

## A PERFORMANCE ANALYSIS OF GROWTH OF RETAIL STORES & ITS ASSOCIATE HURDLES FOR ORGANISING SUPPLY CHAIN

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### Abstract

*The Indian retail industry is the fifth largest in the world. Containing organized and unorganized sectors, Indian retail industry is one of the fastest growing industries in India, especially over the most recent couple of years. Despite the fact that at first, the retail industry in India was for the most part unorganized, however with the tastes and preferences of the consumers, the industry is getting more prominent these days and getting organized also. Presently with growing market demand, the industry is expected to develop at the pace of 25-30% every year. The Indian retail industry is currently growing at a great pace and is expected to go up to the US \$ 833 billion by the year 2013. Over the most recent four years, consumer spending in India has climbed up to 75%. In India however, organized retail represents the application. 5-6% of aggregate retail revenues, however, with a youthful populace, increasing disposable income, changing lifestyles and a hearty economy India is set to emerge as one of the fastest growing organized retail markets in the world.*

### 1. GROWTH OF RETAIL INDUSTRY IN INDIA

An increasing number of people in India are swinging to the services sector for employment due to the relatively low compensation offered by the customary agriculture and manufacturing sectors. The organized retail market is growing at 3.5 percent yearly while the growth of the unorganized retail sector is pegged at 6 percent. The Retail Business in India is currently for the purpose of inflection. Quick change with investments to the tune of US \$ 25 billion is being planned by several Indian and multinational companies in the next five years. It is a

huge industry regarding size, and as per management counseling firm Techno stops Advisors Pvt. Ltd., it is valued at about US \$ 350 billion. Organized retail is expected to garner around 16-18 percent of the aggregate retail market (the US \$ 65-75 billion) in the next five years. As per the tenth report of GRDI of AT Kearney, India has a very favorable retail environment, and it is placed at the fourth spot in the GRDI [1].

The principal reasons behind that are the 9% real GDP growth in 2010, forecasted yearly growth of 8.7% through 2016, high saving and investment rate and increased consumer spending. According

to the report, organized retail represents 7% of India's generally \$435 billion retail markets and is expected to reach 20% by 2020. Sustenance represents 70% of Indian retail. However, it remains under-penetrated by organized retail. Organized retail has a 31% share in clothing and apparel and continues to see growth in this sector. A report by Boston Consulting Group has revealed that the country's organized retail is estimated at the US \$ 28 billion with around 7% penetration. It is projected to become a US \$ 260 billion business over the next decade with around 21% penetration. The experts believe that the sector is likely to indicate noteworthy growth of over 9% over the next ten years and furthermore see quick development in organized retail arrange with extent likely to reach more respectable 25% by 2018 [2].

The BMI India Report for the primary quarter of 2012 released forecasts that aggregate retail sales with growth from the US \$ 422.09 billion out of 2011 to the US \$ 825.46 billion by 2015. The report features unequivocally underlying economic growth, populace expansion, increasing disposable income and quick emergence of organized retail

infrastructure as the central point behind the forecast growth. According to the Department of Industry Policy and Promotion Cumulative, FDI inflows in single-brand retail exchanging remained at US\$ 44.45 million amid April 2000 to September 2011. Indian retail sector is wearing new clothes and with a three year compounded yearly growth rate of 46-64%, retail is the fastest growing sector of the Indian economy.

The sector is the second largest employer after agriculture, employing more than 35 million people with wholesale trade generating extra employment to 5.5 million crores. The enormous growth of the retail industry has created a huge demand for real estate. Property developers are creating retail real estate at an aggressive pace. As per report titled "India Organized Retail Market 2010", published by Knight Frank, amid 2010-12, around 55 million square feet of retail space will be ready in Mumbai, NCR, Bangalore, Kolkata, Chennai, Hyderabad, and Pune. Besides between 2010 and 2012 the organized retail real estate will be developed from existing 41 million square feet to 95 million square feet [3].

Year	percentage share of retail sector
2007	8%
2009	12%
2011	22%
2013	30%
2015	38%

**Table 1: Share of Retail Trade in Gross Domestic Product (G.D.P.)**

## 2. ORGANISED RETAIL SECTOR IN INDIA

The Indian retail sector is very fragmented, comprising predominantly of little, independent, and owner managed the shop. The domestic organized retail industry is at a nascent stage. India began with organized chain retailing just a few years prior. There are just very few categories, the most prominent being apparel, where organized retail chains have had a huge presence for more than 3-4 years. Indian retailers have done very well. Especially after considering the different obstacles and hindrances like real estate costs, lack of trained manpower, etc. The growth of the organized sector of retailing will yield efficiencies in the supply chain, enabling better access to markets, to producers and customers [4].

The strength of organized retail lies in resource accessibility. It can translate into efficient supply chain management, leading to faster inventory turnaround, resulting in improved catch lines. It is anticipated that the further belongs to the organized sector in India. India's organized

sector is good to go to explode. While the existing players, for example, future gathering, Bharti, Reliance Retail, Essar, Shopper's stop and Aditya Birla aggregate are endeavoring to consolidate their markets, others, for example, Mohindra and Mohindra, Parsavnath and DLF, and Hero Honda and India bulls have announced plans to enter the retail sector.

The organized sector will develop at a considerably faster rate of 45-50 percent per annum and quadruple its share in all-out retail to 16% by 2011-12. Government is additionally apprehensive about the uncertain future of this sector considering the vote bank attached to retail; the political environment is quite eager to take the danger of 100% FDI in retail. The Major challenge confronting the organized sector is competition from unorganized sector Traditional retailing has been established in India for some centuries. It is a minimal effort structure, generally owner-operated, negligible real estate and work costs and little or no taxes to pay [5].

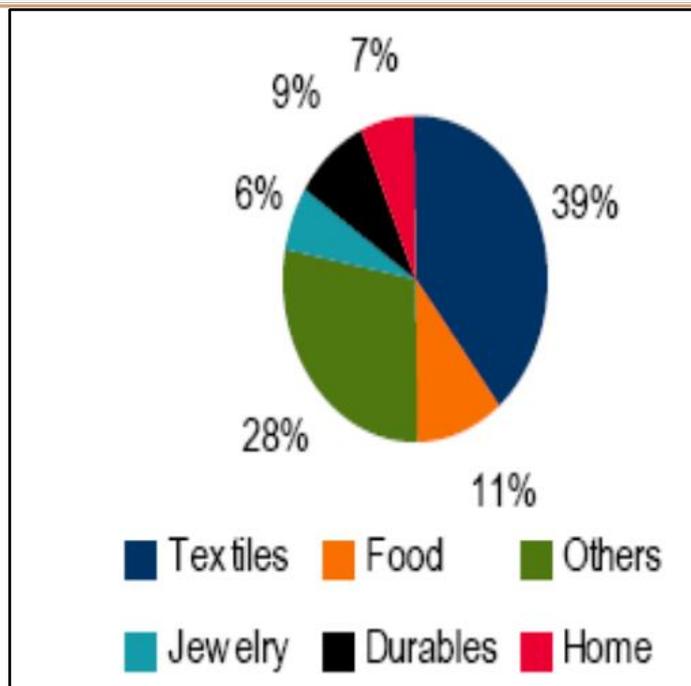


Figure1: Economics Times Retail Knowledge Series

### 3. EFFECTS OF SUPPLY CHAIN INTEGRATION ON LEAD TIME IN THE RETAIL INDUSTRY

A supply chain is an integrated process wherein crude materials are transformed into final products, then delivered to customers. It is defined supply chain management (SCM) as 'the integration of key business processes from end user through unique suppliers, and information that includes a value for customers and other stakeholders.' The Council of Supply Chain Management Professionals (CSCMP) noted that SCM encompasses the planning and management of all activities involved in sourcing and procurement, conversion and all logistics management activities. More essentially, SCM additionally includes coordination and a joint effort with channel partners, which can be suppliers, intermediaries, outsider

service providers and customers [6].

1. **Buyer-centric integration:** A buyer-centric model is concerned about the efficiency gains for the buyer. The buyer seeks to streamline its operations and pays for this through accepting greater dependence on the supplier. For its part, the supplier looks for a return on its investment through greater customer loyalty to the supplier and satisfaction.
2. **Collaboration-centric integration:** In collaboration centric integration, a channel is created through which the parties can discuss a wide range of issues at various levels between their respective organisations. This sort of approach can not only produce much sought after operational

improvements but also a range of unexpected benefits that arise from the better understanding of supplier and buyer of each other's businesses.

3. **Synchronisation:** The synchronisation model is about the supplier making use of the increased transparency to improve its own operations. In this case, the buyer might, for example, look to outsource responsibility for replenishment to its supplier in the hope of receiving better service. The supplier, in turn, can cover the cost of the extra work by reducing its inventory levels as a result of the improved visibility and thus reduced uncertainty
4. **Lead time:** Lead time is defined as the latency between the initiation and the execution of a process. Lead time is the key issue for enhancing performance of organisations across various industries. Lead time is a major consideration for retailers and customers in the supply chain. Higher levels of integration results in reduced lead times. Firms are closely connected with suppliers and customers both internally and externally because of information sharing resulting in reduced lead time and increased performance. Lead time can be measured in a number of ways, including manufacturing lead time and customer lead time. Customer lead

time is the time elapsed from receipt of an order until the finished product is either shipped or delivered to the customer [7].

5. **Retail industry landscape in India:**

In India, the landscape of retail is changing rather rapidly where consumers are gradually shifting from the traditional open market shops to supermarkets. A recent study that most Indianans still do their weekly shop at street markets (69%) or from street vendors (26%), while 17% now shop in supermarkets. In other words, even though retail business is huge, the formal retail sector in India is very limited and the biggest component of the retail industry is informal trade. Regardless, the formal retail market in India is visibly and rapidly expanding. 'New shopping centres are sweeping the continent, and they are bigger, shinier and busier. India has been identified as a country with a positive business environment in which foreign retailers can invest. The country is developing a reputation for political stability and cultural tolerance and has made huge strides in diminishing its poverty problems. According to the study, India is also seen as the doorway for foreign investors to tap the 250 million consumers in the region, and an exit point for landlocked nations such as Niger.

Moreover, as an English-speaking nation, India has close ties with American and British businesses. This reflects the strength of fast moving consumer goods (FMCG) companies in the country.

6. **Case selection and data**

**collection:** Purposive sampling was employed to select two retail giants operating in India that are of foreign origin. To conceal the identities of these companies, there are referred to as Company A and Company B. These two companies being of foreign origin, obviously obtain their goods from both local (Indian) and foreign suppliers. Even though the sample size may not be statistically representative, they invariably reflect the general characteristics of retail companies that have integrated their operations with partners in their supply chains. However, the selected companies can be considered to be representative of the experiences and practices of the foreign retail companies operating in India, which is becoming a fairly competitive market place. The sample does not include indigenous Indian retail companies. Therefore, no comparative analysis between foreign-based and local retail companies could be conducted. The focus of the study is to examine the impacts of supply

chain integration on lead time, which is critical for the foreign-based retail companies. Data was collected through interviews and analysis of historical data.

7. **Interviews:** For the interviews, a semi-structured guide was used.

The questionnaire was structured to capture information on the categories of products, the sources of merchandise (foreign and local), average lead times and levels of integration, according to supplier relationship and experiences with suppliers and suppliers' supplier, as well as information sharing among retails and suppliers. The respondents were selected based on their knowledge of inventory and procurement policies and practices and the operations of the company.

8. **Historical data:** In an attempt to measure the impacts of supply

chain integration on lead time, a few categories of products that are common to the two companies were selected and the lead times before and after integration were analysed. It should be noted that the boundaries between none and full supply chain integration are not clearly defined for both companies. Furthermore, there are differences among the lead times for the individual products in each category. Consequently, for the purposes of this analysis, the lead times before and after

integration are average values for the categories of products [8].

#### 4. CONTROVERSY OVER INDIAN RETAIL REFORMS

The essential debate concerning the suggestions for the expansion of the organized retailing in India revolves around whether it will have positive effects on the economy. As per one camp, it has overall positive effects regarding generating more number of employment, new diversified types of employment and enhancing the nature of retail employment (higher compensation, more occupation benefits, security of occupation, employability, etc.). Hence the claim of overall positive effect on the economy and employment specifically is brought under examination [9].

With advancement comes the problems and in spite of a bright future for organized retail in India some facts have to be considered to positively initiate the retail momentum and ensure its sustained growth. India is now on the radar of global retailers. Accelerated development of retailing industry in the country and building brand value of domestic products is essential not only for marketing our consumer products more efficiently, but also for the development of our own retailing industry. To become a truly flourishing industry, retailing in India needs to cross the following hurdles:

- **Shortage of skilled manpower**

Front-end/retail assistant profiles in

stores form a major proportion of the employment in the retail sector while store operations account for 75-80% of the total manpower employed in the organized retail sector. Unfortunately, there are very few courses specific to the retail sector and graduates/post graduates from other streams are recruited. Further, retail training opportunities such as niche courses for areas like merchandising, supply chain and so on are limited. A cohesive effort to develop skills within the sector can have a significant potential impact on productivity and competitiveness, both within the sector and on the wider economy [10].

- **Lack of industry status**

Due to the absence of „industry status“, organized retail in India faces difficulties in procurement of organized financing and fiscal incentives. The Government should grant the much needed “industry status” to the sector so that the sops that come with it helps promote both big & small retailers.

- **Policy induced barriers**

Organized retail in India is managed by both the Ministries of Commerce & Consumer Affairs. While the Ministry of Commerce takes care of the retail policy, the Ministry of Consumer Affairs regulates retailing in terms of licenses and legislations. There is a need to govern retail operations through a single apex body. A single agency can take care of

retail operations more effectively, especially with regard to addressing the grievances of retailers. The development of the retail sector can take place at a faster pace if a comprehensive legislation is enacted.

- **Retail estate**

Lack of sophisticated retail planning is another major challenge the sector faces. Available space is easily interchangeable between commercial and retail use. In most cities, it is difficult to find suitable properties in central locations for retail, primarily due to fragmented private holdings, infrequent auctioning of large government owned vacant lands and litigation disputes between owners. 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.

- **The 'Kirana' Continue**

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 labour 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.

- **Lack of adequate infrastructure**

Poor streets and the lack of a chilly chain infrastructure hamper the development of sustenance and grocery retail in India. The existing supermarkets and sustenance's retailers have to invest a significant measure of money and time in building a chilly chain network. Numerous business bunches in India are welcoming the change of a since a long time ago protected a sector that has left Indian shoppers bereft of the scale and variety of their counterparts in more developed markets. While FDI in multi-mark retail has been opposed by several, adherents of the same indicate increased employment, enhanced supply chain efficiencies, better choices of products for consumers, among others, as perceived benefits.

Big organized retail stores and chains will name and hire a considerable measure of skilled and unskilled people. In this way, in the brief timeframe traverse, there might be a misfortune in employment. Be that as it may, then there is a chance to provide more of jobs. The entry of multinational retailers is likely to begin competition, to give consumers better products and better prices. In the final examination, despite countrywide speculation on the predicament of little retailers, India needs to take a lesson from China were organized and unorganized

retail seem to coincide and become together [11].

## 5. CONCLUSION

In this manner, the organized sector isn't just affecting the other sectors positively yet. Also, it has benefited its particular competition, i.e., unorganized sector. Along these lines, organized sector becomes the growth mantra of Retail sector. We explore supply chain as a systems concept and its configuration on in the face of a dynamic business environment. We talk about different aspects of supply chain configuration problems, its classifications, and its different dimensions. We set supply chain configuration as a supply chain management problem and argue that it can be successfully achieved if modelled adequately around the decision-production levels and aligned with objectives formulated along different alignment perspectives. The scope definition likewise includes identification of synergies and logical inconsistencies among configuration objectives along different alignment perspectives. It is suggested that key methods for achieving alignment are joint decision-production utilizing integrated multi-view models, profit and chance sharing, multi-objective decision-production, and concurrent engineering.

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