

Indian Retail Market Evolution in the Current Situation

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Abstract:

Indian Retail business is hierarchal among the 10 largest retail markets within the world. The attitudinal shift of the Republic of Indian client and also the emergence of organized retail formats have reworked the face of selling in India. With the sign of reemergence of economic process in Republic of India, client shopping for in retail sector is being projected as a key chance space. As a consequence, Indian company homes ar focalization its strategic perspective in retail promoting with the thought to use resources optimally so as to form core competency and gain competitive advantage.

It accounts for over 10% of the country's gross domestic product (GDP) and around eight% of the employment. India is the world's fifth-largest global destination in the retail space.

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The urban Indian consumer's purchasing power is increasing, and branded goods in categories like apparel, cosmetics, footwear, watches, beverages, food, and even jewellery are gradually evolving into business and leisure that are well-liked by the urban Indian consumer. The retail sector in India is expected to reach a whopping US\$ 2 trillion in value by 2032, according to a recent analysis by the Boston Consulting Group (BCG).

Keywords- global destination, FDI in retail sector, economic process, domestic product,estimated

Introduction:

Indian retail market is estimated to reach \$2 tn by 2032, driven by socio-demographic and economic factors such as urbanization, income growth and rise in nuclear families. On the other hand, the Indian e-commerce industry is expected to cross \$350 bn mark by 2030, growing at a CAGR of 23%.

In first half of 2021, e-commerce accounted for nearly a third of several electronic categories, almost half of smartphones sold, and about a fifth of all apparel sales in India. Consumer internet and e-commerce companies raised US\$38 billion in 2021, an increase from US\$8 billion in 2020, driven by large-size investments across fintech, hyperlocal and e-commerce sectors as the Indian start-up ecosystem continues to mature. India will become the 3rd largest online retail market by 2030, with an estimated annual gross merchandise value of \$350 bn. The Indian retail market is largely unorganized. However, over the next 3-5 years, share of modern retail (including e-commerce) will increase to 30-35% with share of traditional retail coming down to 65-70%.

Currently, driven by strong macroeconomic factors, India is one of the fastest growing economies globally and the fourth largest retail market in the world. It thus holds a very strong position as far as its market potential is concerned. It provides a strong platform for consumers, distributors, manufacturers and ancillary sectors like transportation, logistics, cold chains etc. Fuelled by these factors, the Indian retail industry is expected to grow from US\$ 790 billion in FY 2019 to US\$ 1400 billion by FY 2024, as the overall economy crosses the US\$ 5 trillion mark.

As internet penetration increases, more international retailers set up shops in India and established Indian brands and retailers set themselves on a high growth trajectory, the share of organised retail market is expected to increase from 12 percent in FY 2019 to 25 percent in FY 2024. The e-commerce market itself is estimated to grow from US\$ 24 billion in FY 2019 to US\$ 98 billion in FY 2024. Going forward, given the strong retail and consumer outlook, India is expected to witness redefining trends which will shape the future of the retail market.

The next 10-12 years will be the defining years for Indian retail as the market will mature and organized retail will penetrate deeper into smaller cities and towns. While on one side more international brands and retailers across categories and formats will aggressively enter and grow the Indian business, India will become the key growth market for the ones already present. Technology will replace many 'human roles' in retail and new ways to emotionally connect with consumer will evolve.

Growth of Indian Economy & Consumption:

The growing contribution of services sector towards India's overall GDP, has resulted in creating improved working conditions and better income for Indian households. As a result of this, India's GDP per capita has crossed US\$ 2,000 mark in FY 2019.

Indian retail is thus expected to reach US\$ 1400 billion by FY 2024 from US\$ 790 billion in FY 2019, growing at a CAGR of 12 percent.

Due to the sharp rise and changing consumption pattern of Indian consumers, share of organised segment is growing rapidly.

Growth in online retail is majorly attributed to factors including:

- ❖ Increasing internet penetration
- ❖ Growth in number of smartphone users
- ❖ Growing number of online shoppers

Although mobile, tablets and electronics as a category continue to be the dominant one in the online market of India, new breed of online players are targeting other categories like food & grocery, pharmacy etc.

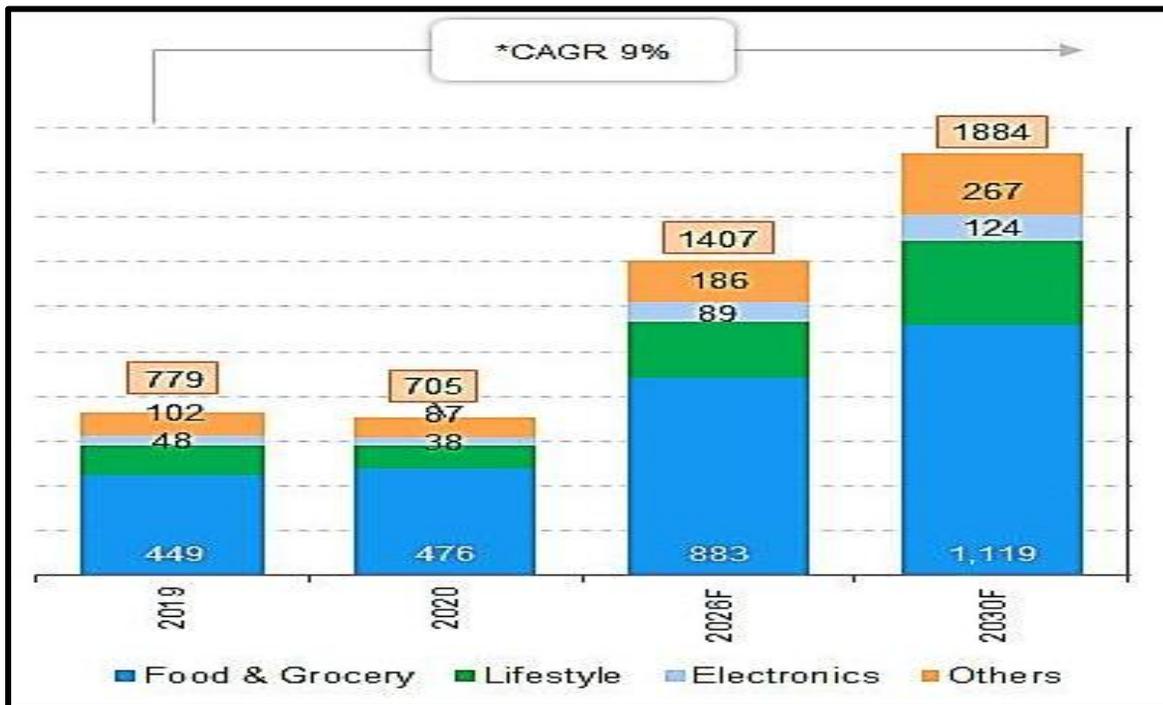
Market Size:

The Indian retail market is growing at a very fast pace of about 20% and has a market size of US\$ 500 billion. The retail sector is the second largest employer after agriculture. The retail industry alone managed to generate more than 35 million job opportunities.

As per Kearney Research, India’s retail industry is projected to grow at 9% over 2019-2030, from US\$ 779 billion in 2019 to US\$ 1,407 billion by 2026 and more than US\$ 1.8 trillion by 2030. Revenue of India’s offline retailers, also known as brick and mortar (B&M) retailers.

India’s direct selling industry is expected to be valued at US\$ 2.14 billion by the end of 2021. E-Retail has been a boon during the pandemic and according to a report by Bain & Company in association with Flipkart ‘How India Shops Online 2021’ the e-retail market is expected to grow to US\$ 120-140 billion by FY26, increasing at approximately 25-30% p.a. over the next 5 years. India has the third-highest number of e-retail shoppers (only behind China, the US). The new-age logistics players are expected to deliver 2.5 billion Direct-to-Consumer (D2C) shipments by 2030. Online used car transaction penetration is expected to grow by 9x in the next 10 years.

Retail Market Size (US\$ billion)



The Retail Market in India is Growing Due to Various Factors:

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

- Burgeoning Millennial Population and Changing Outlook towards Spending –**
 With median age of 27 years, India is home to world’s largest Millennial population. With 440 million of them, they make 34 percent of the total population in India. Further, their contribution to the Indian workforce is significantly higher at nearly 48 percent in FY 2019. 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.

- **Growing Wallet Share and Price Trade-Off-**
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.
- **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. 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.
- **Growth of Malls-**
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. 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.
- **Smart Shopping Carts-**
Many retailers have started introducing smart shopping carts and self- checkout options to achieve new benchmarks of convenient shopping experience. These carts serve as a direct response to online shopping, as they guide consumers to their products in their shopping list.
- **New Payment Gateways-**
With the advent of online payment companies or fintech companies, touchless commerce through contact less payment methods have increased exponentially. With the rise of internet and other payment methods including net-banking, online cash transfers, mobile wallets, single touch payments, payment through scanning code, etc. have shown an exponential increase in the country.
- **Immersive Technologies-**
These stores are redefining convenience for consumers. In these stores, consumers are required to just walk in, choose their preferred products from a wide range of assortment through a virtual inventory. This combination of technology in stores are facilitating seamless experience to the consumers. The buying experience is engaging and unique in value for the consumers.
- **Enhancing in store experience-**
Robots are being used to enhance shopping experience for customers by welcoming them at any outlet, guiding and helping them around the store and making it hassle free for customers.
- **MBOs-**
Multi Brand outlets, also known as Category Killers, offer several brands across a single product category. These usually do well in busy market places and Metros.

Challenges Faced by the Indian Retail Sector:

Some of the major challenges which Indian retail industry is faced with are:

- Competing with the international standards

- Indian retail industry is exposed to several systemic inefficiencies and problems with the supply chain framework.
- Indian retail outlets operate in a constrained space of below 500 sq. ft., which is too small as per the international retail outlet space standards.
- Growth in the retail industry has given rise to real estate related problems with increasing requirements for setting up hypermarkets and supermarkets across various locations in large scale.
- Problems related to the shortage or lack of availability of trained or skilled manpower.
- Frauds in the form of thefts, vendor frauds or administrative loopholes in the retail industry, are a major cause of worry and this has posed several challenges before the management.
- Infrastructural and logistics related issues.

Segments of Retailing and scope of opportunities:

Food and Grocery retail-The food market in India is largely unorganized. The expenditure on food products by Indian households is the highest in the world. With rapid urbanization and consumerism, there exists huge untapped potential which needs to be explored.

Apparel-Demand for stitched garments and western outfits is increasing at the rate of 40% to 45%. Factors critical to the success of this segment are easy availability and affordability of fashionable garments along with value-added benefits.

Beauty and Wellness-Pharmacy retailing in India is largely occupied by a local pharmacist. However new chemist stores like 98.3 are emerging which offer drugs, health and beauty care products.

Consumer durable-The market for consumer durable is the US \$6.5 billion and is expected to grow at the rate of 18%.

Furniture and furnishings-here has been a new trend evident in the market wherein the modern retailers are setting up home furnishings sections in hypermarkets and speciality stores. This segment faces tough competition from local retailers.

Foreign Direct Investment in retail:

Under the government approval route, 100% FDI has been permitted, in single-brand product retailing as per DIPP guidelines. For projects involving FDI beyond 51% it is mandatory to source at least 30% material from indigenous small and cottage industries, having a maximum investment of about 5 crores in plant and machinery.

In multi-brand retail, the Central government has permitted 51% FDI. However, the final decision rests with the state government.

Retail market size across India from 2014 to 2021:

Financial Year	Value (In billion USD)
2014	534
2016	641
2017	795
2018	850
2020	883
2021	1200

Other Facts of Indian Retail Industry:

- India’s E-commerce industry will increase by 111 billion US dollars, by the year 2024
- India holds the fifth position for the largest retail destination in the global count.

India’s Top retailers:

Retail Group	Outlet name
Future Group	Pantaloons
	Brand factory
	E-zone
	Fashion Station
REI Agro Ltd.	6Ten
FabIndia	Textile, Apparel, home furniture and jewellery
RPG Group	CEAT Tyres
	Zensar technologies
	KEC International Ltd.
TATA Group	Westside
	Tanishq
	Titan
	Skinn
Reliance Retail	Reliance trends
	Reliance mart
	Reliance footprint
	Reliance jewellery
K Raheja Corp. group	Shoppers Stop
	Crossword
Aditya Birla Group	Louis Phillip
Gitanjali	Jewellery stores
	Watches
	Apparel

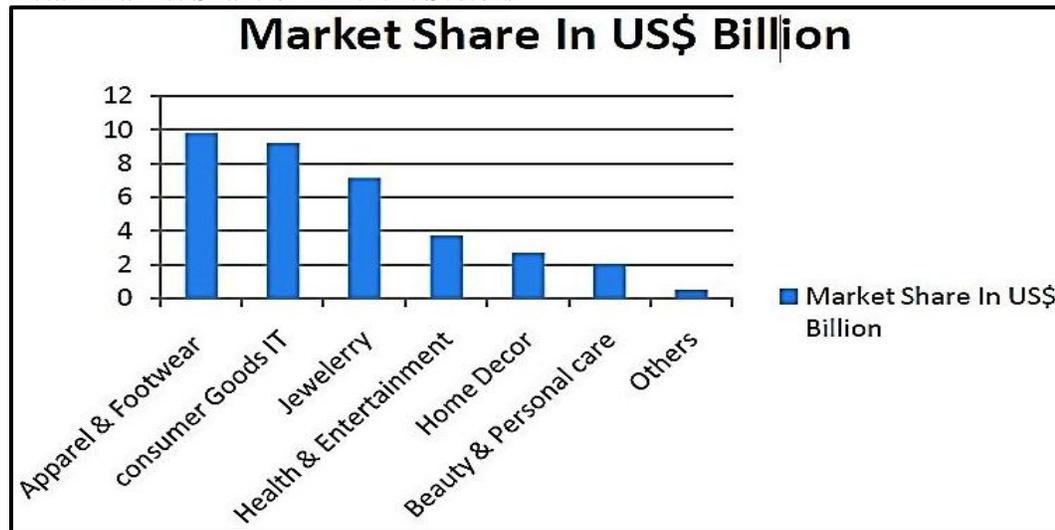
Retail Group	Outlet name
	Chain stores

Recent Trends:

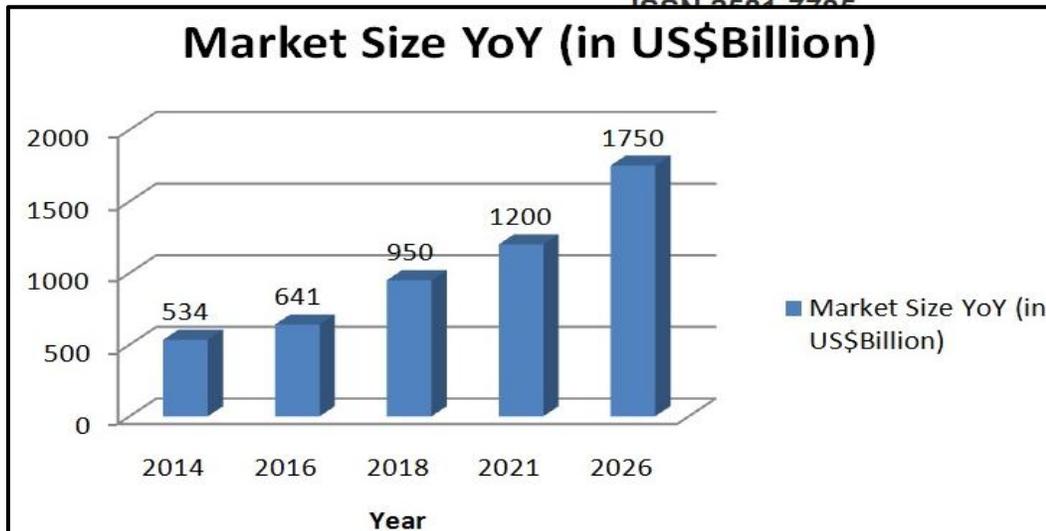
- India is rated the fifth most attractive emerging retail market: a potential goldmine.
- Estimated to be US\$ 200 billion, of which organized retailing (i.e. modern trade) makes up 3 percent or US\$ 6.4 billion
- As per a report by KPMG the annual growth of department stores is estimated at 24%
- Ranked second in a Global Retail Development Index of 30 developing countries drawn up by AT Kearney.
- TC is experimenting with retailing through its e-Choupal and Choupal Sagar rural hypermarkets.
- HLL is using its Project Shakti initiative leveraging women self-help groups to explore the rural market.
- Mahamaza is leveraging technology and network marketing concepts to act as an aggregator and serve the rural markets.
- IT is a tool that has been used by retailers ranging from Amazon.com to eBay to radically change buying behavior across the globe.
- E-tailing slowly making its presence felt.
- Increasing population of women
- Raising aspirations: Value added goods sales

Sector Wise Retail Market Share-2019-

Retail Market Share of Different Sectors



Market Size of Retail Sector Year-



Conclusion:

The retail sector has played a phenomenal role throughout the world in increasing productivity of consumer goods and services. The India Retail Industry is the largest among all the industries, accounting for over 10 per cent of the country’s GDP and around 8 per cent of the employment. The Retail Industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market.

E-commerce is expanding steadily in the country. Customers have the ever-increasing choice of products at the lowest rates. Online retail market in India is projected to reach US\$ 350 billion by 2030 from an estimated US\$ 55 billion in 2021, due to rising online shoppers in the country. Online penetration of retail is expected to reach 10.7% by 2024 versus 4.7% in 2019. Nevertheless, long-term outlook for the industry looks positive, supported by rising income, favourable demographics, entry of foreign players, and increasing urbanisation.

The trends for the Indian Retail Market are promising. But at the same time, it highlights a fact that Retailers who are keen to accept technology advancements and adapt them to their business needs in a customized manner can thrive in this fiercely competitive market. Also, with the Indian Retail Market Size estimated to grow up to 1750 Billion US\$ retailers can definitely maximize their growth trajectory. We hope this post could succinctly provide readers an overview of Retail Market Challenges in India. next boom industry.

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