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EVOLUTION OF RETAIL INDUSTRY IN INDIA

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ARTICLE INFO	ABSTRACT
	Indian retail industry is at nascent stage. India, being one of the most attractive emerging markets, is experiencing a radical change in its retail industry. Rapid development of retailing in India has led to expansion of organised retail stores both in metros and in smaller cities. The current research is directed to understand the concepts of retailing and its evolution. This paper explores various stages a retail industry goes through and simultaneously discusses the stage to which Indian retail industry belongs to. The study indentifies a huge scope for expansion of Indian retail business.

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Introduction

In general, retailing is perceived as a rather traditional business sector. Many practitioners and exports believe that this industry is mostly concerned with making good deals, putting high pressure on suppliers, and selling at competitive prices. However, over the last few years, the world of retailing has changed dramatically. Retail operations of companies like Carrefour, Tesco, Wal-Mart, METRO Group and many more, have greatly increased in complexity and sophistication. Similar developments in retail industry in India are inevitable with rising of major retail houses like Future Group, Reliance Retail, Shoppers' Stop, and Maxx Retail etc. Today, the retailing sector is one of the leading industries in applications of innovations such as radio frequency identification (RFID) and self-service technologies and other state-of-the-art technologies such as Enterprise resource Planning (ERP) (Garg, 2010). Retailing leads other sectors in customer data capture, data warehousing and analyses. Retailing provides the setting for research, development and applications of advanced analytical, econometrics and optimization methods in domains like pricing and integrated marketing communications management. Retailing, specifically online retailing, is still the main commercial application area of the Internet and is at the front line of the globalization of business.

In additions, many of these advances in modern retailing remain largely unknown to the outside world where the old image of retailing as a slow-moving business with few management challenges and unexciting career prospects remains prevalent. Even within the retailing profession, many practitioners remain unfamiliar with all the current trends and advances in retailing management methods, technologies and applications. However, decades back, these trend and practices were unknown to the industry. Indian retail industry has seen many up and downs in recent futures. To estimate the future prospects, practitioners and researchers should have a sound knowledge of the past trends and evolutions of the industry. Thus, to improve contemporary retailing's public image, enhance the knowledge of its practitioners, and stimulate further retailing research, there is a great need for a source that documents and provides objective information on the current trends and advances in retailing. We believe that the current study effectively meets these broad objectives by carefully analyzing the evolution of the industry in India vis-a-vis rest of the world.

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Retailing Concept

Retailing involves buying merchandise or a service from a manufacturer, wholesaler, agent, importer or other retailer and selling it to consumers for their personal use (Levy and Weitz, 2007). The word "Retail" is derived from the French Word "Retaillier" meaning to 'cut a piece off' or 'to break bulk' (Levy and Weitz, 2007). In simple terms this means a firsthand transaction with the customer. Retailing includes all the activities involved in selling goods or services to the final consumers for personal or non-business use (Levy and Weitz, 2007). Any organization selling to the final consumer, be it a manufacturer, wholesaler or retailer, is doing retailing (Kotler and Keller, 2006). It does not matter how the goods or services are sold (by person, mail, telephone, vending machine, or internet) or where they are sold (in a store, on the street, or in the consumer's home). Retailing is also defined as a set of business activities that add value to the products and services sold to consumers for their personal and family use (Levy and Weitz, 2007). These value-adding activities include providing assortments, breaking bulk, holding inventory, and providing services.

Retailing forms an integral part of the Marketing Mix. In this marketing mix "Place" refers to the distribution and availability of the products at the various locations (Kotler and Keller, 2006). Organizations sell their products and services through these stores and also simultaneously get a feedback on the performance of the product and the customer's expectations of the product. Retail stores also serve as the communication hub of the customer. At the point of sale or the point of purchase, the customers transmit information to the marketing manager through the retailer. As such retailing is the last link that connects the individual consumer with the manufacturing and distribution chain (Pradhan, 2007). In the complex world of trade today, retail include not only goods but also services that may be provided to the end consumer. In the age where consumer is the king and marketers are focusing on customer delight, retail may be redefined as the first point of customer contact (Tuli et al., 2006).

For the purpose of this research, the organized and unorganized sectors of retail have been defined. According to the National Accounts Statistics of India (2014), the organized sector comprises enterprises for which the statistics are available from the budget documents or reports etc. On the other hand the unorganized sector refers to those enterprises whose activities or collection of data is not regulated under any legal provision or do not maintain any regular accounts. In the context of the retail sector, it could therefore be said to cover those forms of trade which sell an assortment of products and services ranging from fruits and vegetables to shoe repair. These products or services may be sold or offered out of fixed or mobile location. Thus the neighbourhood kirana, the paanwala, the cobbler, the vegetable or fruit vendor etc. would be termed as the unorganized retail sector.

Organized retail may be defined as any organized form of retail or wholesale activity which is typically a multi-outlet chain of stores or distribution centers run by professional management (Messinger and Narasimhan, 1997). The organized retail trade sector comprises establishments that are primarily engaged in retailing merchandise, generally without transformation, and rendering services incidental to the sale of merchandise. Every business has its distinctive way of organizing the activities that are involved in delivering its products and service to the end customer. In retail dialect, it is termed as retail format. The term retail format had been used under several contexts in the retailing literature. From a more general perspective, it would simply mean the offer of a retailer manifested in terms of the public presentation of its offered goods and services. In India, there exists a mix of traditional and modern retail formats.

Evolution of Retailing

As consumers change so must the industry. The retail sector that emerges over the next five to ten years will likely be far different than at the beginning of the century, marked by greater innovation, integration, and responsiveness. In the late 1800s and early 1900s, market was basically covered by the typical townscape of independent specialty or single-product stores (KPMG Report, 2014). That scene gradually changed with the introduction of department stores. Moharana (2010) argued that today's corporate world focus on creating reputation through stronger brand and acceptable image to get better acceptability of customers and other stakeholders. As a acceptance to this logic, Indian retailers provide a range of services, brands, and products available in one location to make it convenient to the customers. In addition to convenience, department stores and other retailers offers exciting and tempting customer experience, an intangible, but appealing environment where shopping was more than just a transaction (buying a pack of matchbox) and can be attributed as a fun filled,

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enjoyable occasion. Within the space of a few decades, the shopping landscape changed from one dominated by category-specific outlets to one that featured integrated "one-stop" shops. Aided by rapid advances in mass distribution, many retailers turned their business to warehousing and interests in discount stores were also flourished.

A revolution in the shopping habits of the people across the entire world had virtually brought the supermarket to the main street. This revolution was unparalleled in human history as it had engendered the development of distribution system that delivers food and other products to the consumer in unprecedented abundance, variety and quality. It had gone through its natural process of evolution in all areas from the initial concept of the supermarket and department store to the hypermarket and shopping mall. It was believed that the first true department store in the world was founded in Paris in 1852 by Aristide Boucicaut and was named Bon Marche. Then, the department store business was a bare-bones operation. It was only after World War II that retailers in the West began to upgrade their services, facilities and merchandise selection to offer a fascinating array of additional benefits to consumers through organized retailing.

In the early part of the twentieth century, the consumers, while shopping for their household purpose, bought different products at different shops and at different places. It was back then that chain stores which existed such as the Great Atlantic and Pacific Tea Company (now known as the 'A & P' chain of stores) started introducing new methods of food selling. Soon these chain stores too began to sell different products under one roof (one-stop shopping). This chain store revolution had compelled the small merchants to open self-service stores of their own in order to reduce business expenses and compete with chain store prices. The supermarket revolution was first sparked off its span in the 1920s and by the 1930s; the self-service supermarket concept had become quite popular with the housewives. It was sparked off by the success of Michael Cullen, an independent operator who opened the King Kullen supermarket in Jamaica, New York. In 1950s, it had won acclaim almost throughout America. It was in the mid-1930s, that A & P too opened its first supermarket in the mid-West. Very soon other chains followed, and large supermarkets started replacing groups of small stores everywhere. As supermarket grew, they extended the self-service concept to other foods besides groceries. In the

1940s, pre-packing of food and groceries began and customers liked the speed and convenience of picking up a package of products that had already been weighed and priced. Over a period of time, this pre-packaging and supermarket of self-service had become the rule rather than an exception all over America. By the late 1950s, about 40% of the American population was buying food and groceries from these organized retail stores.

In the last decade, the smaller cities have witnessed a change in consumption preferences of the consumers (KPMG, 2009; Dwivedi, 2010). In India, the last two years growth in the number of malls in smaller cities has been 55 percent compared to 26 percent in the metropolitan cities (Khare, 2011). Saturation in the growth and number of malls in the metropolitan cities has forced mall operators to explore options in Tier II and III cities. The smaller cities are attractive due to low rental and operating costs (KPMG, 2009). The slowdown experienced by Indian economy in the last few years has affected the retail industry.

Table 1 depicts the share of organised retail to total retail in different countries in world to make a comparative view with respect to India. Indian organised retail is still at a nascent stage of 5% share and in comparison countries like US and UK are at the top having 80-85% share. Developments in direct marketing and technology combined to make it easier for retailers in the latter part of the 20th century to experiment with different ways of reaching the customer. Catalog shopping experienced resurgence, especially among boutique retailers such as Pottery Barn, Williams Sonoma, and Victoria's Secret. Others pioneered such things as television infomercials, and in the process, created whole new business models and another extension in the channel environment. These methods paved the way for online retailing. With the advent of the Internet, e-Commerce took the industry by storm beginning in the 1990s. The dot-com boom led to a host of pure play online retailers and an era of fast-moving technological innovation that touched virtually every aspect of the retail value chain, from product development and sales to operations. As these technologies entered the wider populace, a host of new channels emerged, many at the hands of the end consumer. Social-networking sites, online product reviews, viral marketing, and other forms of interactivity launched what is a still unfolding phase in the industry's development.

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Table 1 Share of Organized Retail to Total Retail

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| Country	Share of Organized Retail to Total Retail
US	85%
UK	80%
Malaysia	55%
Thailand	40%
China	20%
South Korea	15%
Indonesia	25%
Philippines	35%
India	5%

Source: *The Indian kaleidoscope: Emerging Trends in Retail, PWC/Ficci*

According to a retail report by PWC and kantar retail (2014) the evolution of retail industry is divided into six phases like 1) Nascent or Fragmented Phase 2) Exploration Phase 3) Concentration Phase 4) Penetration Phase 5) Maturation Phase and 6) Post-modern Phase. As depicted in figure 1, Indian retail market only at first stage, far behind other emerging economies like China, Brazil, Russia, South Africa etc. The figure-1 demonstrates the positions of retail markets in different countries in these six phases of evolution in the time frame from the fragmented phase to post-modern phase.

As per the report, it takes 8-10 years for the organised retail industry to achieve 5-10% of market share. Most emerging markets like China, Brazil, Thailand, Indonesia, Malaysia and Singapore which saw an emergence of organized retail in 1980 (like India) have been achieved the market share of 20% to 40%. However India is still at fragmented stage. The market is still dominated by pop-and-mom stores and kirana stores. Indian retail market is fully fragmented having approximately 12,000,000 retail stores and only 5-6% of them are organized retail players.

Figure 1: Retail Market Evolution Model

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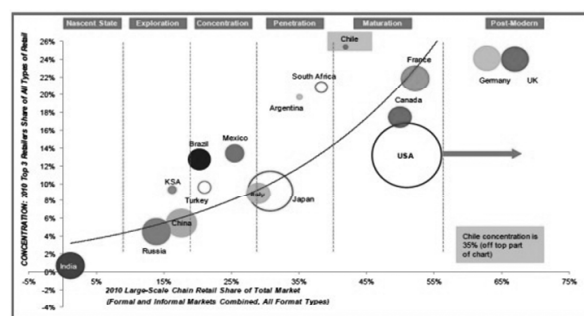
Source: Adopted from *Retailing 2020: Winning in a polarized world* PwC/Kantar Retail

In comparison, China retail market is at the second stage i.e. exploration phase where only a few global retailers have entered into the market. The market is developed within a fine frame of 5 to 10 years and organized retails claim for a share of 15-25% of the total retail market in the country. Local retailers go for a large scale innovation on formats and value propositions. Whereas countries like Brazil and Mexico are at third phase called concentration phase where most global phases stated aging the market. The market is developed within a time frame of 0-25 years and organized retail market claim for a share of 25-35% of the total market. The countries like Germany, UK and Singapore are at the extreme stage of retail evolution, probably is the latest stage of the modern retailing, where multiple global retailers are in the top ten list and only 3-4 winning local retailers survive and flourish in the market. The organized retail market claim for more than 80% of the total market and the market is developed from the fragmented stage in more than 25 years. A.T. Kearney's (2016) Global Retail Development Index prepares list of top 30 countries in emerging markets on the basis of attractiveness of doing retail business. The reports depicts India as the second rank (as against the rank of 15 in year 2015) by most attractive location after China as

Conclusions and Implications

India is considered as a potential gold mine as it is rated as one of the most attractive emerging retail markets. However, Indian retail industry has to overcome few roadblocks such as, ease of FDI in retail, lack of supportive infrastructure, strengthened of supply chain management process, adoption of state-of-the-art technology, overcoming manpower issues and overcoming real-estate issues, more particularly high rentals and initial investments, to a flourishing future (Moharana and Pattanaik, 2016). Thus, this study has tried to understand the way world retail industry has emerged which will provide valuable information to the Indian retailers, practitioners, policy makers and managers.

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