

## **Retail Scenario in India**

Indian retail sector has been growing rapidly with various factors effecting to its rise. The few vital factors would be the increase in digitization, purchasing power of consumers, urbanization and rapidly changing lifestyle of the consumers.

A sharp rise and improvement in the consumption pattern of Indians has been noted that has resulted in the retail sector grow and the sector is expected to record a growth of \$1.3 trillion by 2020. There is a positive impact seen in the section of organized retail. At present the organized retail penetration is 7 percent and its expected to reach 10 percent. Also the organized retail market is also going to grow and reach the level of 19 percent which is currently at the level of 9 percent, according to reports published.

When closely observed, its seen that there has been a great penetration of the bigger brands in smaller cities and people of India are able to enjoy the top MNC brands that previously were not in their reach. This can be directly linked to the increase in purchasing power of consumers. Superior customers experience has noted elevated intensity and the consumers are looking up to goods that a decade ago was not a part of their lifestyle.

In years there have been many foreign brands which have understood the Indian market and have established firmly in the Indian market. They continue to flourish as the consumers are buying their products. This is a very good & positive sign which shows the changes occurring in retail industry. Foreign Direct Investment is another vital reason for increasing consumerism. With the liberalization of FDI, there will be a hike in investments pumped in by major companies. With this we can also see a positive change in the lifestyle of consumers. The taste and preferences of consumers in India has been changing. And this is bringing India, at par with the consumption pattern of the developed nations. Changes in Government policy have attracted many international giants to look for a favorable chance of prosperity in Indian retail market.

The ease in government norms regarding FDI has made India relish & enjoy the consumption pattern that is being followed across developed nations. Goods and Services Tax (GST) is another major step that has been taken in terms of retailing. This has impacted & given a boost to the foreign brands and they are keen in investing into Indian market. When there is one single

framework applicable to a huge variety of investment procedure then the foreign brands are highly keen in making a penetration. Present scenario of Indian retail industry is the replica of the same.

From unorganized retail there has been a transition to the organized retail that has streamlined the process. With this we can predict that the Indian retail industry is heading steadily towards a new era.

## **Growth of Retail Companies in India**

Growth of Retail Companies in India is still not yet in a matured stage with great potentials within this sector still to be explored. Apart from the retail company like Nilgiri's of Bangalore, most of the retail companies are the sections of other industries that have stepped in the retail sector for a better business.

The growth of retail companies in India is most pronounced in the metro cities of India; however, the smaller towns are also not lagging behind in this regard. The retail companies are not only targeting a few metros in India, but also are considering the second graded upcoming cities like Ahmedabad, Baroda, Chandigarh, Coimbatore, Cochin, Ludhiana, Pune, Trivandrum, Shimla, Gurgaon, and others. The South Indian zone have adopted the process of shopping in the supermarkets for their daily requirements and this has also been influencing other cities as well where many hypermarkets are coming up.

## **Factors Driving the Growth of Indian Retail Market**

Indian consumption and retail market growth is largely supported by the following factors:

**1. Increasing Women Workforce:** With changing societal mind set and increasing gender equality at office, women entering workforce has been on the rise in past few years. From FY 2014 to FY 2019, women workforce in India has increased from 5 million to 7 million respectively and is expected to reach 10 million by FY 2024. This has led to the increase in earning members and family income, thereby giving rise to discretionary spending. Today, women in India are getting independent in terms of their purchase decisions. This coupled with increasing time pressures and aspirations to spend on self-development, is giving rise to the

consumption of new categories like personal care, readymade products etc. 'Convenience' is again a theme that comes up very strongly here. Across categories, products and brands that can make the consumer life more convenient will continue to grow very rapidly.

**2. Growing Wallet Share and Price Trade-Off:** With growing GDP per capita and higher disposable incomes, consumers have become more aspirational and are open to buying new categories. This has led to a change in wallet share of Indian consumers. Earlier wallet share of Indian consumers was largely dominated by food and clothing only, but with evolving buying behaviour, new categories like mobile and communication, beauty & grooming, personal gadgets etc. have now become a part of Indian consumer's wallet share.

Many new categories of spend have thus emerged in the last few years and many others have redefined themselves.

Consumers have traded "durability" for "price" and "fashion". E.g. in the 80s and 90s, consumers purchased a TV or a refrigerator or furniture only once or twice in their lifetime, largely when the older product became irreparable. However, Millennials buy these products every 5-7 years as products with new features and designs are launched. Thus, the market for these products has grown tremendously as first-time buyers purchase these products driven by greater affordability and there is a high replacement driven demand. There is also a great growth in the second-hand market, which is also becoming online with many online players entering the market.

**3. Growth of Markets:** With online players now delivering to the smallest of towns, consumers in these cities are aware of many international and indigenous brands available in the market. This spells a big opportunity for the modern retailers who are looking to enter into Tier III & IV markets. Many consumers living in Tier III & IV towns have now experienced the brands, through online purchases. Leading national brands are now looking at 500 plus cities as their market and are already opening stores. Other international and indigenous brands are planning expansion into these cities based on factors like changing lifestyle, digital connectivity etc.

**4. Growth of Malls:** With wide variety of international and domestic brands available and with growing consumer desire to own these brands at a more organised, better and bigger destinations,

there has been a sharp rise in the number of malls operating in India. Earlier the mall development was confined to top tier cities like Delhi- NCR, Mumbai, Hyderabad, Chennai, Pune etc. However the next round of mall development is expected to come from Tier III cities like Allahabad, Coimbatore, Jamshedpur, Panaji, Udaipur etc.

Malls have also progressively become bigger and are considered to be destinations or experience centres instead of just shopping or transactional places. Today, malls are focusing more to become a community or public interaction centres by creating meeting places, entertainment areas, providing better shopping experiences through enhanced ambience, brand selection etc. By bidding farewell to the categories like books and music, and mobile, that have moved online, malls have started to focus on the growing significance of offering a good line-up of experiential categories like food and beverage, entertainment options like multiplexes, gaming centres along with other amusement options to encourage greater footfalls and more return visits.

### **Government Initiatives**

The Government of India has taken various initiatives to improve the retail industry in India. Some of them are listed below:

- The Government of India may change the Foreign Direct Investment (FDI) rules in food processing, in a bid to permit e-commerce companies and foreign retailers to sell Made in India consumer products.
- Government of India has allowed 100 per cent Foreign Direct Investment (FDI) in online retail of goods and services through the automatic route, thereby providing clarity on the existing businesses of e-commerce companies operating in India.

### **Road Ahead**

E-commerce is expanding steadily in the country. Customers have the ever-increasing choice of products at the lowest rates. E-commerce is probably creating the biggest revolution in the retail industry, and this trend would continue in the years to come. India's e-commerce industry is forecasted to reach US\$ 53 billion by 2018. Retailers should leverage the digital retail channels

(e-commerce), which would enable them to spend less money on real estate while reaching out to more customers in tier-2 and tier-3 cities.

It is projected that by 2021 traditional retail will hold a major share of 75 per cent, organized retail share will reach 18 per cent and e-commerce retail share will reach 7 per cent of the total retail market.

Nevertheless, the long-term outlook for the industry is positive, supported by rising incomes, favorable demographics, entry of foreign players, and increasing urbanization.

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