

## EMERGING TRENDS OF THE ORGANISED RETAILING IN INDIA: A CONCEPTUAL STUDY

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### INTRODUCTION

In the developed economies, organized retail is in the range of 75-80 percent of total retail, whereas in developing economies, the unorganized sector dominates the retail business. The share of organized retail varies widely from just one percent in Pakistan and 6 percent in India to 36 percent in Brazil and 55 percent in Malaysia. Modern retail formats, such as hypermarkets, superstores, supermarkets, discount and convenience stores are widely present in the developed world, whereas such forms of retail outlets have only just begun to spread to developing countries in recent years. In developing countries, the retailing business continues to be dominated by family-run neighbourhood shops and open markets.

Modern retail firms are heavily investing in information technology software applications for streamlining the spokes (outlets) and the hub (distribution centres). "IT SAP" Retail implementation is widespread across all format retailing. Besides, point of sale, bar code based billing (automates the billing system), web-based vendor management system, such as Retail Pro-software applications, and auto-replenishment have become necessary tools for better inventory control and competitive pricing. Further, the increase in private labels may trigger the need for streamlining the distribution of warehouse and manufacturing units to improve the logistics flow, strengthen the supply chain, and push the demand for information technology hardware.

At present, modern retailers are making third party contracts with logistics providers for managing the movement of goods between warehouses, collection centres, and outlets across the nation. The distinctive trend here is to have a dedicated fleet of trucks through third-party logistic providers but managed by organized retailers themselves. So far, many firms do not have third-party contract with cold chain logistics primarily because organized retailing in fresh fruit and vegetables as well as consumer adoption rate under the modern formats is quite low at around one percent. Nevertheless, as modern retail in India overcomes the learning curve

in reducing wastage, know-how in temperature-controlled isles in the front-end stores, and direct procurement from farmers, the requirement for cold chain infrastructure will increase. Already, ITC has partnered with Ingersoll Rand and Snowman: Ingersoll Rand offers material handling and temperature control technologies and Snowman provides the logistics support in the form of warehouse and cold chain transport. The growth of the organized retail in India will attract cold chain investment in infrastructure and logistics infrastructure services from global supply chain companies.

The hypermarket format is predominantly the backbone and primary driver of the modern retailers' market access strategy. The product mix in the hypermarket format is typically 60 percent food and 40 percent non-food. The format incorporates a larger share of apparel, grocery products in staples, and FMCG goods, of which the share of apparel merchandize is 30 percent. Fruit and vegetables, mobile phones, alcohol-based beverages and pharmaceutical electronics and household durable product categories encompass a much smaller share. Although, the supermarket format has been in India for a while, the new crop of modern retailers expanded the product mix incorporating FMCG goods, packaged food products, and private labels in staples and general merchandize. Another dominant format used by modern retailers includes the department and speciality stores focusing primarily in clothing, cosmetics, artificial jewelry and watches, and household durables. The discount and convenience formats largely concentrate on fruit and vegetables and grocery products.

The cluster focused "hub and spoke" model has been widely used across retailers for integrating backward and forward linkage. The centralized distribution centres typically located in one central location surrounded with several collection centres and/or re-packaging centres spread across the region near the supply source. The hub distribution centre is the key stock-holding point. Collection centres are warehouses for temporary holding of fruit and vegetable stocks up to 48 hours or so. The re-packaging centres are usually used for packaging the private label goods.

## **PROJECTED TRENDS IN RETAILING**

The retail outlets exist in almost all shapes in India, and they usually range from a paanwala to Shoppers Stop and similar such big stores. Mostly are found the mom and pop kirana stores that are at nearby places, have less of area, limited no, of goods and most importantly zero use of technology, and little or no ambience. The no. of outlets in India have increased from 0.25 million in 1950 to approximately 12 million today. This translates to a growth of 48 times over a certain period when the population has trebled. The well known consultancy firm. Technopak has listed ten retail trends in their recent report entitled Retail Outlook.<sup>1</sup>

**Table - 1**  
**Projected Trends in Retailing**

<b>10 Top Retail Trends</b>	
Trend 1	Modern Retail will grow but traditional retail will survive there's place for both.
Trend 2	Consumption will shift to lifestyle categories-consumers shifting evaluation from MRP to EMI.
Trend 3	New retail formats will emerge and grow-small format cash & carry: investment surge in forecourt retailing: growth of super speciality format.
Trend 4	Modern retail will witness enhanced private equity infusion.
Trend 5	There will be creation of large retailer brands (private labels own label' branding trend on the rise, more in groceries, home care and clothing: provides profit margin advantage to retailers.
Trend 6	There will be an interplay between retailers and suppliers branded firms will collaborate with top retailers.
Trend 7	Modern retail will face a few key bottlenecks-talent, retail space and supplier base shortages: India will witness a shortfall of almost one million people in the retail sector by 2012.
Trend 8	New investments will happen in the back-end-enhanced focus on improving the supply chain: process of storing and displaying food will be in focus.
Trend 9	Modern retail will benefit consumers and rural sector-rural retailing formats will ensure quality goods, easy accessibility and low rates: typical monthly shopping bill will reduce by at least 10%.
Trend 10	Consolidation will increase in the retail sector consolidation, through M & As, will increase and become the norm.

## **EMERGING NEW TRENDS IN RETAILING**

### **Online Shopping**

In this era of cut throat competition, most of the companies are looking for unconventional ways of marketing and the internet has been found to be the best among them. Internet is an "anytime anywhere" medium that has given birth to entirely new business models and opened completely novel opportunities for global marketing. Today, almost all business firms use internet to provide information about the firm, their products and services as it offers a high degree of interaction and provides customers unprecedented benefits, from convenience to bargain prices. In India, internet penetration is becoming more widespread because of a number of reasons like bandwidth becoming readily available, low internet tariffs, cheaper computer hardware etc. The growing usage of the most interactive medium, the internet, among Indians

provides an opportunity for undertaking a fundamental research to understand the attitude of Indian customers online shopping.

### **RFID Adoption**

RFID, one of the promising technologies of recent years, is a major enabler for tracing & tracking of goods and assets around the world. Several reports from books, journals, and studies have revealed multiple benefits of this new technology to the prospective users. This technology is expected to revolutionize the conventional supply chains, making them real-time and more efficient, with near-total visible inventory across the material flow. According to ABI Research it was expected that the worldwide RFID market will experience a 15 percent compound annual growth rate between 2007 and 2013. RFID is being accepted globally as a technology for automation. Success of pilot project and rollouts by retailing giants like Wal-Mart, METRO has raised great expectation. In this industry for improving their supply chains. Anticipating the potential benefits, almost all major retailers in advanced world are setting up timelines for the adoption of RFID across their supply chains.

### **Virtual Shopping**

This technology breakthrough took place recently in Korea and particularly Seoul where TESCO has opened the world's first virtual shopping store. The shelves in the store are having the LCD screens and the buyers are required to choose their desired items by just touching those items. At the checkout time, they get a bag with the items they have chosen. This technology is greatly helpful to customers as they do not have to move a lot in the store carrying the bulky items with them. This gives them a more pleasant shopping experience.

### **'Instant' Real Time Engagement**

"This system is really helpful for the retailers as it influences the customer's purchase decision while he is in the store not when he is away from the store at his home. If the customer buys a particular apparel, and the retailer is able to suggest some matching to it, or give him some small offer on the spot when the customer is in the store, the person may land up buying it which would raise the sales of the store. This way the retailer is able to cross-sell and the customer can monetize his visit to the store.

## Gesture-Driven Technology

In this type of technology, the users movement and gestures are being added to traditional methods in new layers of interaction. One of such technology that is popping up is virtual fashion mirror or the virtual fitting room in which a customer can choose from a variety of apparels available and without putting his clothes off can see how that particular apparel would look on him and this way can try a lot of them and mix match just on the touch of a finger. Multi-bit surfaces in stores place the purchasers pictures into the ad, creating the searching expertise a lot of personal.

## Location Based Shopping Technology

More or less nowadays everyone has a smart phone and the location based shopping (LBS) technology targets such customers. Shop kick, one of the leaders in location-based shopping helps retailers to be in touch with their customers by inviting them to the store by message, displays the latest and hottest products on the customers phone screen and even awards points just for walking in the store if a customer is in the vicinity of the store and is having shop kick application running even in the background.

## Clienteling

This is the method of providing one to one personalized services to clients in a retail environment. In this type, each time a customer has purchased something from the store is recorded in his personal data so that the next time he visits the store the person at the floor can assist his buying by looking at the previous preferences and purchases. Specially this practice is being followed in the restaurants where the staff sees that what was ordered by a customer in the past and recommend dishes accordingly. This type of service has been made possible because of the tablets and smart phones which now everyone can afford because they start from a very low range and the various details can be stored in them effectively.

## Customers Lifecycle Management Tools

The customer lifecycle management tools help the retailers to classify their customers in small clusters on the basis of their demographics, purchase data etc, and then make long term focused campaigns for each of them. For Example, one of the leading pizza delivery chain uses Capillary's patented customer lifecycle management tool to categorise its customers on the behavioural indicators such as the preferred day and time of shopping. Suppose, a customer has been seen ordering continuously on Sunday 2 pizza's for lunch, then such a customer may get a message at 11 am on Sundays offering a vegetarian

starter at discounted prices along with the pizza. In most of the cases the customer ends up taking the offer. This way the sales increase to a large extent. This type of system is fully automated and requires minimum involvement of the retailer and at the same time increased profit and longer customer engagements than would have been otherwise.

### Mobile Wallet

Mobile Wallet or M-Wallet is another technology that is making waves and in India we have NGPay, a leading mobile wallet company with already 1.5 million users and the edge that it has over other technologies is that it works not only on smart phone but on all features mobile phones. Also, they allow users to connect to their loyalty membership and credit credits giving a hassle free and a different shopping experience to them. With the popularity it is gaining, many loyalty services providers in India have integrated their solutions with these applications. Another significant feature that they enjoy is that they can be SMS based, which creates a huge opportunity for retailers throughout. M Wallets also let a user send money to other users with just an SMS, without the need to a bank account.

### E-TAIL IN INDIA

E-commerce is expanding steadily in the country. With advancements in quality of internet access, payments and computing on mobility platforms, changed consumer behavior with a large active internet user base, customers have the ever increasing choice of products at the lowest rates by various retailers. E-commerce is probably creating the biggest revolution in the retail industry, and this trend would continue in the years to come. Currently India's internet penetration stands at around 35%.

E-tail in India can be broadly categorized as:

- Domestic- sale within India (Amazon, EBay, Flipkart, Snapdeal, Shoppers-Stop, Reliance, Croma, etc)
- Cross-Border-sale in Indian from outside India. (The U.S. is one of the top ten countries for cross-border shopping for Indian buyers. Baby supplies, toys, clothing, footwear, automotive, wearables and accessories, jewelry, watches, personal care and health products and digital entertainment and educational services are some of the leading categories high shipping costs, import duties and complexities in returns and exchanges)
- B2C-sale between etailer and consumer (Flipkart, Myntra, Jabong, Amazon, Snapdeal, eBay, PayTM, Shopclues, Pepperfy, Zomato, BigBasket)

- Marketplace and Inventory based
- Single brand and multi brand

In India, the category wise spilt of E-commerce is as under:

Category	Approx Share (%)
Electronics & Accessories	40-45
Apparel & Lifestyle	25-30
Home & Living	5-7
Food & Grocery	2-3
Others	20-30

Note:-Lifestyle include footwear, bags, belts, watches, wallets, etc

Source: [www.careratings.com](http://www.careratings.com)

## CONCLUSION

The growth of organized retail will have a positive multiplier effect on the Indian economy. Retail industry is attracting inward investment both at the domestic and global level in several support industries. IT industries, cold chain infrastructure and logistics and warehouse distribution services in order to strengthen the supply chain. The surge of private labels have generated demand and sourcing tie-ups with manufactures across products categories. In the case of fruit and vegetables, the direct procurement is bringing quantitative benefits from higher price realization and qualitative benefits in improvements of agro-processing services. Finally, organized retail is creating quality labour class that is gaining vocational training in skilled and unskilled jobs at graduate and tenth plus levels. Nevertheless, there is a timely need for a fresh regulatory framework and competition policy so that both traditional retail and modern retail can continue to grow in harmony eventually closing the gap between the organized and unorganized sector.

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