Titan", the watch of India has 200 exclusive outlets in the country and Tanishq, the jewellery brand, has 87 exclusive outlets. Their combined turnover is Rs 6.55 billion. Trent plans to open 27 more stores across its retail formats adding 1.5 mn sq ft of space in the next 12 DLF malls.

**4. RPG GROUP:** One of the first entrants into organized food & grocery retail with Foodworld stores in 1996 and then formed an alliance with Dairy farm International and launched health & glow (pharmacy & beauty care) outlets. Now the alliance has dissolved and RPG has Spencer's Hyper, Super, Daily and Express formats and Music World stores across the country. RPG has 6 lakh sq. ft. of retail space and has registered a turnover of Rs 6.5 billion in 2015. It is planning to venture into books retail, with the launch of its own bookstores "Books and Beyond" by the end of 2017.

**5. LANDMARK GROUP:** These were launched in 1998 in India. Lifestyle is spread across six cities, covering 4.6 lakh sq. ft. with a turnover of Rs 5.5 billion in 2016. A new division named Lifestyle International has emerged for their international brands business comprising Bossino, Kappa and Springfield in their portfolio.

Their retail mix includes Home solutions (Home centre), fashion (lifestyle, landmark International), value retailing (max retail), hypermarkets & supermarkets (Max), kids entertainment (Funcity). They planned to invest Rs. 500 crores to expand on Max chain, and Rs 300 crores on Citymax 3 star hotel chain. They have already instituted a separate company christened Citymax Hotels (India).

**6. PIRAMAL GROUP:** In September 1999, Piramal Enterprises announced their arrival into retail with the launch of three retail concepts: India's first true shopping mall of international standards, called Crossroads; a lifestyle department store named Piramyd Megastore; and a family entertainment

centre known as Jammin. Piraymd Megatsore's contributes more than 70 % to their retail mix with a turnover of Rs 112.8 mn.

**8. WALMART:** Their plans include US\$ 9 bn investment in creating retail network in the country including 100 hypermarkets and several hundred small stores.

**9. BIRLA GROUP:** They have a strong presence in apparel retailing through Madura garments which is subsidiary of Aditya Birla Nuvo Ltd. They have own brands like Louis Phillipe, Van Heusen, Allen Solly, Peter England, Trouser town. In other segments of retail, Aditya Birla Group has announced investment plans of Rs 12,000 crores till 2018.

**10. WILLS LIFESTYLE:** Wills Lifestyle was established by the popular ITC limited and this retail company has established itself as a fashion destination offering different types of accessories and apparels. The apparels and accessories offered by Wills Lifestyle are designed by top designers in India.

**11. GLOBUS:** Globus came into existence in the year 1998 and this company was established by the popular Rajan Raheja Group. The first outlet of Globus was opened in Indore and two more were established in Chennai. The retail industry in India is operating with the view to fill the gap between the manufacturers and the end users. It is because of this industry that people are able to make use of different products.

**12. PARSWANATH DEVELOPERS:** Parswanath Mall is yet another dream that has mega plans has far as shopping experience is concerned. This one will provide a huge shopping opportunity for the residents of Moradabad, Delhi, Lucknow and many other cities.

**13. CHADDHA GROUP:** The group is a pioneer in developing malls in North India. The Center stage Mall in Noida, Wave mall in Moradabad, Lucknow, Ludiyana and Kaushambi are examples of its successful track record.

#### **METHODOLOGY USED**

The present paper aims to assess the trends, benefits, opportunities & challenges & factors contributing to growth of mall culture in Indian scenario. The research design used is descriptive type. Hence the research study is based on secondary data therefore to collect the necessary information various parameters were developed with the help of literature review. Information has been sourced from books, newspapers, trade journals, industry portals, government agencies, trade associations, monitoring industry news and developments, and through access to various databases.

## OPPORTUNITIES AND CHALLENGES FOR SHOPPING MALLS DEVELOPMENT IN INDIA

### OPPORTUNITIES

Retail marketing gets various opportunities to grow up in the Indian market. Not only retailing but Manufacturers as well as suppliers, and buyers have various opportunities, some of which are mentioned below-

- 1. What is in store:** Organized retail provides brands much needed visibility and platform for customer interaction. It also helps in launching of new product or product variant and in market penetration. It has wider product range and more frequent, speedier deliveries.
- 2. Urbanization:** Increased urbanization has shifted consumers to one place and thus a single retail can catch more customers.
- 3. Nuclear Family:** As the time passed away joint families came in a new form i.e. nuclear family. Again the income level of these nuclear families increases because both members started earning. This results into increased power of purchase and lack of time. Now they want everything under one roof. This brought the concept of organized retailing.
- 4. Plastic revolution:** Increased use of credit cards is in favor of retail marketing. It creates requirement even when it is not necessary.
- 5. Window Shopping (Jo dikhta hai wohi bikta hai):** Organized retail stores put stress on proper infrastructure like well-maintained building, air conditioning, trained employees, electronic machine, parking facilities and proper display of goods category wise. Here customers feel comfort, joy and entertainment. Purchasing becomes joy for him. Self-selection saves time and gives more opportunities and satisfaction. Fix cost removes the threat of misleading. They avail various discounts and promotional schemes presented by the manufacturers. They also get product of different varieties and of proper quality
- 6. Employment:** Retail marketing is one of the largest employments generating industry. It provides employment to skilled, semi-skilled as well as to unskilled persons. Thus it helps in the socio-economic development of the society.
- 7. Price War:** Increase in the no of retail outlets increases competition among these retailers. To attract customers they give various promotional schemes as various discounts, buy one get one free, another product with any particular product, festival special, etc.
- 8. Contract framing:** The retail marketers directly purchase from farmers and reducing middlemen, thus provide proper cost to farmers and also set proper price for consumers. They also make contract with farmers to get proper amount of crops and vegetables.

**9. Effective Supply Chain Management (Logistics) System:** The big players of retail marketing and the manufacturing companies directly come in contact thus reducing many intermediary chains. Manufacturers also give many promotional schemes for their product that is beneficial for consumers.

#### CHALLENGES

Organized retail in India is little over a decade old. It is largely an urban phenomenon and the pace of growth is still slow. Some of the reasons for this slow growth are -

- 1. The Kirana Shops:** The very first challenge facing the organized retail industry in India is competition from the unorganized sector. Traditionally retailing has established in India for centuries. It is a low cost structure, mostly owner operated, has negligible real estate and labor costs and little or no taxes to pay. Consumer familiarity that runs from generation to generation is one big advantage for the traditional retailing sector. On the other hand, organized sector have big expenses to meet and yet have to keep prices low enough to compete with the traditional sector.
- 2. High Cost of Real Estate:** Real estate prices in some cities in India are amongst the highest in the world. The lease or rent of property is one of the major areas of expenditure; a high lease rental reduces the profitability of a project.
- 3. High Stamp Duties:** In addition to the high cost of real estate the sector also faces very high stamp duties on transfer of property, which varies from state to state (12.5% in Gujarat and 8% in Delhi). The problem is compounded by problems of clear titles to ownership, while at the same time land use conversion is time consuming and complex as is the legal process for settling of property disputes.
- 4. Lack of Adequate Infrastructure:** Poor roads and the lack of a cold chain infrastructure hamper the development of food and grocery retail in India. The existing supermarkets and foods retailers have to invest a substantial amount of money and time in building a cold chain network.
- 5. Multiple and Complex Taxation System:** The sales tax rates vary from state to state, while organized players have to face a multiple point control and system there is considerable sales tax evasion by small stores. In many locations, retailers have to face a multi-point octroi with the introduction of value Added Tax (VAT) in 2005, certain anomalies in the existing sales tax system causing disruption in the supply chain are likely to get corrected over a period of time.

- 6. Price War:** There is price war between different retail organizations. Each and every one is saying to provide goods at low cost and offers various promotional schemes. In such a case it is difficult to keep one's customers with oneself.

### CONCLUSION AND SUGGESTIONS

The Retail Industry in India has emerged as one of the largest among all the industries, accounting for over 10 percent of the country's GDP and around 8 per cent of the employment. The Retail Industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. The marketers try to attract the consumers and boost the sale with the permutation and combination of different retail formats.

The new retail formats in India not only need to adopt some features of the local kirana stores but also provide greater value for money to the customers through differentiation and lower costs. This offering of the malls needs to be effectively communicated to the Indian masses who perceive the malls to be a place for prestige shopping and to be more costly as compared to products in the local kirana stores. In this regard the retailers need to choose an appropriate marketing mix and hence establish the correct retail image of the malls in the mind of the consumers. Till this happens it is not possible for them to compete with the local kirana stores. With the increased interest in the Indian retail segment and a bouquet of value propositions like value for time, value for quality, value for experience, value for money is boosting the growth of malls in India. The day is not so far when the malls will soon be able to successfully capture the potential Indian market.

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