



## **CORPORATE RETAILING: AN OVERVIEW**

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### **ABSTRACT**

*Indian retail industry is one of the fastest growing industries in India, especially over the last few years. Organized retailing has finally emerged from the shadows of unorganized retailing and is contributing significantly to the growth of the Indian retail sector. Buying behaviour and lifestyles in India too are changing and the concept of value for money is fast catching on in Indian retailing. Growing number of nuclear families, working women, greater work pressure, changing values and lifestyles, increased commuting time, influence of western way of life, etc. have meant that the needs and wants of consumers have shifted from just being cost and relationship driven to brand and experience driven, while the value element still dominating the buying decisions. Change in customers' focus from just buying to broad shopping has led to pick-up in momentum in organized format of retailing, which was the major source for corporate retailing.*

**KEY WORDS:** *street hawkers, Buying behaviour, psychographic, segment*

### **INTRODUCTION**

The retail sector has been at the helm of India's growth story. This sector has evolved dramatically from traditional village fairs, street hawkers to resplendent malls and plush outlets, growing from strength to strength. The retail industry has emerged as one of the most dynamic and fast paced industries in India with several players entering the market. The Indian retail industry is the fifth largest in the world. Comprising organized and unorganized sectors, Indian retail industry is one of the fastest growing industries in India, especially over the last few years. The retail industry in India was mostly unorganized; however, with the change of tastes and preferences of the consumers, the industry is getting more popular these

days and getting organized as well. Organized retailing has finally emerged from the shadows of unorganized retailing and is contributing significantly to the growth of the Indian retail sector. Buying behaviour and lifestyles in India too are changing and the concept of value for money is fast catching on in Indian retailing. The traditional grocers, by introducing self-service formats as well as value added services such as credit and home delivery, have tried to redefine themselves. However, the boom in retailing has been confined primarily to the urban markets in the country.

### **CORPORATE RETAILING**

The emergence of corporate retailing has been due to the demographic and psychographic changes taking place in the life of urban consumers. Growing

number of nuclear families, working women, greater work pressure, changing values and lifestyles, increased commuting time, influence of western way of life, etc. have meant that the needs and wants of consumers have shifted from just being cost and relationship driven to brand and experience driven, while the value element still dominating the buying decisions. Also, with the liberalization of Indian economy in the early 1990's, the employment and income from the service sector has led to the burgeoning of the so called 'middle class consumers'. The lifestyle and purchasing power of this segment have fueled the growth of corporate retailing. India is currently in the second phase of the retail evolution with domestic customers becoming more demanding with their rising standard of living and changing lifestyles. Change in customers' focus from just buying to broad shopping has led to pick-up in momentum in organized format of retailing. Proactive steps taken by the government permitting use of land for commercial development in various cities, including Mumbai and Delhi, have also contributed to increased availability of retail space in the country. From 25 operational malls in 2003, the country had 220 malls by 2006 with a cumulative estimated space of 40 million sq. ft. and expecting over 600 malls by 2010, with as much as 100 million sq. ft. retail space.

### **MAJOR CORPORATE RETAIL SEGMENTS**

The following are the major corporate retail segments in India.

- **Food and Grocery**  
The food and grocery segment is the second largest in the corporate retail and has an 11.50% share that is valued at Rs.90 billion. Initially this segment grew at a slow pace due to the presence of an established retailing system led by kirana stores, a highly-fragmented food supply chain, and the lack of a developed food processing industry. Nilgiris was one of the earliest retailers that started a chain of stores in different parts of the country. In the post-liberalization, corporate retailers saw a renewed opportunity in the food and grocery segment.
- **Fashion and Accessories**  
Fashion and accessories is the largest category in corporate retail and have a 38.10% share. In terms of total retail, this category held the second position with a 9.5% share. The segment has driven the retail boom in India and has opened many opportunities for large as well as global retailers to enter the segment. Despite the high rental, many global

retailers like Gas, Gucci, Levi's, Benetton, Marks and Spencer have opened their stores in India. The apparel retailers are also pushing themselves to the accessories segment to attract more customers.

- **Footwear**  
The changes in consumer behaviour and attitudes are reflected in the increasing demand for newer styles and different types of footwear. The market currently offers many brands that cater to every target segment. The Indian footwear market is moving at a brisk pace presently to cater to the domestic demand. Moreover, the influx of international brands is inducing the otherwise price-conscious customers to shell out more bucks for their favourite brands. The footwear market is experiencing a changing consumer preference for casual and younger style due to media penetration and due to the increasing awareness about international trends and lifestyle. There already are a large number of players, both domestic and international, in the semi-formal, formal and casual segment but the casual segment dominates the Indian footwear market with a 75% share. Branded sports wear is also growing at a faster rate than the other segments and the key players in this segment are Adidas, Reebok, Nike, Puma, etc.
- **Home and Office Improvement**  
Home and office improvement is another important segment of the corporate retail as people have started spending more on discretionary items. Presently the segment is growing at an impressive rate. Due to the salary hikes and rise in the double income households, the lifestyle needs of the young and flourishing India are surging and consequently, consumers are going for renovation of their homes. The concomitant rise in investments in furniture, home accessories and furnishings has added to the segment's boom.
- **Electronics**  
The electronics market has seen a proliferation of brands and product categories in recent years. All international brands from Japan, Korea, the US, Europe and China have been launched in India and have been trying to build a pan-India dealer network. The lifestyle category has seen higher growth in India on the back of changing consumer preferences and a consumption boom.

- **Catering Services**

The catering services market is divided into fast food, cafes and restaurants and others. India is a buoyant market for this segment with over a billion people with different food habits, religious festivals, and various regions. Each region has its own traditional food, dietary habits and its own food specialties. In recent times many international food chains have entered India, which has made this segment more dynamic and its growth, fast-paced. The key growth drivers of the segment in India are the changes in Indian demographics, working population, nuclear families, rise in double-income household, etc.

- **Telecom**

The Indian telecom sector emerged as the second largest wireless network in the world after China with the recent spate in number of wireless subscribers.

- **Pharmaceuticals**

The organized pharmaceutical retailer is known to implement innovative concepts and global standards to provide customers with an experience that is completely different from what an unorganized retailer offers.

- **Beauty and Wellness**

In the organized market, the beauty and wellness segment showed tremendous growth due to the rise in service sector employment.

- **Jewellery**

In the organized retail market, jewellery retail merely had a 2.90% share at Rs.23 billion.

- **Timewear**

The market size of the watch market was valued at Rs.44 billion in 2007. The size of this market has expanded due to the changes in consumer preference and the growing market for international watches in India. International players like Tag Huer, Rado, Omega and Rolex have been signed up by Indian celebrities as brand ambassadors to tap the market.

- **Books, Music and Gifts**

Books, music and gift retailing were the earliest segments that witnessed a consolidation of business into organized formats. Corporate retailers like Planet M, Music World, and Landmark dominated the music segment. Archies, a prominent gift retailer, have a presence on high streets as well as in malls. Moreover, new format chains like Crossword, Landmark, Oxford, and now,

Odyssey, that fit into the leisure aspirations of people, are located conveniently, and offer an ambience conducive to browsing and book buying.

- **Entertainment**

This segment has been driven by the increasing base of young population in India, whose entertainment needs have been surging with the influx of malls and multiplexes that provide leisure retail, gaming, and cinema. Players in the segment are likely to gain greater market share as the consumers' expenditure on entertainment is increasing. PVR Cinemas, Fun Cinemas, and Inox are the major players in the entertainment retailing space.

### **Challenges to Corporate Retailing in India**

Corporate retail in India is little over a decade old. It is largely an urban phenomenon and the pace of growth is still slow. Lack of recognition as an industry hampers the availability of finance to the existing and new players. This affects growth and expansion plans. Real estate prices in some cities in India are among the highest in the world. The rent of the property is one of the major areas of expenditure; high lease rentals eat into the profitability of a project. In addition, the sector also faces very high stamp duties on transfer of property, which varies from state to state. The presence of strong pro-tenancy laws makes it difficult to evict tenants. 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 are the legal processes for settling of property disputes. Poor roads and the lack of infrastructure hamper the development of corporate retail in India. The sales tax rates vary from state to state, and the corporate players have to face a multiple point control and tax system. In many locations, retailers have to face a multi point control. With the introduction of value added tax in 2005, certain anomalies in the existing sales tax system causing disruptions in the supply chain are likely to get corrected over a period of time. In the case of the Indian retail sector, there exists a high threat of new entrants as the sector itself is in a nascent stage and is growing. Government regulation on FDI in the country can be seen as a barrier to entry. Other barriers to entry may be the inability to build economies of scale, substantial capital requirements in terms of investment in store locations, limited access in terms of distribution and high costs in terms of supply chain efficiencies. The presence of substitute products can lower the attractiveness and profitability because they limit price levels. The threat of substitute products is a function of the buyer's willingness to buy a substitute

product and is influenced by the relative price and performance of substitutes and the costs of switching to substitutes. The unorganized retailing in India is still the largest wherein cheaper versions of products are available. In Indian retail, the bargaining power of buyers is fast increasing and can be termed as moderate to high, depending on the product or service. The buyers are the most powerful in the retailing industry. In an age of the informed consumer, meeting the buyer's expectations in terms of product, price and service is increasingly becoming difficult. High product differentiation is a major factor that intensifies the competition.

## **CONCLUSION**

Buying behaviour and lifestyles in India too are changing and the concept of value for money is fast catching on in Indian retailing. Growing number of nuclear families, working women, greater work pressure, changing values and lifestyles, increased commuting time, influence of western way of life, etc. have meant that the needs and wants of consumers have shifted from just being cost and relationship driven to brand and experience driven, while the value element still dominating the buying decisions. So, there are huge opportunities available for corporate retailer to grow in Indian Market.

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