

Indian Retail Reforms: Challenges and Social Impact

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ABSTRACT

The Indian Retail Industry has come forth as one of the most dynamic and fast paced industries with several players entering the market. Today, due to Indian Retail Reforms the total concept and idea of shopping has undergone an attention drawing change in terms of format and consumer buying behavior, ushering in a revolution in shopping in the country. Contemporary retailing entered into the country is observed in the form of bustling shopping centers, multi-storied malls and the huge complexes that offer shopping, entertainment, informative knowledge and food all under one roof. Today Retail Industry of India is the most promising emerging market for investments. It accounts for 14 to 15 percent GDP of the country. This study is an attempt to know about the various kinds of challenges being offered due to the enforcement of new FDI policies by the Government of India. The present research paper is a comprehensive study to know whether the reform in Indian Retail Industry have managed to set emerging opportunities in the service sector and thereby having a positive impact towards the overall growth of the country. The present research paper has also suggested an appropriate strategy after applying SWOT Analysis that suits best in the present circumstances.

Keywords: Organized and unorganized retail stores, Retail, GDP, FDI, FMCG Groups, Service Sector, Challenges, Social impact, Supply chain management, Indian economy, SWOT analysis.

1. INTRODUCTION

The origins for retail business have its footmark right from the emergence of unorganized retail stores as Kirana stores and mom-and-pop stores. Most Indian shopping were happening in open markets or numerous small grocery and retail shops. Shoppers have to typically wait outside the shop, ask for what they want, and even cannot pick or examine a product from the shelf. Access to the shelf or product storage area was limited. Once the shopper requests the food staple or household product they look for the shopkeeper to go the container or shelf or to the back of the store, to bring it out and offer it for sale to the shopper. The unorganized retail shops source their products from a chain of middlemen who mark up the product as it moves from farmer or producer to the consumer typically offering no after-sales support or service and most transactions were done with cash. These unorganized retailing was mostly a family affair. Steadily the government of India started supporting the rural retail and many indigenous franchise stores came up with the help of Khadi & Village Industries Commission. Then only, in the right sense the economy began to open up in the 1980's resulting in the change from unorganized to organized retailing. At that time the first few companies to come up with retail chains were in textile sector, for example, Bombay Dyeing, S. Kumar's, Raymonds, etc. Later Titan launched retail showrooms in the organized retail sector. Until the 1990s, regulations prevented innovation and entrepreneurship in Indian retailing. Some retails faced complying with over thirty regulations such as 'signboard licenses' and 'anti-hoarding measures' before they could open doors. There were taxes for moving goods to states, from states, and even within states in some cases. Farmers and producers had to go through middlemen monopolies. Till that time the logistics and infrastructure was very poor. Through the 1990s, India introduced widespread free market reforms, including Retail Industry. This time it was not the manufacturers who have to look for an alternative sales channel but have to act as a pure retailer. Again, with the changed scenario new entrants started entering into the sector. These entrants were in various fields, like Food World

Subhiksha and Nilgiris in food and FMCG, Planet M and Music World in music, Crossword and Fountainhead in books.

Figure1: An overview of unorganized and organized retailing



Unorganized retailing



organized retailing

Figure 1 clearly depicts the differential style of shopping between unorganized retailing where shoppers have to wait for the items to be finally handed to them whereas, on the other hand, in organized retailing the shoppers have free hand to select and finally carry the items along with them after final sale transaction is completed. Today India is the fifth largest in the world in terms of Retail Industry. Comprising of organized and unorganized sectors, Indian retail industry is one of the fastest growing industries, especially over the last few years. Table 1 given below highlight the emerging trends in retailing from the year 1986 to 2013. This surely indicates that despite of high complexities in terms of a wide geographic spread and distinct consumer preferences in Indian market it has only been possible with the positive efforts of the Government of India.

Table 1: Emerging Trends in Retailing

Year	Trend	Characteristics
1986	The foot soldiers	FMCG companies had started to build robust chains. With 1,275 depots, Brooke Bond's large field force was part of a unique cash based direct selling system. Coupled with the Hindustan Lever network, it had India's largest retail distribution chain.
1990s	Sachet Revolution	Selling in rural India was near impossible. Affordability, size, packaging, distribution - everything had to be different. The answer came along in the mid 1990s in the form of sachets - 20 ml plastic pouches. With this, FMCG companies rapidly ramped up their rural plans.
1999	The Big Push	The big players in Indian industry wanted a slice of the retail pie - the Tata's, Piramal Enterprises, ITC and S Kumar's. Piramal Enterprises chairman Ajay Piramal who setup Crossroads, a 150,000 sq. ft mall in south Mumbai has since exited the business.
2000	The Mall Bug	Suburbs in Delhi and Mumbai saw multiple malls of average size 250,000 sq. ft spring up. Tier - 2 cities followed suit and retail - only real estate companies came up. About 600 malls were to come up by the end of the decade, from 20 in 2004. The retail formats, too, underwent big changes.

2001	Second-Movers	Competition began in full earnest. While it took Shoppers Stop over eight years to become one of the largest department store chains in India, Westside grew to about half its size within just two years of starting off. While almost 75 per cent of Shoppers Stop sales came from brands supplied by other producers, 95 per cent of West side's sales came from its own in-store brands.
2004	Size Matters	For all the hype, through the 1990s, organized retail in India added just 1 million sq. ft of space a year. In 2003 alone, 10 million sq. ft was picked up by retailers. The growth continued. In 2004, at least 50 new malls of 100,000 sq. ft size and above were slated to open.
2005	More Of The Same	Urban organized retail was getting crowded. To be different, a few specialty malls cropped up. While some focused on luxury brands, others went for gold jewelry, furniture, and even weddings. But these were just a minuscule part of the big pie.
2007	Green Evolution	Reliance Industries (RIL), Aditya Birla Group, the Mittals of telecom fame, Pantaloon Retail and RPG Group as well as a host of smaller players jumped into retailing of fresh vegetables, fruits and groceries. And with good reason. Of the retail pie that was worth Rs 12 lakh crore in 2006, 63 per cent was food and groceries alone.
2009	Shutters Down	Chennai based value retailer Subhiksha Trading Services went neck deep in Rs 600 crore of debt (plus Rs 180 crore raised internally as shareholders' funds). It could not pay vendors, and employees. By 2009, it had no money to run its operations, senior staff was deserting, many stores were reportedly looted, and there was a demand for the government to initiate an independent audit of its accounts.
2010	Foreign Hand	Big retail was at the doorstep, waiting for the still elusive green signal to foreign investment. Two years after it entered India, in partnership with Bharti, WalMart was perfecting its back end system at its five stores in India (three in Punjab, and one each in Rajasthan and Madhya Pradesh). The rules allowed WalMart only to operate in the cash and carry segment. But in every other country, it sold directly to consumers. It had plans to invest Rs 500 crore more in the next five years to open 12 similar stores if the retail FDI rules did not change that is. And change they did.
2011	The Gates Open	The government has now given its nod to increased FDI in retail 51 per cent in multi brand, and 100 per cent in single brand retail. Easier said than done. Political consensus is missing. As we go to press, Parliament has been stalled on the issue for the seventh day.
2013	International Competition	Spencer's, Food world Supermarkets Ltd, Nilgiri's and ShopRite support retail reform and consider international competition as a blessing in disguise. They expect a flurry of joint ventures with global majors for

expansion capital and opportunity to gain expertise in supply chain management. Spencer's Retail with 200 stores in India, and with retail of fresh vegetables and fruits accounting for 55 per cent of its business claims retail reform to be a win-win situation. Food world, which operates over 60 stores, plans to ramp up its presence to more than 200 locations. It has already tied up with Hong Kong-based Dairy Farm International. With the relaxation in international investments in Indian retail, India's Food world expects its global relationship will only get stronger. Competition and investment in retail are on an urge to provide more benefits to consumers through lower prices, wider availability and significant improvement in supply chain logistics.

Source: Various Business world Issues till 2013

2. LITERATURE REVIEW

There have been a numerous research studies focusing on the FDI impact of retailing industry of India. It is relevant to refer briefly to the previous research studies in the related areas of the present study in order to avoid repetition and also to search out the different dimensions of the study. Among earlier studies in early 2000s, an important study on Retail modernization in developing countries and its effect on the broader food system has been a major focus of research under the most visible banner of supermarket revolution. Mukherjee et al. Arpita (2006) highlighted various debate and discussions on the risks and prudence of allowing innovation and competition within its retail industry. Shah and Venkatesh (2009) highlighted the opportunities for food industry in India. Organized retail offer the small Indian farmer more competing venues to sell their products, and increase income from less spoilage and waste. The study claim that currently, in India, the small farmer faces significant losses post-harvest at the farm and because of poor roads, inadequate storage technologies, inefficient supply chains and farmer's inability to bring the produce into retail markets dominated by small shopkeepers. This study claim India's post-harvest losses to exceed 25%, on average, every year for each farmer. Mehta and Chatterjee (2011) recommended that different reasons behind the legal restrictions imposed by the Government of India on organized retail must be removed, and the retail industry in India must be opened to competition. Bahree and Megha (2012) highlighted main issues on India unlocks door for Indian Retailers. They also focus on because of unorganized retail, in a nation where malnutrition remains a serious problem, food waste is rife. Well over 30% of food staples and perishable goods produced in India spoil because poor infrastructure and small retail outlets prevent hygienic storage and movement of the goods from the farmer to the consumer.

3. OBJECTIVES OF THE STUDY

The research study will be based on three main objectives:

- 3.1** To know about different challenges being faced by the Indian Retail industry.
- 3.2** To know about the social impact that the emerging trends in Indian Retail industry have on Indian society.
- 3.3** To know whether the reform in Indian Retail Industry have managed to set emerging opportunities in the service Sector.

4. PURPOSE OF THE STUDY

Today Indian Retail Industry is the fifth largest in the world. Especially over the last few years, in organized and unorganized sectors, Indian retail industry is one of the fastest growing industries. Though initially, the retail industry in India was mostly unorganized, but with the change of tastes and preferences of the consumers, the industry is getting more popular these days and getting organized as well. With growing market demand, the retail industry is expected to grow at a pace of 25-30% annually. The Indian retail industry is expected to grow

from Rs. 35,000 crore in 2004-05 to Rs. 109,000 crore shortly. Indian Retail Industry is the most promising emerging market for foreign investors. According to the 8th Annual Global Retail Development Index (GRDI) of AT Kearney, the retail trade in India had a share of 8-10% in the GDP (Gross Domestic Product) of the country in the year 2007. In 2009, it rose to 12%. Thereafter increasing gradually till 2013 up to 15% and is expected to reach 22% in the next few years. Retail is India's largest industry with around 11% of the employment. Retail sector is one of India's fastest growing sectors with a 5% compounded annual growth rate. As India has a huge middle class base and its untapped retail industry are key attractions for global retail giants planning to enter newer markets. Due to the changing lifestyles, strong income growth in the middle class population, favorable demographic patterns and new policies of Indian Government, Indian retail is expected to grow 25% annually.

The present value of the Indian retail market is estimated to be around Rs.12,00,000 crore (\$270 billion). Retail market for food and grocery with a worth of Rs. 7,43,900 crore is the largest of the different types of retail industries present in India. Furthermore around 15 million retail outlets help India win the crown of having the highest retail outlet density in the world. Table 2 explains the organized retail penetration across various categories of retail sector viz. Footwear, Clothing, Books & Music, Jewelry & Accessories, Durables, Home furnishing, Medical stores, Food & Grocery and Health & Beauty.

Table 2: Statistics of individual penetration of different organized categories in retail industry

Categories	Penetration
Footwear	22
Clothing	12
Books & Music	9
Jewelry & Accessories	8
Durables	5
Home furnishing	3
Medical stores	2
Food & Grocery	1
Health & Beauty	1

Source: Business Standard Oct 2013.

Figure 2: Percentage distribution of organized retail penetration across different categories

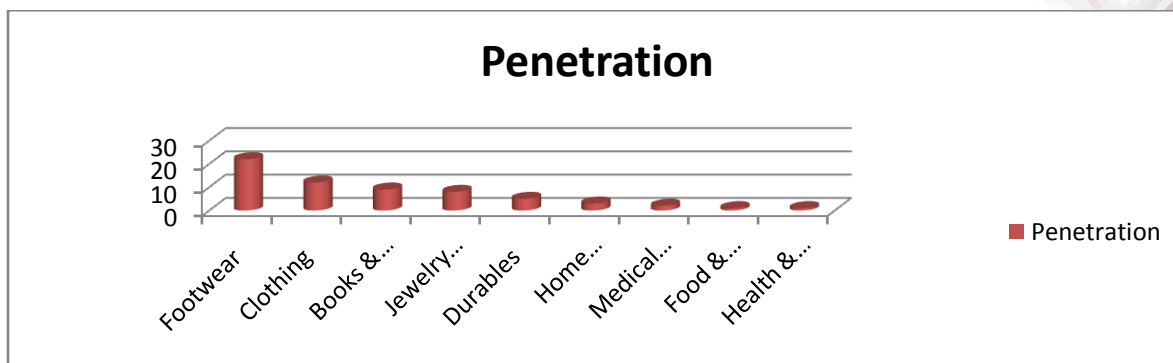
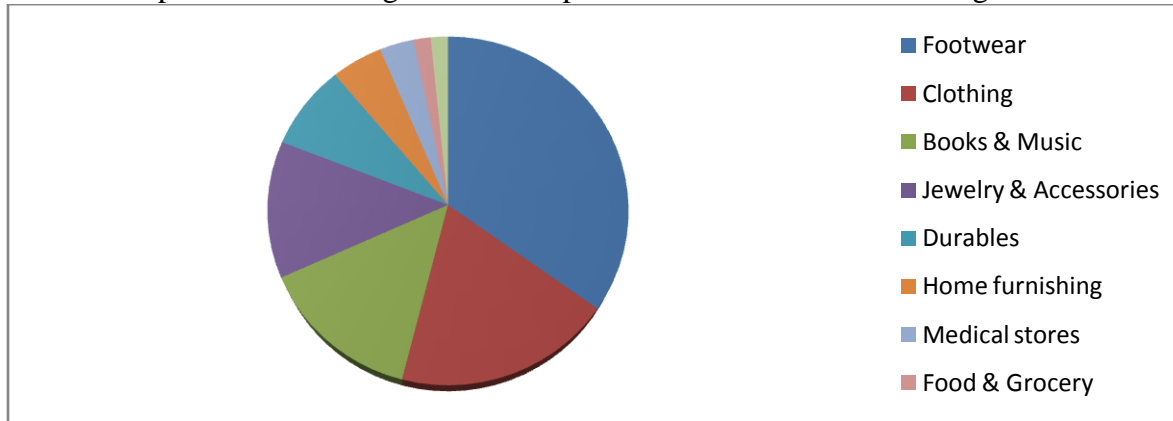


Figure 3: Pie-chart representation of organized retail penetration across different categories



5. HYPOTHESES OF THE STUDY

In order to achieve the defined purpose of the research study following hypotheses have been considered:

5.1 Is the Retail Industry of India is facing any challenge after the announcement of FDI increase.

5.2 Is the emerging trend in Indian Retail industry has a social impact.

5.3 Is the reform in Indian Retail Industry have managed to set emerging opportunities in the service sector.

6. RESEARCH METHODOLOGY

The research methodology adopted for this study is basically related to the evolutionary research method. The research study is based on the secondary sources for collecting data. The secondary data consisted of the information from various books, trade journals, newspapers, government publications, etc. The present research study represents the collected data in the form of tables and analyzed in form of percent trends and chart. The researcher have also conducted SWOT analysis to suggest in conclusion an appropriate strategy to overcome the drawbacks and achieve the best possible in current situation.

7. DATA COLLECTION AND ANALYSIS

The research has mainly focused its findings based on the facts revealed in many Business journals and newspapers of national echelons. The data used in the paper covers the period from early 2000's till 2013. Based on the collected data analysis has been done with appropriate observation techniques.

Growth over 2000 to 2013 and future prospects of Indian Retail Industry

Foreign direct investment (FDI) in cash and carry wholesale was first allowed in India in 1997. Later, by government approval requirement was relaxed, and automatic permission was granted in 2006. In the present scenario, 51% Foreign Direct Investment is permitted in India only through single brand retailing and FDI up to 100% allowed under the automatic route for cash and carry wholesale. According to the Department of Industrial Policy and Promotion (DIPP) of India, in single-brand retail trading, FDI inflows between April 2000 and 2010 stood at US\$ 194.69 million and have increased up to US\$ 44.45 million by March 2012. In the year 2012, a research study revealed that Domestic pharmaceutical retail market in India, clocked a positive 15 per cent growth during 2011. The domestic pharmaceutical retail reached a new milestone by recording an overall sales of Rs 60,000 crore (US\$ 10.80 billion) for the year 2011. A completely new line, e-retailing have also been generated. This Online retail business is another system which has high potential for growth in the near future as far as India is concerned. India's e-retail industry is likely to touch the Rs 7,000 crore mark (US\$ 1.26 billion) by 2015, up from Rs 2,000 crore (US\$ 359.97 million) currently. Online purchase of gift items,

especially jewelry and flowers has increased multiple owing to the nascent of many online e-markets and supporting banks for the payment. The estimated Rs 50,000 crore (US\$ 8.99 billion) e-commerce business is growing at an overall 40 per cent. For the year 2012, the organized retail accounts for 7 per cent of India's US\$ 435 billion retail market and is expected to reach 20 per cent by 2020. Of this food accounts for 70 per cent of Indian retail business, but it is mostly the unorganized area. Organized retail has a 31 per cent share in clothing and apparel and continues to see growth in this sector. The home segment shows promise, growing 20 to 30 per cent per year. India is likely to become the world's best retail economies by 2042. The industry is also slated to be a major employment generator in future. According to the BMI India Retail report for the third quarter of 2011, the total retail sales in India will grow from US\$ 395.9 billion in 2011 to US\$ 785.1 billion by 2015 with the annual retail sales growth of 12.2 per cent already has been achieved in year 2012.

Magnitude of Retail Industry and contribution of GDP to Indian economy

With the affect of the new FDI policy implemented by the Government of India in the next few years the organized Retail Sector in India is expected to triple its size. The market size of Indian retail industry is about US \$312 billion. The food and grocery retail sector is expected to multiply five times in the same time frame. The organized retailing comprises only 2.8% of the total retailing market and is estimated at around US\$ 8.7 billion and the organized retail sector is expected to grow to US \$ 70 billion.

In 2010 the retail trade accounts for 12 % of the country's GDP and is expected to approach 22% according to Indian Brand Equity Foundation. Another analysis according to the Mc kinsery 'The rise of Indian Consumer Market', foresees the Indian consumer market growing by four times by the year 2025, the Indian Retail industry is worth \$300 billion in terms of value. The industry's contribution to the Gross Domestic Product is about 10%, the highest compared to all other Indian Industries.

Table 3 reveals the statistical data of the share of Retail Industry in Gross Domestic Product (GDP) of the country. Through the given table it is very apparent that though there is a slight variation among the percentage of share specified by different research organizations but overall it undoubtedly depicts that at present the growth in Indian Retail Industry is remarkable and there is going to be a tremendous enhancement in the near future.

Table 3: Statistical data of share of Retail Industry in Gross Domestic Product (GDP)

VARIOUS ORGANIZATIONS	RESEARCH	PRESENT SCENARIO	FUTURE EXPECTATIONS
Global Retail Development Index (GRDI), AT Kearney		15%	22%
Indian Brand Equity Foundation (IBEF)		12%	22%
Mc kinsery		10%	30%

FDI in Indian Retail Industry

Growing liberalization of the FDI policy in the past decades has been one of the key factors for transforming Indian Retail Industry from a closed economy into one of the favored destinations for foreign investments. The FDI policy governs and regulates the entire inflow of foreign investments into the country. Table 4 gives an overview of the entire series of steps that the Indian Government has opened for the retail sector to FDI.

Table 4: An overview of FDI opened for Indian Retail Industry

YEAR	FDI INFLOW
1995	World Trade Organization's General Agreement on Trade in Services, including both wholesale and retailing services, came into effect.
1997	FDI in cash and carry wholesale with 100% rights allowed under the government approval route.
2006	FDI in cash and carry wholesale under the automatic route up to 51 percent investment in a single brand retail outlet permitted.
2011	100% FDI in single brand retail permitted.
2013	Foreign retailers entering not permitted to franchise their stores in multi brand segment and will have to put 50 percent of their investments in back-end infrastructure specifically for the chain they are setting up.

Table 5: FDI Policy in Indian Retail Industry
(June 2013)

VARIOUS SEGMENTS	ENTRY ROUTE	FDI CONTRIBUTION
Cash and carry wholesale	Automatic	100%
Single brand retail	Foreign investment promotion Board	51%
Multi brand retail	Not permitted	-

Table 5 elaborates the current condition of FDI policy in the retail industry of India. Though it has successfully through with cash and carry wholesale and also in the single brand retailing but it is still under consideration by the Government of India to allow FDI in multi brand retailing. DIPP is seeking clarity from cabinet as the discussion is still under the process on FII in multi brand retail over allowing FIIs in the sector and a cap on the minimum investment in back-end infrastructure. After almost a year of deliberation, the white paper published by the DIPP/ Ministry of Commerce and Industry, a retail FDI draft document has been submitted to the Union Cabinet for approval.

Challenges towards Indian Retail Industry after new FDI policy

The unremitting effort put in by the government beneath the Liberalized policy has have produced many challenges in front of the retail industry of India. Figure 4 shows the cluster of challenges faced by the companies working internally and those that have entered into the retail industry of India after retail reforms.

Figure 3: Challenged on Indian Retail Industry



- **Independent stores:** After the entry of foreign retailers in Indian retail markets it has created a challenge for the independent stores operating in the market. The independent stores will close, leading to massive job losses. Foreign players employ very few people in the foreign countries in which they are operating. If allowed to expand in India as much as they have their web in foreign countries, few thousand jobs may be created but millions will be lost.
- **Supply chain management:** Foreign retail efficiency at supply chain management leads to direct procurement of goods from the supplier and thereby in addition eliminating the 'middle-man', due to its standing as the leading retailer, suppliers of goods are pressured to drop prices in order to assure consistent cash flow.
- **Local Economy:** The small retailer and the middle man present in the retail industry play a large part in supporting the local economy, since they typically procure goods and services from the area they have their retail shops in. This leads to increased economic activity, and wealth redistribution. With large, efficient retailers, goods are acquired in other regions, hence reducing the local economy.
- **Domestic brands:** As foreign retailers are the gigantic names of the retail sector and are well outfitted with tricks to lower the prices to dump goods, get competition out of the way, become a monopoly, and then raise prices. The same as happened in the case of the soft drinks industry, where Pepsi and Coca-Cola came in and wiped out all the domestic brands.
- **International Standards:** Even though the Indian Retail Industry has a tremendous growing history, it still has to go a long way to congregate the requirements of international standards. These foreign retailers are efficient enough in delivering the products at more than required standards and generate a competition to existing retailers.
- **Cultural Diversity:** The socio economic and cultural diversity seemed to be strength for foreign investors because they were having a wide range to cater as such. But at the time of execution the ideas was very challenging and to fulfill that they have to have devise strategies for different cultures which is again a great challenge for the foreign players.
- **Real Estate Sector:** The real estate sector of India is projected to post annual revenues of US\$ 180 billion by 2020 against US\$ 66.8 billion in 2010–11, a compound annual growth rate (CAGR) of 11.6 per cent. The demand is expected to grow at a CAGR of 19 per cent in the period 2010–2014, with Tier I metropolitan cities expected to account for about 40 per cent of this growth. As of now, Mumbai, Delhi-National Capital Region (NCR) and Bengaluru cater for 46 per cent of total office space demand

in India. This demand is expected to be rise sharply in Tier II cities such as Kolkata and Chennai in the period 2010–14.

- **Workforce Management:** With the emerging trends in the current scenario of retail industry reform in India, companies are being challenged to recognize and adapt their employees to become more efficient. They need to hire skilled, talented and motivated workforce so that they can have healthier management.
- **Frauds in Retailing:** Frauds in retailing embraces professional shoplifters, manipulations by the shop assistant, duping audit firms, property acquisition frauds, inaccuracy in supervision and administration and so on. It is a great challenge in front of the foreign investors even after the use of security techniques such as CCTVs and POS systems.
- **Distribution and logistics:** The large geographical area of India and its relatively weak infrastructure are one of the most important challenges for distribution. The transport and warehousing industry is also fragmented and lacks scale – the average load carried by trucks in India is low by global standards, at around seven tons. Third party logistics is also undeveloped, and most businesses have to manage their distribution and logistics by themselves with no well designed hub-and-spoke distribution network in India and partly the taxation barriers between states act as barriers to efficient regional distribution.
- **Cold storage chains:** With the growth of retail industry in India another big problem faced by them is the lack of cold storage chains. It incorporates a number of challenges such as lack of logistical support, uneven distribution of cold chains, high operating and capital cost structure, power supply, inefficient capacity utilization, fragmented and unorganized cold storage chains and many more.

Social Impact of emerging trends in Indian Retail industry on Indian society

The inflow of new FDI policies in the Indian Retail Industry generated a lot many supporters in the segment. The new policy was supported by a large group of farmers, economists and entrepreneurs. Current supermarkets such as Spencer's, Food world Supermarkets Ltd, Nilgiri's and ShopRite already existing in the market supported retail reform and considered international competition as a blessing in disguise. They welcomed a flurry of joint ventures with global majors for capital expansion and opportunity to gain expertise in supply chain management. Even after the vigorous resistance by many representatives of large groups the new FDI policy managed its flourishing accomplishment thereby imposing a social impact at various segments of Indian society which are as jotted below.

1. **Investment Opportunities:** The continuous incoming of foreign investors in the retail segment has have created an intense investment opportunities in the real estate sector. The Indian retail realty sector is projected to grow at around 15 per cent year-on-year over the next 3–5 years as against a 12–13 per cent nominal growth of India's GDP estimated by the International Monetary Fund (IMF). If the sector does indeed manage the aforementioned growth, it will touch Rs 34 trillion (US\$ 544.73 billion) by 2016. The share of luxury retail space in India will be 1.4 per cent by 2015, according to a report by real estate services firm Cushman & Wakefield. The construction development sector, including townships, housing and built-up infrastructure garnered total FDI worth US\$ 22,671.95 million in the period April 2000–August 2013. According to the Department of Industrial Policy and Promotion (DIPP), construction (infrastructure) activities during the period received FDI worth US\$ 2,280.95 million.
2. **Employment opportunities:** The retail sector has also contributed to 8% of the employment in the country. An analysis done by Ma Foi Management Consultants Ltd. predicts that Indian Retail Industry would generate employment for more than 2.5 million people in the near future. Today the modern retail/retail services sector has the potential of creating over 2 million new (direct) jobs within the next 6 years in the country (assuming only 8-10% share of organized retailing) and can also create as many new jobs as the BPO/ITES sector in India. A strong retail front-end can also provide the necessary fillip to agriculture & food processing, handicrafts, and small & medium manufacturing enterprises, creating

millions of new jobs indirectly. Through its strong linkages with sectors like tourism and hospitality, transportation, packaging and agriculture processing, retail has the potential of creating jobs opportunities in these sectors also. According the Government of India, FDI in retail sector is capable of generating approximately 4 million direct jobs and around 5 to 6 million indirect jobs within a span of 10 years.

3. **Multinational Corporations:** Besides the fact that India is one of the fastest growing economies in the world, the FDI policy of government has also played a major role in attracting the multinational companies in India. For quite a long time, India had a restrictive policy in terms of foreign direct investment. As a result, there was lesser number of companies that showed interest in investing in Indian market. However, the scenario changed during the financial liberalization of the country, especially after 1991. Government, nowadays, makes continuous efforts to attract foreign investments by relaxing many of its policies. As a result, a number of multinational companies have shown interest in Indian market. Multinational companies consider India as a preferred destination for their business because of huge market potential of the country, FDI attractiveness, labor competitiveness and macro-economic stability. Other than that there are incredible growth opportunities too for their growth in India such as initiating a higher level of investment, reducing the technological gap, utilization of natural resources, reduced foreign exchange gap and boost up of basic economic structure.
4. **Cultural Developments:** New formats like super markets and large discounts and department stores have started influencing the traditional looks of bookstores, furnishing stores and chemist shops. The retail revolution, apart from bringing in positive changes in the quality of life in the metros and bigger towns, is also bringing in slow changes in the lifestyles in the smaller towns of India. Increase in literacy, exposure to media, greater availability and penetration of a variety of consumer goods into interiors of the country, have all resulted in tapering down the differences of spending between the consumers of large metros and those of smaller towns. Altogether there is a definite shift in the people's cultural value from spiritualism to materialism. People are spending more money than ever before on acquiring products such as air conditioners, cars, CD players etc. which adds to their physical comfort as well as status.
5. **Human Resources:** With the changed perception women are also joining the category of workforce and to that men are playing a very positive role by contributing equally in the household activities but are also helping women at the work places. Women of today have become equal contributors in the betterment and development activities of the society.
6. **GDP Contribution:** The advent of modern retailing in India has contributed continuously in the positive direction towards the GDP share. Table 3 of the present research study clearly reveals the percentage of retail industry contribution to GDP.
7. **Education system:** People in our society today wish to acquire relevant education and skills that would help improve their career prospects. This is evident from the fact that so many professional, career oriented educational centers are coming up with advanced pedagogy, still unsuccessful to meet the growing demand of the learners in the society. This clearly indicates that how with the changing perception education has been a prime concern of today's society.
8. **International Products:** Indian consumers have better accessibility to a wide range of foreign brands after the successful establishment of foreign retailers. Moreover, the rise in competition will force Indian retailers too to work on enhancing the quality of their products not exactly of international standard but

still work aggressively making high quality of products and services available to the Indian consumers in their reach which would have otherwise not possible for Indian consumers to even feel living in the country.

- 9. Local Economy:** With the entry of new foreign players independently and/or as a joint venture into the retail industry, the demand for agricultural products is set to rise. There is continuous up-gradation of agriculture, small scale and medium scale industries with the changing demand of the consumers. This is anticipated to increase the productivity output of Indian agriculture and bring better farming practices into the agriculture sector.
- 10. Bridges gap:** The modern retailing concept has tremendously helped in bridging gap between the manufacturer and consumer. The integration of local producers with modern retailer's procurement practices is likely to benefit the economy as well as help them to leverage relationships with local suppliers. However, studies conducted across 10 developing countries indicate that the cost reductions only happens over a longer period of time when the modern retailer eventually strikes efficiency with centralized processing, new innovative techniques and latest technology introductions which has been possible in India only by opening passageway for foreign retailers.
- 11. Technological Advancement:** Growing Urbanization with the use of plastic money is a very excellent example of Technological advancement because this has converted the local population from net saver to net spender. The finance section has seen a huge expansion in the current scenario. Nowadays, credit cards, debit cards, short term loans, and personal loans, have become easily accessible and have also contributed certainly to the new-fangled consumer culture in India. Credit cards reward schemes, flexible financing options, loans at zero percentage, EMI facility as per customer convenience, Gold and premium cards are appealing customers to shop at an ease. Other than that, improved technology has also contributed in the sphere of processing, grading, handling and packaging of goods and further technical developments in areas like electronic weighing, billing, barcode scanning etc. could be a direct consequence of foreign companies opening retail shops in India,. Further, transportation facilities can get a boost, in the form of increased number of refrigerated vans and precooking chambers which can help bring down wastage of goods.
- 12. Investment in Supply Chain:** The dawn of modern retailing in India is well equipped with the advanced procurement technology, inventory management expertise and diffusion of efficient consumer response (ECR). The spur of modern retail in India has fetched an increase levels of investment in the logistics and supply chain dynamics which again has a considerable impact on the total logistics cost incurred in the economy. It has evidently revealed in a study that supply chain efficacy would lead to 20-25 percent benefit for consumers and 24-48 percent benefit to farmers.
- 13. Better lifestyles:** People of today have become more conscious towards their physical appearances. They are drawing premium attention towards physical fitness, good health and smart appearance. This is the result that slimming centers and beauty parlours are mushrooming in all small and bigger cities throughout the country. Cosmetics for both women and men are in demand which have been fulfilled by various international brands entering into Indian cosmetic industry. Along with that exclusive entry of multinational brands in retailing designer clothes have targeted the customers thereby increasing their lifestyle.

- 14. Modern Retail structure:** The innovative and progressive ideas of the foreign retailers introducing Malls eg. Ansal Plaza, Garuda; Discount stores e.g. Brand factory, M&B factory, Subhiksha; Department stores e.g. Shoppers Stop, Big Shop, Central; Hypermarkets/Supermarkets e.g. Big Bazaar; Convenience stores e.g. Spencer's Daily, Choupal; Multi brand outlets e.g. Globus, gives a progressed outlook of our country. Today, Indian retail market is regarded as one among the ten largest markets and is estimated to be around \$350 billion. Foreign retailers control 51% of the market. In this segment the top five retailers comprise less than 2% of the market. More than four million retail outlets are located all over India, with one million outlets in the urban areas. Retail sector in India is expected to grow and reach \$833 billion USD by 2015 and to \$1.3 trillion USD by 2015 exhibiting a CAGR (Compound Annual Growth Rate) of 10%.
- 15. IT and Engineering firms:** The changing pattern of the buying behavior has indirectly contributed to the rise of IT and engineering firms. There has been a substantial increase in the number of Indians who use the Internet and a concomitant increase in the number of online purchases. Indians have started using the Internet not only for increasing awareness but also to shop online, which has opened an entire new channel of retailing in the Indian retail scenario. Online retailing offers consumers the convenience of ordering merchandise to their doorstep. Recently, Future Group, which owns Pantaloon, has initiated a measure to capitalize on the online opportunity through futurebazaar.com. A similar venture flipkart.com is also proving the new channel to be highly viable, especially since it eliminates the biggest cost of the physical store.
- 16. Improved tastes and attitude:** The prime reason for a paradigm shift in the shopping attitude of the Indian consumer is the change in their attitudes, preferences and tastes. Due to the increasing use of IT and telecom, Indian consumers have become aware of brands and shops for lifestyle and value brands according to the need and occasion. Consumers still continue to drive the growth in the organized retail by expanding the market and compelling retailers to widen their offerings in terms of brands and in terms of variety.
- 17. Retail space:** After continuous entry of foreign investors in the Indian markets it has become necessary for the internal set up to enhance the retail space for better and comfortable movements. This has then infused improvement in infrastructure and enhanced supply of quality real estate space. However, the supply of quality real estate space would be instrumental in propelling the future growth momentum of the real sector in India. The addition of better and affordable retail space would enable retailers to distribute better quality products and services to the consumers. For the retail sector to accomplish more growth, the increase of organized retailing has to become a countrywide phenomenon which will lead to thousands of new job opportunities, increased income levels and living standards.
- 18. Indian Economy:** The growth of Indian Retail Industry has reflected into the growth of Indian Economy as a whole. Increase in GDP contribution, per capita income, rise in IT, inflow of foreign investments, investments in different sectors, all have together contributed in the overall development of the economy of the country. The economy is growing between 8 to 9 percent and the improvement in economy along with factors such as favourable demographics and growth in aspiration consumption has positively influenced Indian economy.
- 19. Changed consumption pattern:** From the few important causes of the changed consumption pattern of the Indian populace unarguably, higher proportion of middle class population and greater proportion of working women have been of great significance. The majority of the Indian consumers have shifted from brand loyalist to value conscious. It has been evident that in emerging economies, with increase in

the number of retailers entering the market, the shopping habits and consumption patterns evolve and moreover with the growth of modern retail, the total set of offerings turns out to be more accessible to consumers and thereby help the retailers to achieve diverse demands of the consumers.

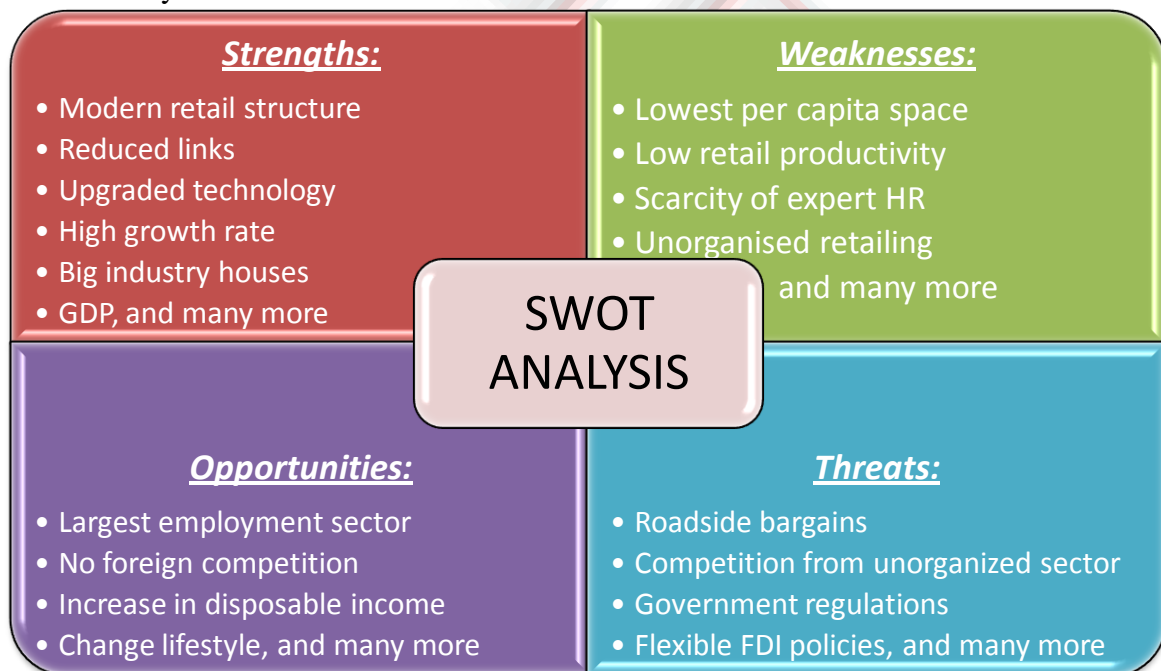
- 20. Per capita income:** With the entry of Multinational Companies in India, the people are getting better job opportunities and the income levels are also becoming better with additional allowances. Today in order to fulfill the need it has become essential that every member of the family is earning as per their educational background and this has increased per capita income of the individuals.

SWOT Analysis

The present research study shows a complete overview of the entire phases which the retailing has covered right from Kirana stores to chain stores across the four dimensions of the country. The emergence of organized retailing in India especially post liberalization has increased the purchasing power of buyers, increased product varieties, changed tastes and preferences of the consumers and increased economics of scale, with the support of modern supply and distribution management techniques. The current portrait of retailing has been the consequence of the momentum from numerous sources such as conventional stores upgrading themselves to modern retailing, companies in competitive environments entering the market directly to ensure exclusive visibility for their products, professional chain stores coming up to meet the need of the manufacturers who do not fall into either of the above categories, attractiveness, accessibility and affordability seem to be the key offerings of the retailing chain. The changing scenarios of Indian consumers give a proof to the potential opportunity in the retailing arena. In the present research while discussing about challenges faced by the retailing under FDI and social impact of emerging trends in Retail industry on Indian society has instigated the researcher to get into the crux of the minutiae by the SWOT analysis.

Figure 4 categorizes the strengths, weaknesses, opportunities and threats of Indian Retail Industry. This detailed study has also helped the researcher to suggest an ideal strategy in the present circumstances.

Figure 4: SWOT Analysis



The Strengths-Weaknesses-Opportunities-Threats (SWOT) analyses of the Indian Retail Industry are done as follows:

Strengths:

Modern retail structure facilitating urbanization.
Reduced links especially direct manufacturer-retailer-customer chain facilitating lower costs.
Technology upgraded facilitating fewer errors.
Major contributor to GDP.
Presence of big industry houses like Tatas, Bharati and Rahejas capable of absorbing losses.
High growth rate.
High potential for growth in future.
Consumer service facilitating accessibility and affordability of products.
Cluster of diverse products in one roof facilitating time saving and more updated with current changes.
Bonafide products with Guarantee facilitating customer satisfaction and brand loyalty.
Pleasant shopping environment facilitating enjoyment, entertainment and relaxation.
Research driven contributing innovative ideas into the reach of hands.
High employment generator
Competent manpower facilitating better service opportunities and comfort for customers
Improved tastes and preferences facilitating better understanding of different cultures and adaptability
Changed consumption pattern facilitating changed dimensions from money saver to money spender
Better lifestyle facilitating consciousness for health and fitness.

Weaknesses:

Lowest per capita space in the world with 2 sq.ft/1000 results in overcrowding.
Comparative more prices than specialized shops of India
Non-availability of huge land spaces at prime slots especially in the metros
High overhead and labor costs
Highly unorganized retailing industry
Low retail productivity as compared to international peers
Scarcity of expert management and trained staff
Inadequate reach of advanced education systems in interiors of the society
Improved infrastructure with equipped modern facilities
Sophisticated and advanced technologies
Inefficient supply chain management and minor investment in logistics
Almost no opportunities for employment in reality
Ban on FDI in certain areas.

Opportunities:

Change lifestyle and status consciousness
Ready availability of real estate in smaller towns
Improved sourcing options
More organization in retail sector in future
Healthy competition as new players are entering and will have check on the prices
Increase income of family in terms of contribution of Indian woman
Emergence of new generation as young shoppers
Quality, variety and easy availability under one roof as center of attention
Increase in disposable income

Population with diverse cultural background
No foreign competition
Heavy flow of foreign capital to be utilized for further development schemes
Largest employment sector in India
Increase media exposure to brand

Threats:

Roadside bargains
Future prospects of organized and unorganized retail outlets
Personal care and homely attention at smaller shops
Availability of credit with no formal credit terms at other unorganized retail outlets
Competition from unorganized sector
Government regulations
Flexible FDI policies
Opposition group to retail reforms

8. CONCLUSIONS

The Indian retail industry is witnessing far accomplishing changes. The modernization process started by large foreign retailers has spread across the country. Even smaller independent stores are upgrading in terms of advancements, assortments, delivery and ambience. The change is traversing on an overall growth in income, life style, and consumption pattern of people across the country, including both the rural and urban areas. While consumers are getting better competitive prices and varieties, the impact of large format retailers in driving consumption is still limited. The development and growth of modern retailing in India in different segments has been due to different factors. The modern retailers would like to make substantial savings through efficacy and pass this benefit to producers and end consumers. Since the entry of foreign retailers would require substantial investments in supply chain systems, it would possibly bring in innovative procurement and distribution systems which will further play an important role in bringing more stability. In view of the fact that the retail industry is largest employer after agriculture in India, the government always has its door open for foreign investment in the retail sector. On the contrary small and medium enterprises would stand to benefit from the fact that private label brands would constitute the product mix of any modern retailer and thereby small suppliers would effectively take their products to national platform. The Indian retail industry has however managed after a long time and with unrelenting efforts would reach the target due to its own characteristics. Firstly the country is very large and heterogeneous in terms of cultures, demand patterns and consumptions. Even the back-end challenges are different in parts of the country. The extent of localization required by the retailers would be daunting task. The trade practices and policies change with every state and even within the state. But these have not deterred the modern retailers in entering India due to the huge potential it offers. The foreign players have successfully managed to translate all into reality and have also coped up with the reduced prices of essential products for a consumer. In spite of tremendous growth prospects in various fields such as employment, technological advancement, changed and improved lifestyle of consumers, increased GDP share and so on, it has many flaws in few major areas where a check is required by the higher authorities. The areas which require an advanced review are mentioned as below:

- There are some categories specially the regional products having its cultural importance, FDI should be permitted only for sourcing and not for selling those products in Indian markets. For example, Handicraft industry and Textile industry, needs support to increase their market share and should have the capacity to produce at lower rates. The government should encourage these industries to export their products and contribute towards development of such industries. The foreign investors are attracted in

this field due to its lower prices. Thus, FDI should only be allowed to source or export and not for sale in India.

- Such product categories where it can generate some kind of threat, FDI should only be encouraged via joint ventures. For example, Food and Grocery retailing which has predicted to grow more than 18.9% by 2015 in a report of RNCOS, Booming Retail Sector in India. The retailing in these sectors creates threat to Indian agriculture. Thus, the government of India should reconsider on the issue that FDI should be allowed in the form of joint ventures only so as to protect the interest of the business persons of our country.
- There are some typical types of stores which differentiate themselves by the format type and get an edge on the number of stores at various regions, should be imposed with certain restrictions. For example, different categories of various stores like discount stores, department stores and convenience stores, which work on different formats successfully covers almost large cities in the country. People also get influenced due to their big name and presence. Thus, the entry of foreign players in such fields must have certain limitations in the number of stores they can open and government of India should reconsider with strict and feasible regulations in this area.
- Those product categories where we already have had established immense names, FDI damages the image. For example, Cosmetic industry of our country is self contained and there is no need of introducing FDI. The entry of foreign players in the segment have generated a direct threat to our big names like Lakme, HUL, P&G, Johnson & Johnson, Lotus, Himalaya, and many more, who are consistently providing quality products with lot many innovative ideas. But due to the craze of international brands and as a matter of status symbol the consumers get inclined towards the foreign brands. The government of India should see that FDI to such sectors must be completely withdrawn if possible otherwise harsh boundaries must be imposed on their entry and working inside the country.
- The government of India should place a deep thought on developing some vicinity such as Supply Chain Management, Education System, Human Resource Development, Improving infrastructure, access to more advanced and sophisticated technologies and generating employment.
- The government of India should take into consideration of imposing certain mandatory regulations especially for Rural markets such as making compulsory for retail houses to establish some portion of their business from rural areas, sharing of profits into rural developments and henceforth.

Despite a number of challenges Indian Retail Industry has proved to be a boon for our economy. FDI has played a major role in framing the right things at the right place and at the right time. With the help of the careful study as jotted under the SWOT analysis of the current research paper it would be more beneficial to integrate the things easily and to contribute its throw for the development of the society. The best strategy in the current circumstances is suggested that if the Indian Retail Industry is capable of converting their threats into opportunities and later on along with the positive efforts of the government's planning, as of introducing FDI policies in multi-brand retailing, will contribute support in converting opportunities into strengths. The Government of India should give a deep thought on such vital issues which could be very harmful for our existing Indian retail players like big foreign retailers can afford to lower the prices at initial stages in order to knock-out the competition and become a monopoly and later on raise the prices. This kind of phenomenon was evident earlier in the case of soft drinks where there was an eviction of Campacola by Pepsi and Coke. Other than that increase in FDI share might be a step for those foreign investors who can in future capture the entire retail industry, again being evident earlier as done by the East India Company who entered India as a trader and then took over politically.

Are we moving again on the same path?

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