



ISSUES, EMERGING CHALLENGES, AND PROSPECTS FOR RETAILING INDIA IN THE 21ST CENTURY

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-----ABSTRACT-----

Indian retail industry is one of the pillars of the Indian economy and accounts for 14 to 15 percent of GDP and 15 percent of employment. Indian Retail is growing fastest compared to other countries with more than 2.25 billion people. Indian retail luxury market is the 12th largest in the world. So many Indian and foreign companies are showing interest in Indian Retail. Over 6000 shopping malls are operating, and over 800 malls are under construction in India. This is benefiting Indian retailers, foreign retailers, and consumers as well.

Nevertheless, the Indian retail industry is still not developed to avail opportunities. Retail outlets face so many challenges. A significant portion of the Indian retail industry is driven by big giants like Bharti, Reliance, Future Group, Tata, Birla, Etc. The study will include understanding the major and minor challenges the retailers face, like competition, less skilled human resources, government policies, tax, Kirana stores, Etc. Research is conducted to investigate the major and minor challenges retail outlets face. A structured questionnaire with 23 questions was used to collect the primary data from 55 managers of Karnataka to know their perception about different challenges faced by Indian retail outlets.

KEYWORDS: Indian Retailer Indian Consumer Shopping Behavior Rural India Supply Chain -----

INTRODUCTION

The word retail is derived from 'retail line,' which means to cut off a piece or break-bulk. A Retailer or retail store is any business enterprise whose sales volume comes primarily from retailing. Retailing includes all activities involved in selling goods or services to the final consumers for personal, non-business use. The origins of Retail are as old as trade itself. Barter is the oldest form of trade. The industrial revolution saw retailers evolving new methods of operations. The importance of food for the working class consumers and their difficulties in procuring the food products led to the emergence of cooperative societies in the United Kingdom. 1930 saw the emergence of supermarkets. The end of world war-II reordered the retail scene. The first hypermarket that was developed was Carrefour in France in 1963. A late 20th-century development, a shopping mall was created to provide for the consumer's need in a single, self-contained shopping area. The theories are developed to explain the process of retail development revolve around the importance of competitive pressures, investment in organizational capabilities, and the creation of a sustainable competitive advantage, which requires the implementation of strategic planning by retail organizations.

(a) Environmental- where a change in Retail is attributed to the change in the retailers' environment. (b) Cyclical-where changes follow a pattern and phases can have definite Identifiable attributes associated with them and (c) Conflictual- where the competition of conflict between two opposite types of retailers leads to a new format being developed.

With the growth of industrialization and urbanization, the distance between the manufacturer of a product and the actual consumer has increased. Many products are manufactured in one country and sold to a market in



another. Most producers no longer sell their products or services directly to the consumers but instead use intermediaries to get their products to the final consumers. Some of the most common marketing channels are

A retailer needs to keep up with the ever-changing expectations and demands of the consumers and keep track of the competition and the changes in technology, and the socio-economic climate of the nation in which it is operating. Marketing has developed in an evolutionary rather than a revolutionary fashion. The primary aim of modern business is to satisfy the consumer by meeting their needs and wants and, through it make a profit. Thus modern marketing has now become consumer-oriented. Therefore every business firm has to find out first what the consumers want, how much they want, at what price they want, and at what time they want.

Many factors are responsible for the modern marketing concept, such as population growth, a growing number of households, increase in disposable income and changes in the attitudes towards life, technological development, growth of marketing channels, and growth of mass communication media.

The Indian Retail Sector

The Indian retail sector is highly fragmented, with 97% of its business being run by unorganized retailers like the traditional family-run stores and corner stores. Organized Retail, however, is at a very nascent stage though attempts are being made to increase its proportion to 9-10% by the year 2012, bringing in a massive opportunity for prospective new players. The sector is the largest source of employment after agriculture and has deep penetration into rural India, generating more than 10% of India's GDP.

Today consumers are looking for higher values. Consumers seek a fair return in goods and services for their hard-earned money and short time. They want products or services that meet their specific needs or wants and that are offered at competitive prices. Firms should attempt to find the most desirable balance between providing benefits to consumers and keeping their costs down. Consumers expect excellent value in reasonable price, selection, quality, and service.

Retailing in Karnataka

Retailing in Karnataka is a subject too subtle and relevant as Karnataka is known more as a consumer state rather than a producer state. Karnataka depends on her neighboring states for her consumer needs. Due to many intermediaries involved and the transportation costs, the prices are high, and there is a wide fluctuation in groceries, fruits, and vegetables. Groceries are brought directly from the neighboring states. In direct purchase from farmers and manufacturers, the intermediaries are removed, and a part of the margin or 'profits' earned is disbursed among the consumers. It is concluded that the future of Retailing in Karnataka looks bright, and Marketing is not a function. It is the whole business seen from the consumer's point of view.

The Rural and Urban Area of Karnataka

An analysis of the average consumer expenditure per person for 30 days in various National Sample Survey Rounds shows that the percentage variation of consumer expenditure in Karnataka over All India in the urban sector stood at 8.4 percent in 1983-84 while it was 29.5 percent in the rural sector. In 2000-01 it was 31.6 percent in urban areas and 70 percent in rural areas. During 2007-08 (64th Round), the percentage variation was 32.3 in urban areas and 79.1 in rural areas. In Karnataka, only 20 percent of the rural population belonged to households with monthly per capita consumption expenditure (MPCE) was less than Rs 588 during 2007-08, and 60 percent belonged to households with MPCE less than Rs. 1103. In urban Karnataka, 20 percent of the population belonged to households with MPCE less than Rs. 1659 and 60 percent belonged to households with MPCE less than Rs. 1332. As per the latest NSS Round (64rd Round) during 2007-08, the average expenditure on food items per person for 30 days in the rural areas of Karnataka was Rs.564.14 as against the All India figure of Rs 404.33. In the urban sector, the average expenditure on food items per person for 30 days during 2007-08 in Karnataka was Rs. 703.19, and on non-food items, the expenditure was Rs 1244.77 against the All India figure of Rs.582.43 and 889.11, respectively.

Consumers and the Retail outlets under Government, Co-operative and Private Outlets. Consumers are very keen on selecting grocery products and retail outlets. Consumers seek fair goods/services for their hard-earned money and short time. They want products or services that meet their specific needs and are offered at competitive prices with higher values. The study focuses on three retail formats' benefits/facilities/offers/services provided to Karnataka consumers. The purpose of the government sector is not profit and maximization of profit but better service to the citizens of Karnataka; ensure the availability of



good quality and quantity products throughout Karnataka. In the case of cooperatives, the objective is to satisfy the requirements of consumers, especially members of cooperative society; again, the objective is not the maximization of profit but better service to the consumers, especially members. The private retail outlets are concerned; their modern objective is to provide and ensure consumer satisfaction by providing precisely what they need thus ensuring satisfaction and earning profit.

These three different organized retail outlets-Government, Cooperative, and Private are trying to cater to the people of Karnataka. How far these three retail formats can be able to satisfy the consumers. Here the study is to assess the attitude level of consumers of Karnataka over these three formats and how far the various retail outlets can provide satisfaction over the key variables that may contribute to the consumer attitudes.

OBJECTIVES OF THE STUDY

- To evaluate the consumer attitudes towards the Government, cooperative and private retail outlets.
- To assess the performance of Government, cooperative and private retail outlets on the key variables that constitute consumer attitudes.
- To evaluate the regional and urban/rural differences among consumers of Karnataka over Government, cooperative and private retail outlets.
- To identify the significant problems and challenges experienced by Government, cooperative and private retail outlets and give suggestions for improving the performance of retail outlets in Karnataka.

MAJOR HYPOTHESIS

- There is a significant difference among consumers' attitudes towards Government, cooperative and private retail outlets.
- There is no significant difference among the consumer's attitudes towards Government, cooperative and private retail outlets in the three zones of Karnataka.
- There is a significant difference in consumers' attitudes towards Government, cooperative and private retail outlets among the Urban and Rural Consumers.

METHODOLOGY & DATA SOURCE AND COLLECTION

The methodology adopted for a particular research project depends on the purpose and objectives. The sampling is based on multistage sampling. In the first stage, we divided the entire State into three zones, namely south, central and north zones, and selected two districts from each zone. A sample of hundred consumers and eighteen retail outlets (six from each category-Government/cooperative/Private retail outlets) is selected. Primary sources of data are used for the study. The required data has been gathered from primary sources. The collection of all relevant data and other essential information relating to the operations of the retail outlets have been collected from the retail outlets run by the Government sector (Like Supplyco, Labham markets Etc.), Cooperative sector (Triveni, Consumerfed and Primary Agricultural Credit Societies-Neethi consumer stores) and from the private consumer retail outlets. Personal interviews, observations, and discussions with the consumers of the retail outlet form part of the data and information gathering.

Out of the 600 respondents, scores of 3, 2, and 1 are given to respondents providing first, second and third ranks. The Rank offered by the respondents is multiplied by the scores, and a total figure arrives, and the same is divided with the number of respondents (May is not always 600 but the total actual respondents who gave any rank at all- zero Rank is avoided). The arithmetic means of Government, cooperative and private outlets are calculated, and the first Rank is provided to the maximum mean score followed by the second Rank and third Rank for the lowest mean score.

SCOPE/SIGNIFICANCE OF THE STUDY

The Government/Co-operative /Private sector is trying to satisfy the same group of consumers of Karnataka, and at the same time, these three formats have their strengths, weaknesses, opportunities, and threats. With this study, each retail format- Government/Cooperative/Private sector helps understand consumers' expectations and behave/act accordingly. Since modern marketing is consumer-oriented and consumer satisfaction is the primary goal, this study ensures immense knowledge about consumers' attitudes and performance of Government/cooperative/Private sector formats to the consumers of Karnataka. Since the Government and the cooperative sector are not in the race of profit maximization and exploitation of consumers, profit analysis is wholly avoided in the study.



PERIOD OF THE STUDY.

The study period is from July 2018 to July 2021, covering three years.

LIMITATION OF THE STUDY

The study is based on the consumers and retail outlets selected from the districts of Karnataka so that the opinion drawn may not represent the entire Karnataka.

EMPLOYMENT OPPORTUNITIES IN THE RETAIL SECTOR

The Indian retail sector offers economic opportunities at a considerable scale globally and domestically. This sector yields many positive results like generating more jobs and bringing numerous goods to the consumers at reasonable prices. According to Ernst & Young's report 'The Great Indian Retail Story,' this sector will create 2 million jobs by 2025. About four crore people are employed in retail trade, assuming each person supports a family of 5. This implies that about 20 crore people are dependent on this sector. For most households, retailing is a euphemism for a marginal existence. Modern retail formats have generated massive employment for the young and even senior citizens and women wanting to work part-time (even in small towns). People have greater exposure to the technical aspects, training and also earn higher salaries along with bonuses and incentives. With foreign companies opening expanding in India, employees are being re-trained according to international standards and practices that are being brought in. There is also an increase in retail management programs and institutes. This will bridge the gap in the availability of talented professionals at the middle and lower levels. Successful Indian retailers are creating a robust second and third management level by hiring aggressively for these critical roles. Talented professionals will put increased pressure on wage costs. Therefore operating margins, especially for mid-sized retailers, are becoming a poaching ground for international retailers entering India. (Ernst young 2020)

With private companies getting into Retail, there are people employed from diverse cultures (no room for reservations, unlike government-owned stores) where there is a sense of unity in diversity. The companies are also employing people who are physically disabled. The next few years are expected will see the sector offering new jobs to 50,000 young graduates and diploma holders. A host of traditional 'brick-and-mortar' companies such as Tatas have entered the retail business. With demographic changes like rising disposable incomes and rapidly expanding middle class, the Indian retail sector is at an inflection point where the growth in consumption and organized retailing are taking it towards higher growth. Market liberalization and an increasingly assertive consumer population have attracted more significant Indian and multinational operations to make investments but are yet to achieve success or break even.

The Indian consumption pattern and preference have undergone profound changes over the years, allowing the foreign retailers to play with the psyche of the brand-conscious modern Indian, who has no qualms spending a fortune on overhauling his wardrobe. This led to the entry of up-market brands like Nautica and New Balance into the country to cash in on this opportunity.

India has the youngest population globally, with a large population between 20-34 age groups in the urban regions boosting the demand. These factors have tempted foreign firms such as Walmart, Tesco, and Carrefour to enter India. India is now firmly placed on the US and UK radars as US retailers gradually realize the potential of the retail and consumer goods sector. The timing is the most critical source of competitive advantage for global and regional retailers in the globalization race.

FOREIGN DIRECT INVESTMENT IN INDIAN RETAILING

The current scenario of Indian Retail is to be considered in the context of FDI and the Government's commitment to raising the limit of direct investment of foreign partners to 100%. Global retailers have already been sourcing from India; the opening up of the retail sector to the FDI has been fraught with political challenges. It is worth mentioning that the only opening in the retail sector so far has been to allow 51% foreign stakes in single brand-consumer stores, private labels, high tech items/ items requiring specialized after-sales service, medical and diagnostic items, and items sourced from Indian small sector (manufactured with technology provided by the foreign collaborations). Parties supporting the FDI suggest that the FDI in Retail should be opened in a gradual/ phased manner, such that it can promote competition and contribute to the growth of the Indian economy. (Asian Development Bank Outlook (2020),)The impact of the FDI would benefit the end-user of the consumer to a great extent and will help generate a decent amount of employment as more and more entrepreneurs would be coming forward to invest and taste the new generation in retail marketing. The opening of FDI should be designed so that



many sectors - including agriculture, food processing, manufacturing, packaging, and logistics would reap benefits. The Indian consumer is also witnessing some changes in its demographics, with a sizeable working population under the age group of 24-35. There has been an increase in the number of nuclear families, the working women population, and emerging opportunities in the service sector during the past few years, which has been the key growth driver of the organized retail sector in India. The emergence of larger middle and upper-middle classes and the substantial increase in disposable income have changed the nature of shopping in India from need-based to lifestyle dictated. (Mukherjee Arpita, Patel Nitisha (2020),)

Table 1. The trend of Total Retail Segments Perspective for 2024-25

Segments	2010-15	2016-21	2024-25
Clothing & Textiles	44.00	39.00	34.57
Food & Grocery	17.00	11.00	7.12
Consumer Durables	7.00	5.00	3.57
Foot Wear	10.00	9.00	8.10
Furniture And Furnishing	6.00	8.00	10.00
Catering Services	3.00	7.00	8.00
Jewelers And Watches	4.00	7.00	9.00
Books Music And Gifts	1.00	3.00	5.00
Mobile	1.00	3.00	5.00
Others	7.00	8.00	9.64

Source: Ernst & Youn

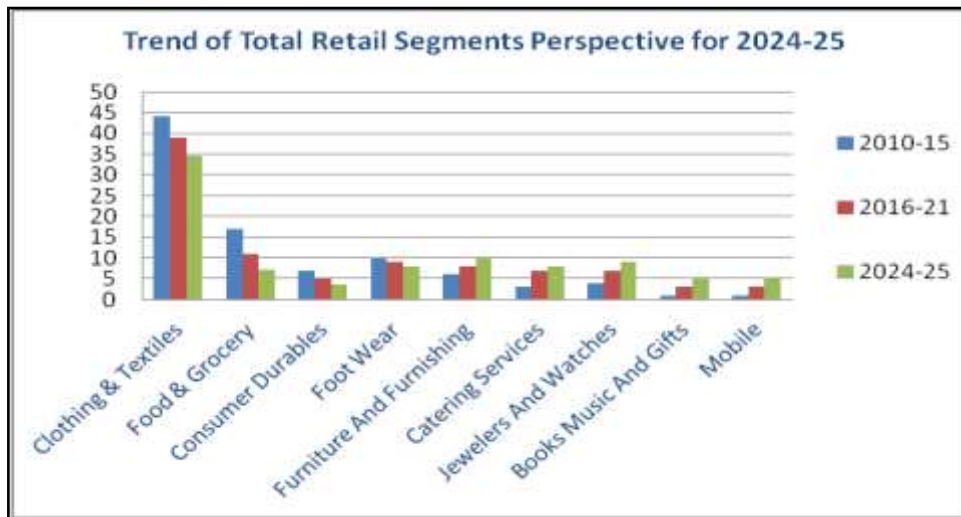


Table 1, regarding the segmental trend of the total retailing, presents the projection of the futuristic portfolio of retail segments, where clothing and textiles were on the top in 2020, became 39% now and expected to decrease to 34%. More in the future indicates the traditional segments will be mature and new, and fashion and allied segments are getting the pace due to the increase in disposable income of people. The table shows that mobile, books and music, jewelry, and catering services have the maximum growth, and the growth hierarchy is from bottom to top. Again the trends in retailing segments are evident that the segments such as the furnishing and allied have also had the pace of the total trend.

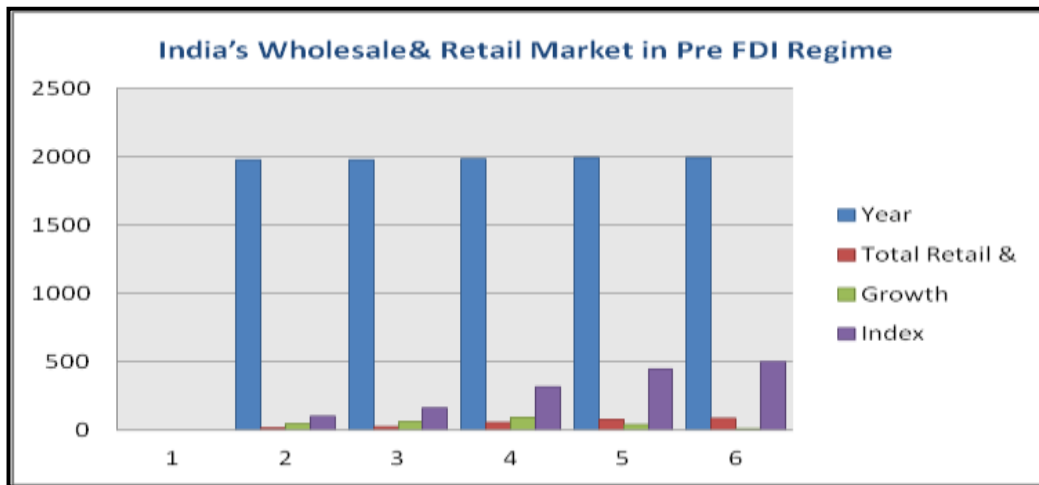
The principal target of the FDI-organized retailing is the unification of wholesalers and retailers and providing the benefit of economy of the large scale to the ultimate consumers. India made its economy liberalized for global players in 1991 as a policy matter. The post-liberalization globalization wholesale and retail market is considered as post-FDI too. To analyze the impact of foreign direct investment (FDI) in the retail sector, it is necessary to consider both retail and wholesale markets. The total organized retail and wholesale market trend is very much transparent from table 4. table 4 on the pre-FDI regime of the wholesale and retail market is having an average growth with the index number of 500.



Table 2. India's Wholesale & Retail Market in Pre FDI Regime

Year	Total Retail & Wholesale US\$B	Growth	Index
1975	18	50.00	100.00
1980	29	61.11	161.11
1985	57	96.55	316.67
1990	80	40.35	444.44
1991	90	12.50	500.00

Source: ICICI Bank



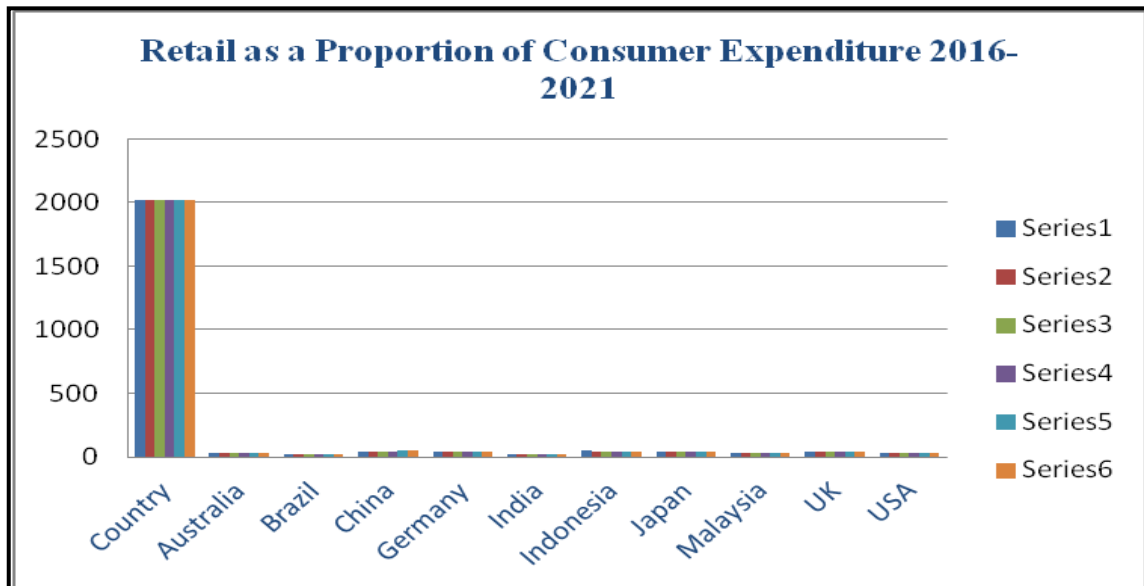
The table is also clearly pronouncing the 15 years trend of retail and wholesale in general that attained a growth of only five times, and from the table, the authors drew the trend line for the year 2020 by applying the regression technique that has shown in figure 2

Table 3 on AT Kearney's ranking of most attractive regions of the world for organized retailing and most developing market for the last five years Asia is the number one due to the presence of two fast-growing economies, India and China, but India is holding the critical growth orientation. In another region, Eastern Europe has a 35% growth orientation, but there was a mild fluctuation in the ranking of other regions. The American region is already matured, and it is most dangerous for external investors in the African region. The share of the Middle East is mainly of foreign players, especially British and American dominated.

Table 3. Retail as a Proportion of Consumer Expenditure 2016-2021

Country	2016	2017	2018	2019	2020	2021
Australia	31.9	32.1	32.3	33.1	33.3	33.8
Brazil	24.9	24.5	24.2	23	24.4	23.8
China	40.1	38.6	41.8	43.7	47.4	51.5
Germany	37.5	36.8	36.4	36.5	36.3	38.1
India	17	16.9	17.1	17.5	17.7	18.1
Indonesia	47.5	45	42.8	43.7	44.2	45
Japan	41.1	40.7	39.9	40	39.4	40.2
Malaysia	30.7	29.6	29.5	29.1	30	30.1
UK	36.6	36	36.4	37.3	37.6	38.5
USA	30.2	30.3	30.2	30.1	30.6	30.3

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CONCLUSION

The retail industry in India has grown to the level of one of the most significant contributors to the GDP, with at least 18% of the country's total employment. It has grown into one of the most dynamic and fast-paced industries, with several players entering the market. In India, it is all set to become the next boom industry, as the whole shopping concept has altered format and consumer buying behavior, leading to a revolution in shopping. India's organized retail market is projected to grow at 25-30% per year, yet to be committed to strategic globalization for its accelerated growth.

India is the least competitive and least soaked of all major global markets. This means that there are considerably low entry barriers for players trying to set up a foundation in the cutthroat landscape. Global retailers such as Carrefour, Tesco, Wal-Mart, and Casino would take advantage of the more favorable FDI rules likely to come to India and enter the country through partnerships with local retailers such as Bharati and TATA Reliance. Other retailers such as Marks & Spencer and the Benetton Group, who operate through a franchisee model, would most likely adopt a hybrid ownership structure with supermarkets and hypermarkets. However, global retailers might have to face some glitches in India to achieve breakthrough growth. High taxes, poor infrastructure, red-tapism, bureaucratic obstacles, and the high cost of real estate are some of the challenges that overseas retailers may have to address in the country.

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