

# A Study on Division of Retail Industry: Organized and Unorganized Retailing

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**Abstract** – India was the second-largest buyer and the seventh largest retail industry in the country. The prerequisite for the liberalisation was the steady growth of the gross domestic product, which was crucial for several economic sectors (GDP). This resulted in the Indian retail industry's unparalleled and steady growth. Although the global financial crisis has affected India's economy, Indian retail markets have structured, unorganised retail outlooks. In a constantly will society, a large middle class develops as poverty reduction progresses. However, there remains insufficiently little knowledge of the essential features of the Indian industry. This gives you a summary of the Indian retail sector and the positions of Indian and foreign retailers in our article. It concludes with predictions of plausible patterns.

**Keywords** – Indian Retailer, Indian Consumer, Shopping Behaviour, Rural India, Supply Chain, Organized, Unorganized, Retail, growth

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## INTRODUCTION

India has been the seventh biggest retail market in the world over the last couple of years. Just twenty years ago, Indian market powers were essentially subject to political considerations and the national government was responsible for managing the overall economic structure. Nearly all kinds of economic operation needed state bureaucrats' approval, which resulted in the land being stalled by its "induced growth rate." In the mid-eighties, this scheme, which was known as the 'licence raj,' was phased out, initiating an ongoing, lengthy and complicated economic liberalisation movement (Jenkins 1999). In particular, with its huge number of small family stores, the Government is seeking to shield the Indian retail industry from free competition. But Indian policymakers have become more likely in recent years to relax certain constraints. Although government spending and acquisitions were initially the principal drivers of economic development, the growing middle class has become increasingly significant with its consumer affinity and its pursuit of prosperity. Furthermore, Indian economy is driven by the high urbanisation pace, the growing proportion of working women, a youth population and access to personal credit (Ghosh 2010). All these factors lead to the Indian retail sector's continued development. This economic development also increased domestic firms' involvement in start-up retail units in sectors such as telecommunications. International retailers are still looking for fresh development prospects in confrontation to heavily saturated domestic markets. In the management literature previous studies reported that India's leading retailers produce revenue between

\$10 billion and \$50 billion per year (Giridharadas/Rai 2006). Latest evaluations, however, challenge these figures. The last two years have shown that it is much more complicated than commonly thought to obtain entry to the Indian retail industry. Many Indian retailers had to focus on streamlining operations and reducing shops in certain areas to the conclusion that growth plans are too optimistic. However, the Indian retail sector is forecast to expand by 10.0 per cent to 13.0 per cent per year by 2012, besides the issues of optimum processes and core metrics. In 2010, revenues in Germany in 2011 and French in 2012 are expected to outperform Japan's retail sector in India (Asipac 2010). In this light, we foresee a high level of interest in the Indian retail industry. However, efficient business penetration and profitable market activity in India demand comprehensive information on market details, competition and clients. In this paper we plan to provide certain material. First, a quick list of the Indian retail industry with a glimpse of retail history in India with an outline of important facts and statistics. Second, the Indian retail sector divisions are presented. Thirdly, Indian market characteristics are provided, which illustrate their value to domestic and foreign retailers. Fourth, in India we describe the characteristics of retail formats. Fifthly, the major national retail companies and international retailers working in India are introduced. We provide a description and prospects for the Indian retail industry in this report.

**GROWTH:****Growth over 1997-2010**

In 1997, India granted cash and carry wholesale foreign direct (FDI) investments. It then required the consent of the government. The criteria for authorisation was eased and in 2006 automatic authorisation was issued. Between 2000 and 2010, Indian retail investment amounted to around \$1.8 trillion, reflecting an overall investment flow to India of rather modest 1.5 percent.

Between 2006 and 2010, 94 plans, 57 of which were accepted and adopted, were sent to the single brand retailing. This is a very small amount for a nation of 1.2 billion inhabitants. Some said that one of the primary limitations that prevented stronger involvement was that India needed a single brand to restrict its ownership of Indian retail stores to 51%. In comparison, China has 100% equity of both single and multi-brand retail markets to international firms. Foreign companies.

There is low Indian retail development and, because of its very limited cold-chain and other facilities, their food collection spoilage is among the highest in the globe. India has a gross cold capacity of 23,6 million tonnes only 5,386 independent storage units. However, only potatoes are used to store 80% of this content. Less than 1 percent of India's annual agricultural production and greatly insufficient during peak harvest seasons are remaining infrastructure capacity. This means an estimated annual depletion of some of India's perishable farm produce of around 30 percent.

Indian legislation already permits foreign direct investment to the degree of 100 percent in cold chain infrastructure. There was no discussion over foreign direct involvement in the building of cold storage infrastructure. Experts agree that the financial viability of cold storage infrastructure is only possible where there is strong and contractually binding demand from organised retailers. It is possible that pereasant food is preserved in the cold without being transported and sold for some reasons. Global direct investment in cold storage and agricultural logistics facilities is impossible in the absence of organised market rivalry and with the prohibition of foreign direct investment in multinational retailers.

The supply chain was regulated by intermediaries and intermediaries in India until 2010. The rules are flouted and price transparency fails since the conventional Indian supermarket chain has a series of intermediaries. In contrast to 2/3 farmers from nations with a higher organised share, small Indian farmers just pay 1/3 of the overall price charged by the final Indian consumers. The 60% + margins for medium and conventional retailers in Indian retail industry have constrained development and prevented innovation.

**Growth after 2011**

Until 2011, in its consumer retail sector, India had hindered creativity and organised rivalry. Several reports say that India's continuing high inflation is driven by the shortage of infrastructure and dynamic retail industries. Moreover, in a nation where hunger continues to be a severe issue, food waste is widespread due to unorganised retail. Well over 30% of food and perishable products manufactured in India do not live up to their hygienical storage and movements from farmers to the consumers due to inadequate facilities and limited retail outlets.

A survey reports turnover of about \$470 billion a year in the 2011 Indian retail economy, of which a tiny \$27 trillion is from organised retail outlets including supermarkets, core operating chain stores and mall stores. Opening the retail business to free competition would make it possible for the Indian economy to expand rapidly in retail sector. Others think Indian retail development would take time, with organised retail businesses likely to need a decade to increase to 25%. A market share of 25% is forecast at more than \$250 billion a year, considering the predicted development of Indian retail industries until 2021, equivalent to Japan's 2009 sales share for the world's 250 biggest retailers.

Economist estimates that the economic size of Indian retail would almost double, rising by about \$850 billion in 2020. The expected growth alone corresponds to France's existing retail sector.

In 2011, food was 70 per cent of Indian retailers, but organised retail was underrepresented. A.T. Kearney reports that Indian organised retail accounted for 31% of garments and clothing, and that the home retail supplies grew from 20 to 30% annually. These figures represent the retail perspective until the retail overhaul was announced in November.

Indeed, India has the most shops per population. It may be accurate. For Belgium, the Netherlands and Luxembourg there are however comprehensive estimates. There are nearly 8 outlets per 1000 in Belgium and there are 6 in the Netherlands. The number of Indians must therefore be far higher.

**INDIAN RETAILERS:**

The PWC study from 2012 reports that modern retail has a market share of 5% in India with revenue of approximately 27 billion dollars, and is rising between 15% and 20% annually. The Indian shopping and mall formats are several in western format. Some examples are provided in the table below

Indian Retail Group	Market Reach in 2011 and Notes
Pantaloon Retail	65 stores and 21 factory outlets in 35 cities, 2 million square feet space
Shoppers Stop	51 stores in 23 cities, 3.2 million square feet space
Spencers Retail	200 stores in 45 cities, 1 million square feet space
Reliance Retail	708 mart and supermarkets, 20 wholesale stores in 15 cities, 508 fashion and lifestyle ₹1,206 crore (US\$170 million) per month sales in 2013
Bharti Retail	74 Easyday stores, plans to add 10 million square feet by 2017
Birta More	575 stores nationwide
Tata Trent	129 Westside mall stores, 13 hypermarkets
Lifestyle Retail	15 lifestyle stores, 8 home centers
Future Group	193 stores in 3 cities, one of three largest supermarkets retailer in India by sales ₹916 crore (US\$130 million) per month sales in 2013
Nysaa Retail Pvt Ltd	56 stores in 7 states

**ORGANIZED RETAIL:**

Indian retail is still in boom and is one of the leading markets. The outlook is still really bright for this market. The unorganised retail is at the same pace if we track carefully, but in the regulated retail market the real development is evident. The new retail is expected to reach USD 175-200 billion by 2016. There are many explanations why integrated retailers are growing dynamically.

**Shift in shopping experience:**

The overall retail experience in India has recently modified with Pantaloons, the pillar of shopping centre community in India. Shopping nowadays has become a fun-oriented experience and a tension buster. shopping is not either a regular or seasonal activity. With earning skills increasing, customers want a full retail experience, including cooking, leisure experiences, shopping events and more.

**Youngsters dominating the demographics:**

A substantial part of the population of today is young people aged almost 25. They know what's right for them and what's unique to their brand. This has contributed to the thriving malls through which a wide variety of products are combined. Indeed, most brands produce goods unique to this demographics segment with certainty.

**Rise in working women population:**

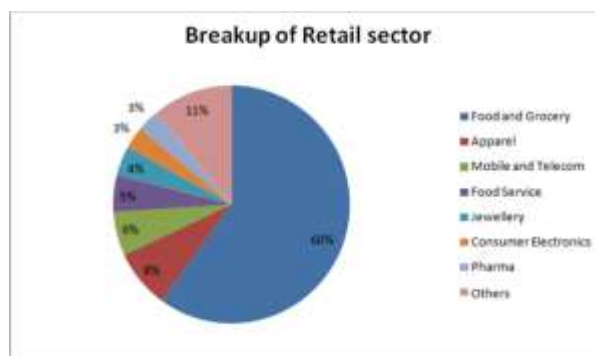
In the past there has been a pattern in which men are family bread winners and in household practises women are limited. In this way, women suggested goods that men and households used to buy at their whim. The pattern is shifting now. Because women work together with men in big cities, they have the chance to buy anything they want to make their homes

decorative and artistic. This leads to goods of different labels to target Indian women. This is another element in the organised retail sector's growth.

**Food and Grocery leading the front:**

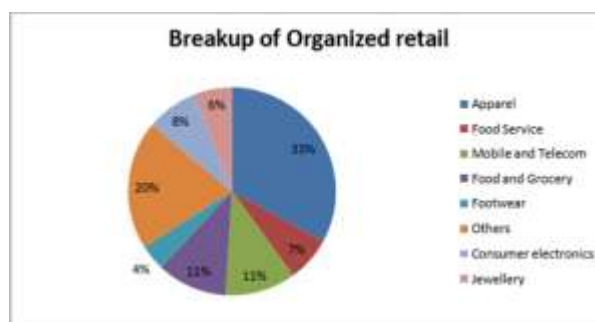
The rise in the fruit, drinks and food section is one of the key explanations for this boom. This division accounts for almost 60 percent of the entire retail market. The overall domination in the sector grows, as the choices for food access, new products and major brands emerge. Indians are lovers of rice, too. They enjoy pure Indian food, which leads to high ability, in multi cuisine from different countries. Again, clothing is getting a big chunk in the organisation market with a combined share of 33 percent. This links young people, buying habits, brand awareness and lifestyle transition.

**Fig 1 Breakup of retail sector:**



Source: India retail report 2013, Images Group

**Fig 2 Breakup of unorganized retail**



**THE UNORGANIZED RETAIL:**

The unorganised retail accounts for about 92 per cent of the overall retail currently taking place in India are already discussed. Unorganized distributors are discount chains, kirana markets, convenience shops operating without taxation and public acknowledgment. The really great opportunity that we cannot exploit is 92 percent of such retail accounts.

There are some serious concerns associated with this form of retail. The prominent ones being:

1. Less danger in their storage capacity, and thus less creativity and the sale of generic goods.
2. The inadequate handling of resources and supply chains. These retailers face the problem of sufficient inventory levels without adequate customer data and purchasing habits, which contribute to outdated inventories or product absences. The efficiency of the storage is often affected.
3. Irregular processes of selling regardless of mall deals.
4. Lack of proper spacing
5. Actually, these are stores which have something to sell. So, these stores lack proper infrastructure and facilities.
6. Most farmers who have left farming to be their primary livelihood prefer to tiny kirana shops with no obstacles.
7. Customized. In other words, one supermarket is generally unrelated to some other store, and so any significant changes to the industry have the same effect. The exact thing we'll talk about later.

#### Success factors:

While the unorganised retail sector has several issues, there are certain aspects that have contributed to its sustainability and success. They are:

1. Their signature innovation is home delivery. Small kirana shops or corner stores provide our purchases at home as many citizens who work in the colonies use. Such facilities are available regardless of the quantity and amount of shopping we make.
2. Credit is not present in organised retail outlets even today. Or, in the form of credit cards, we may assume he is there. But it is immense that the credit facilities offered by stores are flexible and reliable. The medium classes that can't manage to buy products with cash payments everyday use this as far as possible.
3. These shops are also situated in a settlement of houses or complexes that have several private homes. The shopkeeper is also close to the business and the shopkeeper is near to the customers. This ensures the closeness of each.

#### CONCLUSION:

The FDI is an excellent decision if it is implemented wisely. In the case of unorganised retail, India is a self-sustained economy. Thus, as we take tough action, we are compelled to totally close down and open ourselves to the strength and whims of giants worldwide. We should also hold local players in a state of incubation and build a positive cooperative environment that helps the nation economically in the long term. The future is Indian shopping. Big world giants cannot neglect Indian future retailers. It is time for us to make the most of it.

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