

Indian Retail Industry: An analysis

Paper Submission: 15/07/2020, Date of Acceptance: 26/07/2020, Date of Publication: 27/07/2020



Roopam Kumari

Assistant Professor,
(Contractual)
Dept. of Commerce,
Markham college of Commerce,
V.B.U,
Hazaribag, Jharkhand, India

Abstract

Purpose

The retail industry reached Rs.70091 billion by 2018 at the CAGR by 13 per cent and is expected to reach Rs.81.158 trillion by 2020. Internet sales are expected to grow by 31 percent to Rs.2412.606 billion by 2018. online sales are expected to reach Rs.4426.8 billion by 2020. India is the fifth largest exporter in the world in terms of sales. In the FDI Confidence Index, India is ranked 16th. behind china USA and several other country.

The Indian trading industry has emerged as one of the most powerful and fast-growing industries due to the influx of many new players. Total spending is expected to reach about Rs.265608 billion by 2020 from Rs.134574.72 billion in 2017. It accounts for more than 10 percent of gross domestic product (GDP) and eight percent of employment. India is the fifth largest market in the world in terms of sales.

India ranked 73rd at the United Nations Conference on Trade-to-Consumer (B2C) E-commerce Index 2019. India ranks fifth in the world in terms of trade and is ranked 63rd in the World Bank's Doing Business 2019. .

Revenue from Indian offline retailers, also known as brick and mortar retailers (B&M), is expected to increase by Rs 10,000-12,000 crore (Rs.102.5542-204.3706 billion) at FY20.

India is expected to be the fastest growing E-commerce market in the world, driven by strong investment in the sector and rapid growth in the number of internet users. Various agencies have high expectations for the growth of the Indian E-commerce market.

Design/Methodology/Approach

Newspapers, Electronic media, different websites, personal opinion and observation.

Findings

The trend of the Indian Retail Market is promising. But at the same time, it underscores the fact that Vendors who are willing to embrace technological advances and adapt to the needs of their business in an emphatic manner can thrive in this highly competitive market. Also, with the size of the Indian Market Markets estimated to grow up to 129115 Indian rupees. Marketers can certainly boost their growth. We hope that this post can give readers a brief overview of the challenges of the retail market in India.

Originality Value

This paper deals with the an analysis of retail business in India and In this paper I also discussed some strong and weak area of this retail business but in spite of all this there is also lots of possibility as there is huge population exist in India. I also try to highlight the strong areas of e-commerce and the other weakens part of the retail business along with the major opportunity and threats too.

Keywords: Retail Market, E-Commerce, Confidence Index, Customer's Traits, Retail Market, Jargon etc

Introduction

India's retail industry is one of the fastest growing places in the world. The retail industry is expected to reach Rs 76.87 lakh crore. in 2020. India is ranked 63rd in the publication of the World Bank for Commerce 2020. India placed 73 at the United Nations Conference on Trade and Development for Business-to-Consumer (B2C) E-commerce Index 2019. India Direct Trade Industry recorded record sales of R182.23 billion in 2019, improving its level to 15 from 19 last year.

India is the fifth largest and most preferred trading destination in the world. The country is among the highest in the world in terms of the availability of each store. India's retail sector is experiencing growing growth with commercial development taking place not only in the big cities and metropolitan areas, but also in the big cities of category II and III. Healthy economic growth, changing demographics, increasing disposable income, urbanization, shifting consumer preferences and interests are some of the factors contributing to the growth of the formal retail market in India. The online food market in India is projected to exceed sales of about 22,500 rupees by 2020, proving a significant increase of 76 percent over the previous year.

People in India are taking a big step in online marketing. India's E-commerce business will reach Rs.7304 billion by 2024, growing in the CAGR by 27 percent by 2019. Commercial internet penetration is expected to reach 10.7 percent by 2024 percent compared to 4.7 percent in 2019. India is expected to become the third largest consumer economy in the world, reaching Rs 27.95 Lac crores used by 2025. ^ Increasing the participation of foreign and private players has given impetus to the Indian retail industry. The price competition in India is attracting big sales players to use it as a basis for acquisition. Global retailers such as Walmart, GAP, Tesco and JC Penney are increasing their purchases from India and from third-party procurement offices to establish their own offices in charge of acquiring and purchasing offices in India.

The Indian government has introduced changes to attract foreign direct investment (FDI) to the retail industry. The government has approved 51 percent of FDI in multi-product trading and 100 FDI in one-off sales under the automatic route, which is expected to promote Easy of Business and Make in India programs, with plans to allow 100% FDI in E-commerce. Cumulative FDI inflow of sales was Rs.156.41 billion between April 2000 to March 2020. India's retail sector has attracted Rs. 71566.6 from various private funds (PE) for the year 2019 India will be a favourable market for fashion retailers behind a massive base of older consumers, increasing disposable income and free FDI practices.

Objective Of the study

In this research paper we will discuss the SWOT analysis of e-commerce which will include Strength, Weaknesses, Opportunities and threats to e-commerce in the current context.

Research Methodology

This paper is prepared on the secondary data .The information collected from published and unpublished data source. e.g.: Television news, Newspaper, articles and journals.

Cursory look on Global Challenges in Retail-2020

1. Alt Retail is a new jargon in the Retail Market. Marketing is not just about selling products it is about providing products through rental, servicing, resale, and experience. Subscription-based services redefined reselling as Retail

Alternate (Alt). So, in a nutshell, Subscriptions and Rental Models will reach new heights according to Coresight Research Group.

2. Luxury products allow for Inclusion instead of choice. Today branded products allow for social norms instead of royalty. Therefore, this is a clear indication of the growing need for inclusion in the entire Sales sector.
3. The approval of technology for marketing 5G networks and automation promises to provide better customer experience. While 5G networks provide automated connectivity automation, analytics and robotics play a key role in digital marketing.

The global retail sector is focused on Frictionless Retail, Fast Retail, and Spectacular Retail.

A vision of the challenges facing Indian retailers

Although India is one of the fastest growing retail markets many common challenges frighten new entrepreneurs who enter the sector. The key is:

1. Lack of technology
2. Poor Assets Management and Infrastructure
3. Improper management of Supply Chain
4. Price War
5. Rampant Fraud in Relocation
6. Composition of Taxes and Government
7. Competition from informal traders
8. Lack of customer understanding

Growing Opportunities for India's Commercial Sector

The brightest side in the Indian Retail sector is Market Size: India is ranked 16th in the world market according to the FDI Confidence Index. Also, India is the fifth largest trading destination. In addition, the Indian Retail market reached Rs.70091 billion in 2018 and is expected to reach \$ 81.158 Trillion by 2020. Also, with the rapid growth of internet users, India Retail is being portrayed as the fastest growing e-commerce market in the world.

Investment Spree continues as reported beef.org. According to Indian Retail, Trade acquired an unprecedented foreign investment of 162.316 billion Indian rupees during the period April-2000 to March 2020. Most importantly the Indian Retail sector is able to earn Rs.71566.6 million in various private investments by 2019 Also, Walmart Investment Cooperative UA has invested Rs.2.75 million in its India office Wal-Mart India Pvt. Ltd.

Retail policy of Indian Government.

The Government of India has approved 100 FDI for the sale of goods and services online. Also, Govt has plans to change FDI policies to promote Food Processing Products through E-commerce sites and exporters. This initiative can help Indian Made Products to find a global market.

The Growing Trend of Retail Market Size in India

I. Consumer Features

According to the Economic Times, 46 percent of India's workforce is Millennial. This clearly indicates that the buyers of present-day India are Technical Savvy. They prefer to rely on technology gadgets to buy and pay. Providing a Customer Experience requires the use of technical tools.

Therefore, retailers should use technology to thrive in the current market. Significant technological advances in the field of marketing are:

II. Ultra-Convenience

Ease of shopping is a must for today's consumers. Depending on the nature of the problem, transactions can take place in the future. With the rise of Smartphones in rural India Consumers have become accustomed to Digital Payments and Transactional Systems. Therefore, it is important that Stores change over time.

III. Recommendation and Personalization Engines

With Data Analytics embedded in every aspect of our lives Recommendation engines that offer a personalized experience to customers are becoming more popular. Therefore, survivals in the stock market depend on the search engines and thus provide the best customer experience (CX) is essential.

IV. Augmented reality and authenticity

This technology has redefined the concept of shopping. Today Pop-Up stores and Virtual Stores are popular among consumers. Therefore, it is inevitable that Stores sell out to test those technology-based tools.

V. Wireless and unprofitable stores

Self-ordering and Self-Order Devices have gained popularity in supermarkets. Also, the epidemic has forced customers to opt for inhumane transactions. Apparently this situation has forced retailers to use technology that is not available in their stores.

Strengths

The natural strength of the Indian economy provides a boost to sales. The following are some of the factors that strengthen the economy:

I. Purchasing Power

A growing number of Indian consumers are climbing the economic tower to build a emerging middle class. Although they still earn an average of between Rs.125.42 and Rs.370 per person, per day, for the next ten years, these buyers collectively will have a purchasing power of about six billion dollars a year.

In 2010, there were approximately 470 million people in the middle class. According to PwC estimates, this sector will grow to 570 million by 2021. This segment, located between the lowest and middle class group, will make up about 42% of the Indian population.

II. Demographics

The working population in India is expected to be 117 million over the next ten years compared to four million Chinese. Over the next decade, from 2020, the first will add 98 million workers, while China will receive 51 million contracts. This is a very good thing in India.

III. Low Sales Penetration

Planned sales in India are still very low at 6 to 8%, especially compared to developed countries like the US and the UK with 85% and 80% retail sales, respectively. With new policy changes, growing purchasing power, and changing spending

patterns, we will definitely see a difference in the years to come. According to Images Retail research, the FY15 will see an increase in the allocation of scheduled stores.

IV. Mostly People Live in Rural Areas

With a population of 100 million, the cities of India II and III in India are larger than countries like Germany and the UK. Besides, unused rural people have a lot of power over traders. It is estimated that by the year 2021, about 67% of Indians will still live in rural areas.

Weaknesses

Apart from the good, there are certain aspects of the sector that can slow growth. The following are some important areas to consider:

I. Political Uncertainty and Regulatory Requirements

The announcement of FDI on sales has sparked a political controversy. The government is facing stiff opposition with its threatening allies for withdrawing support. Where possible, this policy has finally been implemented, there is another important factor companies must overcome. As the policy is currently drafted, the retailer may only place stores in those countries that have agreed or will in the future agree to allow FDI in the sale of multiple products.

II. Bad Infrastructure and Procurement Management

Apart from the political and regulatory environment, infrastructure will play a key role in deciding how the sector will transform and retailers will manage the sale of goods. While FDI regulation says that a retailer will have to invest more in building infrastructure, this will take time. At present, due to poor infrastructure, high taxes, high fuel costs, high reliance on road transport, etc. Consumables remain the highest percentage of the cost of production, in some cases exceeding 15 to 20%.

Opportunities

Vendors in India have been trying to reach a successful formula, but there is no strategy of 'size equal to all'. The market is still undergoing a number of changes, both from the control and supply side. The following are some of the winning points that players can focus on:

I. Bring modernity

During PwC's 15th Annual Global CEO Survey, one of the questions asked of CEOs in the R&C sector was as follows: How many changes do you expect your company to make in any of the following areas over the next 12 months? About 73% indicated that the following two areas will change in the near future:

R&D strengths and innovations
Technology investment

II. E-commerce

Going to digital is not just about e-commerce but the way communications will change in a few major areas includes changing business models (e-commerce, e-payment and mobile transactions), employee and customer engagement and technology investment. Customers want advanced experience in terms of how to search,

browse products and perform online transactions. R&C organizations need to engage with customers separately, in terms of using different channels. However, the overall customer experience should be the same smoothness and seamless connection. Social media also becomes a popular tool for consumers to educate themselves about donations, seek product advice and compare products. Marketing companies are important to explain how social media can support sales activities on all different channels, especially e-commerce. Social media analytics is a focus area for marketers.

III. Change in the Customer's Mind

The retailer no longer looks for product innovations at the sales level but the entire store today is a product that needs to attract the customer. The following are the things that will make a difference:

1. Building experience
2. Digital transformation
3. Analysis data
4. Changing the Control Status
5. Recently, the Indian government made these two important announcements that will go a long way in developing the Indian commercial sector:
6. Allowing foreign investment in trade in bulk products
7. Simplify the rules of one product trade to make it more business friendly.

Threats

The commercial sector has many problems. The two most important threats are as follows:

I. Land and real estate acquisition

Sales and rental space are important factors in the sale of most products and finding the right amount in the area you want is important. There are retailers who have moved out of cities due to high employment which puts a lot of pressure on profit.

II. Personal Funds

With the attraction still the highest in the industry, human resource management continues to remain one of the top three agenda items for the retailer. The lure of the industry can be between 20 and 25% in the non-food business and up to 60% in the food and grocery sector.

Therefore, the Indian commercial sector has its own set of strengths and opportunities. However, the challenge lies in overcoming weaknesses and providing a business environment, not only for national players but also for foreign suppliers.

III. Limitation of the Study

The analysis is conducted keeping focused on the retail business activity in India. The SWOT analysis is done keeping focus on country like India. However, major area of analysis is also same for rest of the world because of similar procedure and techniques to conduct e-commerce activity followed worldwide. The area of retail is too wide as from FMCG to consumable to business each and every activity today conducted.

Conclusions and Suggestions

There is the huge possibility for the retail business in country like India where huge population exist. As the population is huge so, there is also demand or certain goods, product and services will be also at higher level. In terms of quality of life, people are very much concerned about their comfort factor for every product. Shopping has become an important part of everyone's life. This determines the character trait of a person who is used as a tool to build his self-esteem. Therefore, branded shopping malls are used as a lounge area. Customer the understanding varies greatly, depending on their characters and the situation in the community. Attracting new customers is a major source of revenue growth. Within the business, high-end marketing strategies among existing customers can enhance the usage pattern. The success of branded stores will also be at the level of entry into the low-income sectors by targeting potential customers at the lower level of society through a variety of pricing strategies. In this competitive environment with scandalous profits, there is a critical need to reduce operational and innovation costs and it is important to retain customers.

Consumer vision for a branded retail space is organized into five main indicators namely awareness, perception, satisfaction, level of acceptance and the problem facing the consumer. Awareness of the brand-oriented store comes from a personal and non-personal source that helps promote consumer choice. The selection process begins with a search for different types, parameters affecting the selection process, comparison of parameters and testing.

Sources for the consumer selection process come from telephone, door-to-door, TV commercials, radio, newsletters and magazines, tracts, name - mouth, hoardings, internet, coupons, friends and relatives. These entire indicators test brings this incentive to choose a specific market place with a brand. Once the adoption is done it can lead to the growth of the branded sales sector. On the other hand if they are not satisfied it leads to the loss of the customer in that sales area. It means they can switch to a different store that offers better service. The most important point is that the customer will not move from the retail industry to a different retailer in the industry.

References

1. <https://www.indiaretailing.com/2014/01/14/retail/indian-retailmatrix/>
2. <https://www.aideio.in/yoy-retail-market-challenges-in-india-2020/#page-content>
3. <https://www.ibef.org/industry/retail-india.aspx>
4. *Book It happen in India: autor kishor shyam*
5. *FDI in Retail Sector : INDIA [Arpita Mukherjee & Nitisha Pate]*
6. *Economic times newspaper*
<https://retail.economicstimes.indiatimes.com>