

Available online @ www.selptrust.org

SELP Journal of Social Science

ISSN : 0975-9999 (P) 2349-1655 (O)

Impact Factor : 3.655(CIF), 2.78(IRJIF), 2.77(NAAS)

Volume IX, Issue 37 - April 2018

UGC Approved Journal (46622), © Author

A STUDY ON ORGANIZED RETAILING, CUSTOMER SERVICES AND ITS CHALLENGES IN INDIA

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Abstract

India is becoming most favoured retail destination in the world. Today retail sector contributing 10% to country's GDP. Indian retail industry is ranked among the ten largest retail markets in the world. The change of attitudes of Indian consumers and the emergence of organized retail formats have transformed the face of retailing in India. Organized retailing offers huge potential for future growth of retailing in India. This paper provides information about the growth of retailing in India. And also focuses on the challenges faced by organized retail sector in India. It also emphasize on major players of retailers in India and customer services provided by the retailers. This paper also deals with various retail formats and the opportunities for the growth of retail industry in India and also provides some suggestions to overcome the challenges.

Keywords: GDP, Organized Retail, Challenges, Change of Attitude, Suggestions.

Introduction

Retail is the sale of goods to end users, not for resale, but for use and consumption by the purchaser. The word retail is derived from the French word retailer, meaning to cut a piece off or to break bulk. In simple terms, it implies a first – hand transaction with the customer. Retailing can be defines as the buying and selling of goods and services. It can also be defined as the timely delivery of goods and services demanded by consumers at prices that are competitive and affordable. (Ms. Vidushi Handa, Mr. Navneet Grover)

In 2004, The High Court of Delhi defined the term 'Retail' as a sale for final consumption in contrast to a sale for further sale or processing (i.e. wholesale), a sale to the ultimate consumer. (High Court of Delhi).

Thus retailing can be said to be the interface between the producer and the individual consumer buying for personal consumption. This excludes direct interface between the manufacturers and institutional buyers such as the government and other bulk customers. Retailing is the last link that connects the individual consumers with the manufacturing and distribution chain. A retailer is involved in the act of selling goods to the individual consumer at a margin of profit. (Ms.Sonia).

Organized Retailing in India

Organized retailing comprises mainly of modern retailing with busy shopping malls, multi stored malls and huge complexes that offer a large variety of products in terms of quality, value for money and makes shopping a

memorable experience. The retail sector is presently undergoing a transition in India. Previously, customers used to go to kirana Stores to purchase their necessities. This later changed to bigger shops run by one man with a few employees. Here all the work was done manually. Gradually more sophistication seeped into this sector and department stores came into being. Beginning in the mid-1990s, however, there was an explosion of shopping malls and plazas where customers interacted with professional and not with just one single person – the owner. An important point here is that customers' requirements are catered to by trained staff. Today, organized retailing has become an experience characterized by comfort, style and speed. It is something that offers a customer more control, convenience and choice along with an experience. Organized retailing is on continuous increase of its market share from the past. Retailing can be categorized as of different sectors like food and grocery, clothing and textiles, consumer durables, footwear, furniture and furnishing, catering services, jewellery and watches, books, music and gifts, mobile handsets and others. (Dr. Shahid Akhter, Iftexhar Equbal).

Review of Literature

Organized retailing will lead to affect the traditional unorganized retailers. Furthermore the comparative analysis regarding the acceptability of mall concept and the impact of shopping malls on the general living standards of the society is being considered. There is an increased customer shopping patterns which has led to emergency of big retail chains in metros, mini metros and towns now becoming the next target. There is a drastic change in the customer's tastes and preferences leading to radical transformation in their life style and the spending pattern there by giving rise to new business opportunities. This generic growth, driven by changing life style and strong increment in income is to be supported by the favorable demographic patterns. The development of mega malls in India is adding a new dimension to this booming retail sector. The groups of visionary corporate working constantly to improve upon urban shopping experience through the shopping malls concept is the latest move in the retail sector.

India is a nation of shopkeepers as well as shoppers. It is a common practice that

retailers and marketers often strive to learn how and why people shop. The decision making regarding purchase of goods and services has become more complex and includes a number of factors which are important for customers. They are wooed by advertising, news articles and direct mailings providing information in this IT age along with the mixed messages. The addition of a number of variety stores, goods stores and shopping malls with the availability of multi component products and electronic purchasing capabilities have played a crucial role in widening the choice for customers and have complicated decision making. (Halfstrom et al 1992).

The phenomenal growth of retail in India is reflected in the rapid increase in number of super markets, departmental stores and hyper markets in the country. However, this unpredicted growth trend has been challenged by the shadow of the current economic slowdown, which has raised a fair of dip in consumption and slow down of growth for Indian organized retailers. At a time when consumer spending is on decline, success will lie with those retailers that can drive customer loyalty by responding to the demands of the customer. (Piyali Ghosh et al).

The developing economies, specifically India are appearing on the world retail industry radar due to the size and potential of their markets. As organized retail presents enormous business opportunities, big names such as Reliance, Birla's and Tata's along with the Foreign Super Market Chains (in partnership with Indian companies) have been making an entry in to the sector. Fearing loss of business and employment, traders and hawkers have held large –scale protests in various parts of the country. In the light of this, the Ministry of Commerce and Industry commissioned the Indian council for research on international economic relations (ICRIER) to analyze the impact of organized retailing on unorganized retail, formers and intermediaries as a possible input to future policy- making. (Sujana Krishnamurthy).

According to the author the process is classified into following frame: (i) focus on customer concerns, (ii) enquiring front line employees so that the customer's are properly treated, (iii) express sincere understanding of customer's desires, wants and means, (iv) apologize and rectify the situation where the

customer feels that the retailer was wrong. (Jeff Mowatt).

Unless and until a retailer understands a specific class of factors that influences customers satisfaction, induces to develop this loyalty towards a particular retail format and liking for a particular buying behavior, a retailer cannot succeed in attracting consumers loyalty as well cannot retain a large number of customers for a long period. (Ellen Garbarino et al).

Modern marketers are rediscovering the ancient mantras for success in corporate world and blending them with contemporary marketing practices. Long term survival and competitive advantage can only be attained by establishing an emotional bond with the customers. A shift is taking place from marketing to anonymous masses of customers to developing and managing relationships with more or less well known or at least some identified customers (Gronroos, 1994).

Objectives of the Study

1. To check the growth and development of organized retail industry in India.
2. To know the major players of organized retailers and customer services provided by the retailers.
3. To know the challenges faced by the organized retail sector in India.
4. To make some suggestions to overcome the challenges of organized retail sector.

Retailing in India

Retailing consists of all activities involved in selling goods and services to consumers for their personal, family, or household use. It covers sales of goods ranging from automobiles to apparel and food products, and services ranging from hair cutting to air travel and computer education (Chetan Bajaj et al) retailing is one of the largest sectors in the global economy. In India for a long time the corner grocery store was the only choice available to the consumers. With the increasing demand of the customers spurred by changing trends, aspiring needs for variety, the traditional retail gave rise to modern retail format. The traditional food and grocery segment has seen the emergence of supermarkets/grocery chains, convenience stores and hypermarkets. Traditionally, retailing has not been a structurally organized industry in India. Organized retail network was seen only in fabrics, with large mills building their own

exclusive stores like Raymond's, Bombay dyeing etc. The Indian retail industry on the whole is divided into organized and unorganized sectors. Unorganized/Traditional retailing refers to the traditional formats of low-cost retailing, for example, the local kirana shops, owner manned general stores paan/beedi shops, convenience stores, hand cart and pavement vendors, etc. (Corporate Catalyst India, "A report on Indian retail industry", 2006).

In India, the terms large-scale, modern-format and organized are used synonymously even though they have different meanings. Large-scale refers to the scale of operation of retail business which in turn implicitly refers to a chain of stores. Modern –format basically refers to self-service. However, many of the self-service stores also called as "Supermarkets", are in the range of 500 square feet or less in size and are nothing more than independent mom-and-pop stores. And organized retail typically means large-scale chain stores which are corporatized, apply modern-management techniques and are very likely to be self-service in nature. Most of the estimates of organized retail market size refer to only large-scale retail. (Vijay Anand and Vikram Nambiar). Modern retail market has seen a significant growth in the past few years with large scale investments made by Indian corporate houses primarily in food and grocery retailing. The total retail (organized and unorganized) industry in India is estimated to be Rs 20 lakh crore in 2010. This is expected to reach Rs 27 lakh crore by 2015. Organized retail, which is estimated to be Rs 1.0 lakh crore (5% share) in 2010, is projected to reach Rs 3.0 lakh crore (11% share) by 2015. This means a tripling of the current size and scale of organized retail in the next five years, i.e. 2010-2015. Organized retail will grow at a fast pace. (Raghav Gupta et al).

Growth of Organized Retailing in India

An increasing number of people in India are turning to the services sector for employment due to the relative low compensation offered by the traditional agriculture and manufacturing sectors. The organized retail market is growing at 3.5 percent annually. Rapid change with investments to the tune of US\$25 billion is being planned by several Indian and multinational companies in the next 5 years. It

is huge industry in terms of size and according to management consulting firm Techno Park Advisors Pvt. Ltd., it is valued at above US\$ 350 Billion. Organized retail is expected to garner about 16-18 percent of the total retail market (US \$ 65-75 billion) in the next 5 years. According to the tenth report of GRID of AT Kearney, India is having a very favorable retail environment and it is placed at 4th spot in the GRDI. The main reasons behind that is the 9% real GDP growth in 2010, forecasted yearly growth of 8.7% through 2016, high saving and investment rate and increased consumer spending. According to report, organized retail accounts for 7% of India's roughly \$435 billion retail, market and is expected to reach 20% by 2020. Food accounts for 70% of Indian retail, but it remains under penetrated by organized retail. Organized retail has a 31% share in clothing and apparel and continues to see growth in this sector. A report by Boston Consulting Group has revealed that the country's organized retail is estimated at US \$ 28 billion with around 7% penetration. It is projected to become a US \$ 260 billion over the next decade with around 21% penetration.

The analysts believe that the sector is likely to show significant growth of over 9% over the next ten years and also see rapid development in organized retail format with proportion likely to reach more respectable 25% by 2018. The BMI India report for the first quarter of 2012 released forecasts that total retail sales with growth from US \$ 422.09 billion in 2011 to US \$ 825.46 billion by 2015. The report highlights strongly underlying economic growth, population expansion, increasing disposable income and rapid emergence of organized retail infrastructure as major factors behind the forecast growth.

The enormous growth of retail industry has created a huge demand for real estate. Property developers are creating retail real estate at an aggressive pace. According to report titled "Indian organized retail market 2010", published by Knight Frank, during 2010-12, around 55 million square feet of retail space will be ready in Mumbai, NCR, Bangalore, Kolkata, Chennai, Hyderabad and Pune. Besides between 2010 and 2012 the organized retail real estate will be grown from existing 41 million square feet to 95 million square feet. The total no. of shopping malls is expected to expand at CAGR of 18.9% by 2015.

A hypermarket, currently accounting for 14% of mall space is expected to witness high growth. Industry experts predict that the next phase of growth in the retail sector will emerge from the rural market. By 2012 the rural retail market is projected to have a total of more than 50% market share. India's retail market is expected to be worth about US \$ 410 billion, with 5 percent of sales through organized retail, meaning that the opportunity in India remains immense. Retail should continue to grow rapidly up to US \$ 535 billion in 2013, with 10 per cent coming from organized retail, reflecting a fast – growing middle class, demanding higher quality shopping environments and stronger brands, according to the report "Expanding Opportunities for Global Retailers", released by A T Kearney.

Customer Services in Retailing

Customer service includes all the activities an organization carries out for its customers. Excellent customer service means putting the customer first. Customer service is the provision of service to customer before, during and after a purchase. "Customer service is a series of activities designed to enhance the level of customer satisfaction-that is, the feeling that a product or service has met the customer expectation." (Turban et al 2002).

Customer service is the sum of the acts and elements that allow consumers to receive what they Need or desire from your retail establishment where ever the customer comes in either physical and mental contact with the store can be termed as a customer touch point. The customer touch points are key in defining as well as sustaining the relationship between the retailer and its customers. They can create a "WOW" and bring them back again and again. The 'touch point' is the most important factor in customer service. (Rajnish Kumar).

Challenges to organized retail development in India

Organized retail in India is little over a decade old. It is largely an urban phenomenon and the pace of growth is still slow. Some of the reasons for this slow growth are:

1. **The Kiranas continue:** The very first challenge facing the organized retail industry in India is competition from the unorganized sector. Traditionally retailing has established in India for centuries. It is a low cost structure, mostly owner operated,

has negligible real estate and labor costs and little or no taxes to pay. Customer familiarity that runs from generation to generation is one big advantage for the unorganized sector. On the other hand, organized sector have big expenses to meet and yet have to keep prices low enough to compete with the traditional sector.

2. **Retail not being recognized as an industry in India:** lack of recognition as an industry hampers the availability of finance to the existing and new players. This affects growth and expansion plans.
3. **The High Costs of Real Estate:** real estate prices in some cities in India are amongst the highest in the world. The lease or rent of property is one of the major areas of expenditure. A high lease rental reduces the profitability of a project. It is difficult to find suitable properties in central locations for retail, primarily due to fragmented private holdings, infrequent auctioning of large government owned vacant lands and litigation disputes between owners.
4. **High Stamp Duties:** in addition to the high cost of real estate the sector also faces very high stamp duties on transfer of property, which varies from state to state.
5. **Lack of Adequate Infrastructure:** poor roads and the lack of a cold chain infrastructure hamper the development of food and grocery retail in India.
6. **Price War:** There is a price war between different retail organizations. Every one is saying to provide goods at low cost and offers various promotional schemes. In such a case it is difficult to keep one's customers with oneself. (Dr. Shahid Akhter et al).
7. **Shortage of Skilled Manpower:** Front-end/retail assistant profiles in stores form a major proportion of the employment in the retail sector while store operations accounts for 75-80% of the total manpower employed in the organized retail sector. Unfortunately, there are very few courses specific to the retail sector and graduates/post graduates from other streams are recruited.
8. **Policy Induced Barriers:** organized retail in India is managed by both the Ministries of Commerce & Consumer Affairs. While the Ministry of Commerce takes care of the retail policy, the Ministry of Consumer

Affairs regulates retailing in terms of licenses and legislation. There is a need to govern retail operations through a single apex body. A single agency can take care of retail operations more effectively.

9. **Channel Conflicts:** Globally, retailers maintain a direct relationship with their suppliers. Due to the complex taxation structure and geographical spread of the country, most FMCG companies have developed regional distribution and re-distribution network. Cutting out the distribution network will hurt the operating structure of distributors.
10. **Unique Indian Customer:** the Indian consumer experiencing modern retail has now warmed up to this idea. Buying habits have still not changed, where people prefer to buy most of the fruits and vegetables on a daily basis. The Indian consumers have a strong preference for freshly cooked food over packaged. Food mainly attributed to dietary patterns, poor electricity supply, low penetration of refrigerators and a family structure where one of the primary roles of the housewife's is feeding the family. There is also an impact on the basket size because of non-availability of personal transport facilities, due to which the consumers prefer to buy smaller quantities from stores conveniently located near their homes. (Rajan Divekar et al).

Suggestions for Overcome the Challenges for Organised Retail

1. Acceptance of Industry Status to Retail: industry status should be given to improve retail development, to facilitate organized financing and to establish insurance norms.
2. Incentives for Investments: Tax holiday norms for cold storage chains, infrastructure and investment in supply chain should be enacted.
3. Comprehensive Legislation: comprehensive legislation should be drafted and enacted with futuristic approach.
4. Eliminating Arachic Laws: Laws, essential Commodities Act APMC acts, licensing restrictions, differential taxes, stamp duties, should be simplified and put in proper place so that it would not hinder growth of retail sector.
5. Proper Tax Structure: The current multipoint taxation should be rationalized.

The government should introduce a uniform taxation system across the country to relax the law that hinders interstate flows of goods.

6. Establishment of national commission on retail: the national commission on retail must be established. The functions should be:
7. To set clear target for giant retailers for procurement.
8. Enforce uniform quality standards.
9. Setup a regulatory body for the governing the operations of retail sector.

Conclusion

Retailing provides an important link between producer and consumer in modern economy. Retail in India is most dynamic industry and represents a huge opportunity for domestic and international retailers. Modern retailing is not a problem to traditional stores as most of the consumers said that they never stopped visiting kirana stores. They strongly agreed on coexistence of both is required. Their frequency of going to kirana store is reduced. Modern retailing has miles to go in India. The growth of modern formats has been much slower in India as compared to other countries and the development of this sector is depends on the presence of regulatory and structural constraints. Government has to take care about the existence of organized retail stores in India and they have to take measures to overcome the challenges. Then the fast growth of organized retailing can be possible in India.

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