WHITHER RETAIL MANAGEMENT IN INDIA-THEORY BUILDING

HEMANTHA. Y

Research Scholar, Bharathiar University, Coimbatore, Tamil Nadu, India

ABSTRACT

Retailing is the final stage of an economic activity which comes under service industry. Retail Management as the study mentioned throws light on the current status of Indian Retail management which is still in nascent stage. In the context of retailing in India, Mom and pop stores accounts to 93% of retail market and occupies dominant role even now in India. Whereas 7% accounts to organized retail formats which is commonly known as organized retail or it can be called as Modern retail. This paper is taken up to gain broader insight on Retail Management which specifically addresses the process in retail and predicts the trends in Retail management in India.

KEYWORDS: Retail Management, Managing Retail, Retail Format, Organized Retailing

INTRODUCTION

Origin of Retail and Retailing

The purpose of this section is to know clearly the origin of retail. In India, retail is primitive in nature and existed in the form of barter system which is also called retail trading. Tracking back the history the retailer is derived from an old French word ‘retail’ which means to ‘cut into pieces’. It indicates that it is request made by French consumers to traders that to cut only that part from the bales(large quantity of cloth) that would be necessary for the dress.

Etymologically, the term Retailing is defined as “The intention of selling merchandise and associated services in small quantities directly to consumers”. It is a primary activity carried out by retailers who buys from manufacturers/wholesalers for reselling to customers directly.

Retailing consists of plethora of business activities that adds value to the merchandise and services to customers for their personal usage. These activities pertain to Retail Management.

In the past years retailing was not streamlined and there were no standard practices in retail trading. Retail businesses use to happen just like other businesses. Farmers who use to produce agro products did not had a proper place to sell. Travelling was very necessary to sell the merchandise. As necessity increased, salesman travelled to various places in search of merchandise with varieties from neighbouring places, sourcing it and finally selling to people at a particular place called Traditional formats such as Mela or marketplace. The rent space was low and at times no rent to store the merchandise. It was conventional method of trading business.

Due to growing demand in the products especially groceries and generic products, it gave way for other merchandise to be sold at a place at a particular place called ‘Kirana Store’. Also called Mom and Pop Stores which is established format came into being. The next stage of development came into picture was licensed business formats called as ‘Chain of Retail stores’ owned by a particular business group. In the present organized
retail context for example, Shopper’s stop is an organized retail chain which is owned by Raheja group. Similarly, there are other retailers who operate in various retail format. According to researcher, Mall is new form of retailing which consists of many owners/retailers set up their stores based on their strategy and formats such as Department stores; Hypermarket and specialty stores etc., wherein shoppers get the convenience of buying everything under one roof. This is evident in major metros cities of Tier1 and Tier II cities in India.

Retail Management

Retail management is the area which is applicable to the business process related to entire operation

The term Retail Management is vast area which consists of various processes such as Merchandise Management, Store operations management and strategy related to retail business and marketing of retail stores in a given environment.

In this context, the definitions of Retail Management are given below:

ARUN B.K(2010) defines ‘Retail Management’ as the continual process of identifying imbalances and reducing the imbalances in the process of retail. This means in broader sense, the less the imbalance, there is positive effect on business and vice versa. In business sense, retail trading/business can make profits or losses or break even.

Researcher defines Retail Management as “Intention of promoting sales of merchandise and associated services to be offered to customers with the anticipation of meeting customer’s expectations and satisfaction

In Internet literatures, there are various definitions and the one defines retail management is the sale of products and services directly to consumers. (http://www.businessdictionary.com/definition/retail-management.html)

Retail Management consists of following process such as Forecasting, Inventory management, Merchandise management, Store operations, Housekeeping, Staffing, Logistics(movement + storage), customer interface and security. According to

Researcher, the term retail is driven by information, propagation of experience gained by retailers, development of urban areas and widening of necessity of merchandise from one place to another. Basically, Retail deals with product and associated services. The present study quotes about Inventory management Logistics management and Customer Interface in Retail Organization which is given below

- **Inventory**

  Inventory is very important in retailing as it plays a vital element in a product category to store and maintain efficiently. As more merchandise/product is stored, it becomes important for the retailer to manage the space i.e., the space requirements is to be taken care for storage of inventories. Retailers have to incur cost for Maintenance of merchandise. The varieties of merchandise depends on the prevailing levels of buying psychology from customers. It is a great challenge for the retailers to analyze the inventory mechanisms.

- **Logistics**

  Logistics is an important aspect to deliver the merchandise at the right time which is a main challenge for retailers. In India, due to weak supply chains, poor warehousing infrastructure and bad conditions of roads etc., have resulted in increased logistics costs for the retailers. Due to poor infrastructure such as roads, communications also leads to extreme difficulty in transportation too to manage inventory by retailers. KPMG India reports states that retailer should
focus on logistics in terms of minimizing the cost.

In logistics, due to high real estate cost for rental space to retailers which also increases transition space is becoming burden for retailers. It is found from the KPMG Study 2009 that this high price is eating away directly into the profit margins of retailers. In this regard, the rentals in Linking Road in Mumbai, South Extension in Delhi and Brigade Road in Bangalore city have risen to about 50% in the past 3 years. (Jone Lang Lasalle Meghraj Report on India Retail 2009). Eventually, retailers have to think about to achieve Break even demand or else they have to shut down their operations.

- **Customer Interface**

  India is a diverse country with multilingual population which is spread across geographical locations. In retail the fact is that most retailers tend to ignore the fact that there is a diversity of customer base. As there are wide varieties of merchandise offering in retail outlets, it becomes important for them to understand the customers changing needs. In this context, the employees of retail organization should be knowledgeable and well trained staff to please customers who walks into retail outlet.

  The following points will make one realize the importance of long term customer relationship

  - It is well known fact that retail is all about location it becomes necessary for front end executives to understand local language and at times, other languages to understand the customer’s expectations in the store.
  - Product knowledge- Most of executives in the retail stores lack knowledge about the various products. So, retail organization should train people to be aware of the products/services in the store
  - Energetic people- Apart from product knowledge, dynamic and energetic people should be recruited for understanding customer’s expectations better.

**RATIONALE OF THE STUDY**

- Curiosity from the part of researcher
- Limited study in the area of Retail Management

**REVIEW OF LITERATURE**

BABU (2008) in the article entitled ‘Retail Management in India’ indicates that Retail is all about Geographical location. It is an important factor and greatly influences for the success of retail. The retailers have to put forth their strategy to locate right location for merchandise offer. This study highlights the fact that retailing is basically consists of important elements such as Price, sales personnel, Quality of Merchandise, assortments, advertising and services associated with merchandise. Lather and Kaur (2005) in the article entitled ‘Shopping Malls: New Retail Formats keeping pace with the shoppers’ mood’ have opined the same that in selecting a retail formats the elements mentioned play a vital role in order to keep up the expectations of changing preferences of consumers.

Srivastava, R. K. (2008) in the article entitled ‘Changing retail scene in India’ specifies about the various changes in Indian retail with respect to FMCG segment. It is found from the study that in the year 2006, Malls are developed in Northern and western part of Nation. The researcher opines that everything is available under one roof. Malls with multiplexes are in place for entertainment. In this study, customer behaviour with respect to food, groceries and apparel
buying contributes to 52%. Overall, it indicates that there is a change seen in satisfying different type of customers needs.

Dilip Dutta(2006) in the article entitled ‘Retail sector’s growth under dualism: India’s development dilemma’ indicates in the study about Retail sector in Indian context there is rapid transformation of the business and various retail formats are coming up with the existing kirana stores. Retail industry is fragmented and broadly two types of retailing coexist. They are organized retailing and kirana stores or Mom and Pop stores. This has given rise to organizational dualism. In this situation, the government should update its regulatory policies as the business models are not clear. The study is quite broad in nature and lacks to explain the various dilemmas faced by organized retailers and kirana stores.

Jhamb, D., & Kiran, R.(2012) in the article entitled ‘Emerging Trends of Organized Retailing in India: A Shared Vision of Consumers and Retailers Perspective’ suggests that the young customers and customers who pay high taxes will generally visit malls and specialty stores for getting pleasant shopping experience. Whereas, older consumers and no tax payers have different preferences for shopping in convenience store, discount stores etc., Here, the consumers visit these retail outlets which provides the consumers with good amount of discount and at the same time, the merchandise attribute is an attractive thing for them.

It is observed that the trends in retail formats are fast changing and consumers prefer new modern retail formats especially Mall and Hypermarkets wherein the merchandise offered will have improved quality and varieties, people prefer pleasant shopping experience such as good parking facility and trained personnel.

Anirban Sengupta,(2008) in the article entitled ‘Emergence of modern Indian retail: an historical perspective’ highlights about the history of modern retail format and confined to food and grocery category in Indian context. It is purely exploratory in nature and in-depth interviews were conducted for various retailers. At macro level, the study indicates that manufacturers and established retailers play a significant role whereas in micro level the retailers have to provide merchandise at lower price and capitalize on business opportunities in a given business environment.

**METHODOLOGY**

Various secondary sources of literature was referred and analyzed without any contradiction to existing managerial concepts. At the same time, critical observations were made to arrive at factors which pertain to retail management.

**OBJECTIVES OF THE STUDY**

- To Study the various process of retail and trends in retail management in India
- Based on the study, to predict the future prospects of Retail Management

**TRENDS IN RETAIL MANAGEMENT**

In India established formats or Kirana stores consist of 93% which is unorganized. Variety was less and every Indian shopper knows by the name General Stores. A decade ago, that is during mid 2000’ varieties were less. As economy opened up for retailing industry Small scale retailers gradually introduced more varieties or breadth of the merchandise with assortments or depth of merchandise. This gave rise to organized retailing wherein large business groups such as Raheja’s, Tata’s and RPG’s ventured into this business. These retailers showcased new merchandise which is shelved department wise and made it organized.
Figure 1: Depicts the form of Retailing with Segments

From the figure 1 we can see that organized retailing accounts to 7% of overall retailing whereas in unorganized 93% accounts for unorganized retailing and the the researcher is that the advantage to the retailer was:

- **Unorganized Retailing**

  In this form of retailing, the owner or retailer have the various benefits such as easy Monitoring and movement of merchandise besides it has less varieties. Very few personnel are required for running the small retail store. In India, 93% of the retailing is unorganized dominated by kirana stores or independently owned retailers.

  The rise in population has given way for marketer/retailer to apply segmentation in retailing as the customers thinking is changed and researcher believe that it is about changing lifestyle has given way for new retail formats. When Reliance fresh started their supermarket chain in various parts of India, their operations was opposed by established kirana stores in places like Uttar Pradesh, Madhya Pradesh, Kerala, Bihar, Orissa, Noida and Ghaziabad, West Bengal there was a large scale protest and eventually stores got closed. This indicates that there is quite unbalance in Indian retailing because of the segmentation which is completely heterogeneous unlike western countries. The organized retailers are doing fairly well in metros but consumers who are under middle level and lower middle level they are not accessible to good
merchandise because we can find small retailers at one end and large retail players and foreign retailers at other end who have severe fight in order to offer a good merchandise.

- **Organized Retailing**

  In cities or metros, the supermarkets are gaining importance because of more varieties of merchandise. It is combination of FMCG and food products. In upscale market, there are retail formats especially Hypermarkets with specialized service associated with food products and entertainment space in retail space such as Future group’s Big Bazaar. Besides, it offers discount on varieties of merchandise. Retail format like Specialty stores which are recent trends seen in apparels, electronics and other categories. Apart from that Department stores, Category killers, Mall, Destination stores, Lifestyle store, Discount stores, Catalogue stores, chain of stores, leased department, pop up stores are popular in Indian metros. Looking at this, in Tier I cities, the retail has reached maturity level and the organized retailing is doing fairly well. At present the Major Retailers are foraying into Tier II cities. International retail players have entered India as the government has given approval to foreign retailers with single brand and multi brands to establish their business which is shown in table 1

<table>
<thead>
<tr>
<th>Sector</th>
<th>FDI Cap</th>
<th>Entry Route Into Indian Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesale cash &amp; carry</td>
<td>100% Automatic</td>
<td></td>
</tr>
<tr>
<td>Single brand Product retailing</td>
<td>100% Automatic</td>
<td></td>
</tr>
<tr>
<td>Multi brand retailing</td>
<td>51% then 100%</td>
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</tbody>
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**FUTURE PROSPECTS IN RETAIL MANAGEMENT**

- The GRDI Index for global ranking in Retail, India stands at 20th position in the recent year 2014 in comparable with 1st position in the years 2005, 2006, 2007, 2009

- According to Deloitte, the total retail spending is estimated to double in the next 5 years. The food and grocery segment is the highest contributor to the retail sector with maximum contribution coming from traditional retailing while penetration of modern retail is highest in the clothing and fashion segment at 20% growth.

- The Government of India gave a green signal and made decisions on Multi-brand retailing to have 100% stack in retailing which has opened up opportunity for foreign retailers to enter Indian market.

- India remains a long term retail destination the reason which the demographic of Indian population is 1.2 billion people half of whom are younger than 30 and 1/3rd of them live in cities.

- In India, disposable incomes are increasing and allowing people to try new merchandise and Luxury brands such as Armani, Gucci, Mango, Zara, D&G etc., have entered Indian market but still in the investment market (Hemantha Y, 2013)

- After conquering physical outlets, retailers are now foraying into the domain of e-retailing or online retailing which is the next generation format which has high potential for growth in the futuristic market. In this format the customer orders are taken online through web portals which are delivered at the door step the very same day or the following day. This trend has been catching up with most of the large sized retail chains that have their...
websites and they are slowly spreading across urban & rural sectors.

Thus, with tremendous potential in view of the huge population, India is set for high growth in consumer expenditure. In Indian retail structure goes, organized retailing is saturated in metro cities, as the people of India are emerging as a nuclear family and even to buy small products they visit Mall. On the other hand, there is established formats still finding ways and means to survive in the retail space. With India's large young population and high domestic consumption, the macro trends for the retail sector look favourable.

CONCLUSIONS

The study is an attempt to give broader insight into retail management which discusses about the current scenario in retailing across the nation by critically analysing the various process involved and at the same time it throws light on aspects on retail market in India by giving the updated facts and figures and predicted future prospects in organized retailing in India. This study addresses how the retail is getting transformed from traditional formats to organized retailing.

REFERENCES

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