

# A Study on marketing Problems Faced by Organised Retail Sectors in Tanjore District

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**Abstract-** The Government's initiative to allow 51 per cent foreign direct investment (FDI) in multi-brand retail has been a subject for debate for quite some time now. Indian retail sector has therefore attracted the attention of people from various fields including academia, industry, research organisations. The present study is undertaken to gain an insight about the present structure of Indian Retail Sector, the major sub-sectors in organized and traditional retail and changes in the relative share of various sub-sectors over last few years and penetration of organized retail in various segments. The analysis also covers the opportunities and emerging challenges before Indian retail sector in view of recent policy changes by Government of India. With India's large 'young' population and high domestic consumption, the macro trends for the sector look favorable. The Indian retail sector is highly fragmented with more than ninety per cent of its business being run by the unorganized retailers like the traditional family run stores and corner stores. During 2005-07 and 2007-10, the share of organized retail increased by 13.9 percent and 21.9 percent respectively. However thereafter organized retail is penetrating the market at a more rapid pace. During the period 2010-12 share of organized retail rose by 60 percent and is expected to increase by 2.6 times during 2012-15. Clothing/Apparel segment is the biggest contributor in organised retailing in India in both the years of study. In 2012 it alone accounted for 33 percent of organized retail followed by Food & Grocery and Mobile and telecom with each having 11 percent share in organized retail. Organized retail had highest penetration in Apparel both in 2007 and 2012. In view of the recent policy changes, both the existing traditional retailers and modern organised domestic and foreign retailers would have opportunities and face challenges. On one hand, the policy exposes the domestic retailers to competition from foreign retailers; while on the other hand, it seeks to safeguard them through a slew of protective measures. The future prospects of Indian retail market are likely to have some macro-economic impact too. Prospective reduction in supply chain impediments may help in reducing supply side inflationary pressures. Future

growth of India's retail sector is also expected to increase employment. The nuances of FDI in retail are still to be worked out.

**Index Terms-** challenges and Emerging opportunities, Market Penetration, Organised, Retail Sector, Traditional.

## INTRODUCTION

The word "retail" means the sale of goods or commodities in small quantities directly to consumers. Retailing can be defined as a distribution channel function, where an organization, buying the products from supplying firms or manufacturing the products themselves, sells these directly to consumers. Many a times, consumers buy from an organization who is not the manufacturer of the products, rather it is a reseller of the products obtained from others. However, in some cases we may find the product manufacturers operating their own retail outlets in a corporate channel arrangement. Retailing is beneficial to both consumers and sellers. On the one hand it enables the consumers to purchase small quantities of an assortment of products at a reasonably affordable price, on the other it offers an opportunity to suppliers to reach their target market. Through retail promotions they can build product demand and provide consumer feedback to the product marketer [1]. Thus retail consists of sale of goods and services from individuals or businesses to the end-user. A retailer earns profit by purchasing large quantities of goods and services either from manufacturers directly or through a wholesale and he is a part of an integrated system called the supply chain [2].

The size of Indian retail market in 2010 was estimated at US\$ 353 billion and by 2014, it is expected to increase up to US\$ 543 billion [3]. Further, the estimated value of current size of

Indian retail market is about 500 billion USD and by 2020 its value is pegged to be at 1.3 trillion USD. Over 20 per cent of India's gross domestic product (GDP) is contributed by retail sector and in total employment it contributes eight percent [4]. India is Home to one of the top five retail markets in the world and in retail, India offers immense scope of growth and opportunities [5]. According to A T Kearney's Global Retail Development Index (GRDI) 2013, the global slowdown has impacted India's growth also and as a result India's growth rate fell from a 10-year average of 7.8 percent to 5 percent and in GRDI ranking India slipped to 14th. India's previous low ranking was 6th place in the inaugural Index in 2002 but in 2009 it stood first. However the GRDI report points out some positive factors leading to optimistic expectations.

These factors are: strong long-term fundamentals and young increasingly brand- and fashion-conscious population. The report projects 14 to 15 percent growth per year in retail sector through 2015 and due to more urbanization and more potential new investment by retailers, expects a higher proportion of modern retail which is 7 percent in 2012[6].

In „Sector profile“ of Indian retail sector, FICCI (2011) also projects an optimistic future. An important contributory factor in growth of India's retail sector is growing middle class which is expected to increase from 21 million households today to 91 million households in 2030. It expects, 570 million people to live in cities in 2030, which is nearly twice the population of the United States today. High and growing domestic consumption is another factor expected to contribute in potential growth of India's retail sector. India's modern consumption level which presently is US\$ 750 billion may double within five years to US\$ 1.5 trillion [7]. Thus, India's huge population with large proportion of „young“ population, high potential growth in consumer expenditure, the macro trends for the sector look favorable.

Optimism about high potential of growth in organized retail in India has also been shown by Equitymaster [3]. The views expressed here indicate that in past, a large part of India's consumption needs was accounted by food but now transition is taking place from traditional retail to organised retailing due to changing consumer expectations, demographic mix, etc. The new generation appreciates mall culture

which makes it convenient to shop with multiplicity of choice under one roof (Shop- in Shop). Over the long run, these are expected to be the growth drivers of organised retailing in India. Further, FICCI states that despite the downturns, , the organized retail market in India is growing exponentially due to growing consuming classes resulting from economic growth and organized retail is attracting more and more existing shoppers into its open doors[7]. By 2015, organised retail segment is estimated to grow (at a rate of almost 30%,) at a much faster pace than the overall retail market which is forecast to grow by 16% in the same period [8]. The Government's initiative to allow 51 per cent foreign direct investment (FDI) in multi-brand retail has been a subject for debate for quite some time now. Indian retail sector has therefore attracted the attention of people from various fields including academia, industry, research organisations etc.

#### PENETRATION OF ORGANISED RETAIL

Organised retail clocked revenues of US\$ 12,927 million, compared to total retail sales estimated at US\$ 311,731 million in 2005-06. The apparel industry contributed to the largest share of the organised retail pie, with revenues of US\$ 4,756 million, owing to the rapidly rising number of malls and introduction of several domestic and international apparel brands in the country. The Food and Beverages segment recorded the highest growth over 2004-05, with the proliferation of supermarkets, hypermarkets and the entry of major players like Reliance Fresh (promoted by Reliance Retail Ltd). Penetration of organised retail (Table 2) was at 4.15 per cent in 2005-06, an increase from the 3 per cent estimated for 2004-05, and is projected to increase to 9.52 per cent in 2009-10, with revenues from organised retail expected to touch US\$ 43,829 million in 2009-10. Footwear segment recorded the highest penetration of 32.84 per cent, primarily due to the presence of well established players like Bata, Liberty and Paragon. These players have been in the market for over three decades, have good brand recall and a well established distribution network penetrating both rural and urban areas. Apparel is one of the fastest growing verticals, with the highest number of domestic and foreign brands mushrooming

in the market, and increasing consumer willingness to pay for brand and quality of products.

	Indian Retail (US\$ million)	Organised Retail (US\$ million)	Penetration of organised retail (%)
Food and Beverages	231,951	2,268	0.98
Clothing and Textile	29,024	4,756	16.39
Consumer Durables	15,171	2,585	17.04
Home Decor and Furnishing	9,463	829	8.76
Jewelry and Watches	13,390	829	6.19
Beauty Care	6,854	244	3.56
Footwear	3,268	1,073	32.84
Books, Music and Gifts	2,610	341	13.08
<b>Total</b>	<b>311,731</b>	<b>12,925</b>	<b>4.15</b>

Source: Orbis Research

Table 2 - Ernst & Young Report (2008) for Indian Brand Equity Foundation (IBEF)

### INDIAN PER CAPITA INCOME AND CONSUMPTION

The Indian Economic survey report (2007 – 08) states that per capita private final consumption expenditure has increased in line with per capita income (Fig.2). The growth of per capita consumption accelerated from an average of 2.2 per cent per year during the 12 years from 1980-81 to 1991-92 to 2.6 per cent per year during the next 11 years following the reforms of the 1990s. The growth rate has almost doubled to 5.1 per cent per year during the subsequent five years from 2003-04 to 2007-08, with the current year's growth expected to be 5.3 per cent, marginally higher than the five-year average. The average growth of consumption is slower than the average growth of income, primarily because of rising saving rates, though rising tax collection rates can also widen the gap (during some periods). Year to year changes in consumption also suggest that the rise in consumption is a more gradual and steady process, as any sharp changes in income tend to get adjusted in the saving rate.

	Income		Consumption	
	Rs.	Growth(%)	Rs.	Growth(%)
IX plan avg.	19245	3.4	12392	3.0
X plan avg.	24156	6.2	14677	4.3
2002-03	20996	2.2	13352	1.1
2003-04	22413	6.8	13918	4.2
2004-05	23890	6.6	14413	3.6
2005-06	25696	7.6	15422	7.0
2006-07	27784	8.1	16279	5.6
2007-08	29796	7.2	17145	5.3

Income is taken as GDP at market prices.  
Consumption is PFCE.  
Per capita is obtained by dividing these by population.

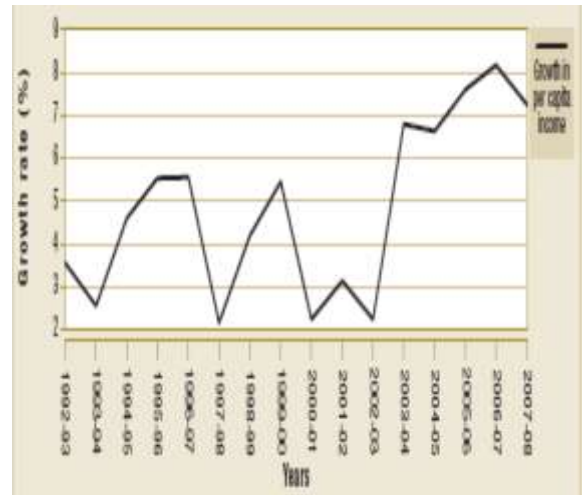


Fig.2 Per capita Income, Indian Economic survey report 2007-08.

### ORGANISED RETAIL FORMATS IN INDIA

#### Hypermarket

Typically varying between 50,000 sq. ft. and 1,00,000 sq. ft., hypermarkets offer a large basket of products, ranging from grocery, fresh and processed food, beauty and household products, clothing and appliances, etc. The key players in the segment are: the RPG Group's Giant (Spencer's) hypermarkets, and Pantaloon Retail's Big Bazaars.

#### Cash-and-carry

These are large B2B focused retail formats, buying and selling in bulk for various commodities. At present, due to legal constraints, in most states they are not able to sell fresh produce or liquor. Cash-and-carry (C&C) stores are large (more than 75,000 sq. ft.), carry several thousand stock-keeping units (SKUs) and generally have bulk buying requirements. In India an example of this is Metro, the Germany-based C&C, which has outlets in Bangalore and Hyderabad.

#### Department Store

Department stores generally have a large layout with a wide range of merchandise mix, usually in cohesive categories, such as fashion accessories, gifts and home furnishings, but skewed towards garments. These stores are focused towards a wider consumer audience catchment, with in-store services as a primary differentiator. The department stores usually have 10,000 - 60,000 sq. ft. of retail space.

### Supermarket

Supermarkets, generally large in size and typical in layouts, offer not only household products but also food as an integral part of their services. The typical examples of this retailing format in India are Apna Bazaar, Sabka Bazaar, Haiko, Nilgiri's, Spencer's from the RPG Group, Food Bazaar from Pantaloon Retail, etc.

### Speciality Store

Speciality stores are single-category, focusing on individuals and group clusters of the same class, with high product loyalty. Typical examples of such retail format are: footwear stores, music stores, electronic and household stores, gift stores, food and beverages retailers, and even focused apparel chain or brand stores. Besides all these formats, the Indian market is flooded with formats labelled as multi-brand outlets (MBOs), exclusive brand outlets (EBOs), kiosks and corners, and shop-in-shops.

### Category Killers - Large Speciality Retailers

Category killers focus on a particular segment and are able to provide a wide range of choice to the consumer, usually at affordable prices due to the scale they achieve.

### Discount Store

A discount store is a retail store offering a wide range of products, mostly branded, at discounted prices. The average size of such stores is 1,000 sq.ft. Typical examples of such stores in India are grocery stores offering discounts, like Subhiksha, Margin Free, etc

### Convenience Store

A convenience store is a relatively small retail store located near a residential area (closer to the consumer), open long hours, seven days a week, and carrying a limited range of staples and groceries. Some Indian examples of convenience stores include: In & Out, Safal, amongst others. The average size of a convenience store is around 800 sq.ft.

Source: Mathew Joseph, Nirupama Soundararajan, Manisha Gupta, Sanghamitra Sahu, "Impact of Organised retailing on the Unorganised sector", ICRIER Report, May 2008.

- Fruit and Vegetable Sellers - Sells fruit and vegetables.
- Food Store - Reseller of bakery products. Also sells dairy and processed food and beverages.
- Non -Vegetable Store - Sells chicken and mutton (supplemented by fish), or predominantly fish.
- Kirana I - Sells bakery products, dairy and processed food, home and personal care, and beverages.
- Kirana II - Sells categories available at a Kirana I store plus cereals, pulses, spices, and edible oils.
- Modern Independent Stores - Sells categories available at a Kirana II store and has self service. Operates single or several stores (but not an organized chain of stores).
- Apparel - Sells men's wear, women's wear, innerwear, kids' and infant wear.
- Footwear - Sells men's wear, women's wear, and kid's wear.
- CDIT (Consumer Durables & IT) - Sells electronics, small appliances, durables, telecom, and IT products.
- Furnishing - Sells home linen and upholstery.
- Hardware - Sells sanitary-ware, taps and faucets, door fittings, and tiles.
- General Merchandize - Includes lightning, stationery, toys, gifts, utensils, and crockery stores.

According to the ICRIER report (2008) on "Impact of Organised retailing on the Unorganised sector", Traditional retailing continues to be the backbone of the Indian retail industry, with traditional/unorganised retailing contributing to over 95% of total retail revenues.

The quintessential mom-and-pop retailing outlets or the corner-store formats constitute a major part of Indian retail store formats. Over 12 million small and medium retail outlets exist in India, the highest in any country. More than 80 per cent of these are run as small family businesses. Prevalence of traditional retailing is highly pronounced in small towns and cities with primary presence of neighborhood "kirana" stores, push-cart vendors, "melas" and "mandis". Organised formats are only in the initial stages of adoption in these regions. Leading retail players in the industry are beginning to explore these markets and the rural consumers are slowly

## CATEGORIES OF TRADITIONAL RETAILERS

beginning to embrace the newer organised retail formats.

**ISSUES & CHALLENGES**

According to CII report on retailing issues (2005), it has summarised the hurdles and implications as below,

Factors	Description	Implications
Barriers to FDI	<ul style="list-style-type: none"> <li>FDI not permitted in pure retailing</li> <li>Franchisee arrangement allowed</li> </ul>	<ul style="list-style-type: none"> <li>Absence of global players</li> <li>Limited exposure to best practices</li> </ul>
Lack of Industry Status	<ul style="list-style-type: none"> <li>Government does not recognize the industry</li> </ul>	<ul style="list-style-type: none"> <li>Restricted availability of finance</li> <li>Restricts growth and scaling up</li> </ul>
Structural Impediments	<ul style="list-style-type: none"> <li>Lack of urbanization</li> <li>Poor transportation infrastructure</li> <li>Consumer habit of buying fresh foods</li> <li>Administered pricing</li> </ul>	<ul style="list-style-type: none"> <li>Lack of awareness of Indian consumers</li> <li>Restricted retail growth</li> <li>Growth of small, one-store formats, with unmatchable cost structure</li> <li>Wastage of almost 20%-25% of farm produce</li> </ul>
High Cost of Real Estate	<ul style="list-style-type: none"> <li>Pro-tenant rent laws</li> <li>Non-availability of government land, zoning restrictions</li> <li>Lack of clear ownership titles, high stamp duty (10%)</li> </ul>	<ul style="list-style-type: none"> <li>Difficult to find good real estate in terms of location and size</li> <li>High land cost owing to constrained supply</li> <li>Disorganized nature of transactions</li> </ul>
Supply Chain Bottlenecks	<ul style="list-style-type: none"> <li>Several segments like food and apparel reserved for SSIs</li> <li>Distribution, logistics constraints - restrictions of purchase and movement of food grains, absence of cold chain infrastructure</li> <li>Long intermediation chain</li> </ul>	<ul style="list-style-type: none"> <li>Limited product range</li> <li>Makes scaling up difficult</li> <li>High cost and complexity of sourcing &amp; planning</li> <li>Lack of value addition and increase in costs by almost 15%</li> </ul>
Complex Taxation System	<ul style="list-style-type: none"> <li>Differential sales tax rates across states</li> <li>Multi-point octroi</li> <li>Sales tax avoidance by smaller stores</li> </ul>	<ul style="list-style-type: none"> <li>Added cost and complexity of distribution</li> <li>Cost advantage for smaller stores through tax evasion</li> </ul>
Multiple Legislations	<ul style="list-style-type: none"> <li>Stringent labor laws governing hours of work, minimum wage payments</li> <li>Multiple licenses/clearances required</li> </ul>	<ul style="list-style-type: none"> <li>Limits flexibility in operations</li> <li>Irritant value in establishing chain operations, adds to overall costs</li> </ul>
Customer Preferences	<ul style="list-style-type: none"> <li>Local consumption habits</li> <li>Need for variety</li> <li>Cultural issues</li> </ul>	<ul style="list-style-type: none"> <li>Leads to product proliferation</li> <li>Need to stock larger number of SKUs at store level</li> <li>Increases complexity in sourcing &amp; planning</li> <li>Increases the cost of store management</li> </ul>
Availability of Talent	<ul style="list-style-type: none"> <li>Highly educated class does not consider retailing a profession of choice</li> <li>Lack of proper training</li> </ul>	<ul style="list-style-type: none"> <li>Lack of trained personnel</li> <li>Higher trial and error in managing retail operators</li> <li>Increase in personnel costs</li> </ul>
Manufacturers Backlash	<ul style="list-style-type: none"> <li>No increase in margins</li> </ul>	<ul style="list-style-type: none"> <li>Manufacturers refuse to dis-intermediate and pass on intermediary margins to retailers</li> </ul>

Table 3 - CII Report (2005), Retail Scenario in India.

**MAJOR ISSUES IN THE WAY OF RETAIL GROWTH IN INDIA**

1. Underdeveloped Supply Chain: India lacks quality logistics infrastructure which hinders scaling up of retailing operations. Accordingly supply chain

management systems have very low penetration especially in the rural area. Underdeveloped logistics infrastructure, absence of national cold chain networks, lack of national distribution networks and hubs create key bottleneck for retail sector growth. 2. Inadequate Utilities: Inadequacy of basic infrastructure like power, transport and communication creates difficulty in sustaining retail operations across the large geographical spread of country. Inadequate reliable power, water, gas sources, public transport facilities, inadequate telecommunication and internet facilities prevent the fastest growth of retail business in India. 3. IT Infrastructure Hurdles: Reliable IT infrastructure is important for managing modern supply chains which are the backbone of any retailing business and India face a clear problem in this area as the non-urban areas have limited IT infrastructure. Low automation level in supply chain and point of sales systems, no real time link between suppliers-warehouses-retail stores, lack of online presence of retailers, prevents India for large scale organized retailing development. 4. Real Estate Hurdles: Archaic laws prevent the much needed growth in real estate development, which imperative for retail growth. High real estate costs, Archaic and user-unfriendly land laws, lack of proper city planning models are the most critical issue facing organized retailers in India. This problem is particularly severe in urban areas where a lack of transparency and correct practices increases land cost. 5. Taxation Hurdles: The tax structure in India is still complex and evolving, creating challenges for retailers. Inconsistent Octroi and entry tax structure, VAT and multiple taxation issues, Large grey market presence act as deterrents for organized retailing in India. Similarly non-uniform VAT regimes across states lead to differential pricing of goods and multiple taxation formats for the same goods in different states. 6. Supply Base Hurdles: The supply base for the retail sector is fragmented due to government policies and legacy issues which prevent economies of scale in retail sector. The fragmented supply base, underdeveloped supplier relationship management programs, inadequate quality assurance processes prevent the growth of retail business in India. 7. Inadequate Human Resources: There is hardly any systematic effort to train manpower for the retail sector, which can create a bottleneck for growth. Lack of trained personnel at

all levels, stringent employment and industry laws, fragmented industry approach to human resources prevent the growth of retail sectors in India. 8. Limited Consumer Insights: There is limited knowledge about the consumer behaviour due to limited market research conducted on the huge population in towns and rural areas. Lack of detailed region-specific customer data, lack of adequate data on consumer spending patterns, absence of a central body to aggregate industry information will prevent the growth of retail sector in India. 9. Insufficient Government Incentives: Government is yet to create any major sector specific policies to boost the retail sector. Lack of industry specific incentives, inconsistent agriculture and fertilizer subsidies becomes major constraints for the growth of retail business in India. 10. Policy Related Hurdles: The policy environment in India is complex, creating challenges for growth and establishment of new business. Lack of industry status for retail, numerous license, permit and registration requirements becomes the major obstacles for the growth of retail business in India.

#### STRATEGIES TO BE ADOPTED

1. The retail sector needs to proactively seek government help to develop the basic infrastructure as maximum benefits can be obtained from supply chain development.
2. Basic telecommunication and internet facilities in rural area should be improved. Government need to proactively develop IT infrastructure, both urban and rural to drive retail sector growth.
3. Retail forums need to drive government of remove real estate hurdles for development of organized retailing and industry in general.
4. Political consensus is needed to eradicate taxation hurdles for retail development in India.
5. India can form national retail federation (US model) that provides certification for various retail aspects, including quality assurance, skills standards, customer service certification, sales certification, management certification and testing of sites.
6. It is an urgent need for large and mid-size retailers to join hands in developing training institutes to develop talent.

#### 1.1 Literature Review

Several studies have been undertaken in the field of retail sector in India. Besides, one may also find articles in newspapers, business magazines relating to retail sector in India. Few of them are mentioned here. Subhadip Mukherjee's study examines the government policies of different countries including India in respect of unorganized and organized retail sector [9]. The study examines whether, for the small and unorganized retailers to sustain in this big fight the government provides a tight legal framework along with economic support. The study finds that small as well as big domestic retail chains had been helped by the governments of different countries (including India) through formulating appropriate policies over time, by providing capital support and/or formulating strict legislations to restrict entry of foreign retailers in their respective countries. In India, all the regulations regarding retail sector varies across states and their impacts are also heterogeneous since these regulations are still in state level and are being influenced by the existing political parties of different states.

An article in Business Standard, summarises the findings of India Ratings regarding future prospects of Indian retail sector [10]. These findings presents a 'negative outlook' for the retail sector and expects luxury segment to be the worst hit in 2013. According to the Report, for the first time in the history, in 2012, the retail sector registered a single digit growth, and overall revenue is likely to grow at 3-8% year-on-year across large retailer. According to the report, the major factor accounting for sales growth in 2012 was discount offers by companies and the trend is likely to continue in 2013. The agency expects that a sustained reduction in consumer price inflation, coupled with rise in wages may restore the discretionary spending of power of consumers and liberalisation of FDI in multi-brand retail could have a positive impact on the retail sector.

A report published by Corporate Catalyst India, focuses on segment analysis of Indian retail market, Key players and profiles of Key players, business models for entry in Indian markets and opportunities and challenges in retailing [11]. Expressing experts' opinion, the report states that in future, the retail industry in India will be a major employment generator. It further says that the market share of

organised modern retail being just over 4 per cent of the total retail industry in 2009, it leaves a huge untapped opportunity. Fashion retailing, which commands a large chunk

Embracing a new trajectory”, 2011 covers issues- the size and trends in retail sector, FDI into retail, market opportunities, tax and regulatory structure, sector analysis etc [12]. The report states that although all the retail segments offer growth opportunities for foreign retailers, the largest opportunity in terms of potential market size and scalability is in grocery retailing, particularly for the supermarket and hypermarket formats. However, the large population of 'mom-n-pop'/'kirana' grocery stores is likely to be a force to reckon with for new foreign entrants.

An another report published by Delloite titled “Indian Retail Market Opening more doors” (2013) is mainly focused on government policy on multi-brand retail trade-its evolution, policy implications and political landscape with respect to new FDI policy[13]. The report states that various policy conditions for FDI in multi-brand retail makes mass grocery and apparel the two most favorable segments. Multi-brand specialty retail segment such as Beauty & Wellness and Consumer Electronics are still in their nascent stage. Their current market size may not hold a big potential for foreign retailers.

Research article titled “Sector Profile”, gives a brief description of current status of the retail sector, its future scope and challenges faced by the sector [7].

PricewaterhouseCoopers (a multinational professional services firm), India’s report, “Winning-in-India’s-retail-sector, Factors for success”, 2011, focuses on the main drivers, trends and issues in India’s retail sector [14]. It also presents an overview of the key tax and regulatory issues, a discussion on the benefits of modern trade, factors for succeeding in the Indian market. The report states that large size of Indian retail market, low organised retail penetration, strong GDP growth, increasing personal incomes, large number of aspirational consumers (middle-class, young Indians, rural population, etc.) make India an exciting and dynamic retail destination. It further states that the Indian retail market is evolving rapidly, becoming more competitive and retailers understand the importance of meeting consumer demands. In such a competitive environment, the main driver of competitive advantage will be supply chain mastery. The use of

supply chain and logistics will make retailers agile and cost-competitive in a more crowded retail sector. ASA and Associates” (2012) report titled “A Brief Report on Retail Sector in India”, gives an overview of India’s retail sector, growth in retail sector. It also describes government policy with respect to retail sector and major global players in Indian retail [15]. and regulatory structure, sector analysis etc [12]. The report states that although all the retail segments offer growth opportunities for foreign retailers, the largest opportunity in terms of potential market size and scalability is in grocery retailing, particularly for the supermarket and hypermarket formats. However, the large population of 'mom-n-pop'/'kirana' grocery stores is likely to be a force to reckon with for new foreign entrants.

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advantage will be supply chain mastery. The use of supply chain and logistics will make retailers agile and cost-competitive in a more crowded retail sector. ASA and Associates" (2012) report titled "A Brief Report on Retail Sector in India", gives an overview of India's retail sector, growth in retail sector. It also describes government policy with respect to retail sector and major global players in Indian retail [15].

## 1.2 Objectives

- 1) To analyse the present structure of Indian Retail Sector and changes therein during last few years.
- 2) To make a segment analysis of Indian Retail Sector in order to know about the major sub-sectors in organized and traditional retail and changes in the relative share of various sub-sectors over last few years and penetration of organized retail in various segments.
- 3) To understand and analyse the emerging challenges before Indian retail sector in view of recent policy changes by Government of India.
- 4) To find out some measures/steps need to be taken by Indian retailers to meet successfully the emerging global competition in the sector.

## STRUCTURE OF RETAIL MARKET IN INDIA

### 2.1 Organised and Unorganised (Traditional) Retail

The total retail sector in India can be divided into organized and unorganised sectors. The trading activities undertaken by licensed retailers are categorized as organized retailing. Licensed retailers are those who are registered for sales tax, income tax, etc. These include the corporate-backed supermarkets and retail chains, and also the privately owned large retail businesses. Unorganized retail or traditional retail on the other hand, include a large number of small retailers that consists of local kirana shops, owner-manned general stores, chemists, footwear shops, apparel shops, paan and beedi (local betel leaf and tobacco) shops, hand-cart hawkers, pavement vendors, etc [16].

Retailing is one of the most prominent industries in developed markets whereas in developing economies the concept had occurred much later. The contribution of US retail sector to the GDP was 31% at current market prices in 2008. In developed economies, organised retail has a 75-80% share in

total retail while in developing economies; it is the un-organised retail that has a dominant share [1]

According to the Ernst & Young (2008) report for Indian Brand Equity Foundation (IBEF), India's GDP growth of 9.4 per cent in 2006-07 is the highest posted for over 18 years, reflecting the booming economy of the country. And the retail sector is on a high growth trajectory and is expected to grow by more than 27 per cent over the next 5 to 6 years. Retail is one of India's largest industries, contributing to about 10 per cent of the GDP and providing employment to 8 per cent of the nation's workforce.

### 1.3 Methodology

The present study is based on secondary data and information collected from a variety of sources. An attempt has been made in the present study to make a systematic analysis of changes in the size and structure of Indian retail market over last few years. This analysis is useful to understand the expected future changes in the Indian retail market and the implications of recent policy changes adopted by Government of India. Collecting and compiling data and information from various available sources, relevant ratios and percentages have been calculated and analysed. Tanjore city was purposively selected as the study area as it is the second largest city in Tamilnadu. Retailers who also have fruits and vegetables in their portfolio.

### SAMPLING TECHNIQUE

Tanjore city was purposively selected as the study area as it is the second largest city in Tamilnadu. Retailers who also have fruits and vegetables in their portfolio. Tanjore city can be broadly classified into five categories viz., (i) National Corporate Retail Chains (NCRC), (ii) Regional Corporate Retail Chains (RCRC), (iii) Private Sector Specialized Stores (PRSS), (iv) Public Sector Specialized Stores (PUSS) and (v) Traditional Mom and Pop Stores (Kirana Stores) adopting the classification of NABARD (2011). One retail outlet from each of retail store type was selected based on sales volume (maximum) with respect to fruits and vegetable for conducting the study. Accordingly Reliance Fresh was selected for NCRC, Shri Kannan Departmental Store was selected under RCRC, Pazhamudhir Nilayam for PRSS and Uzavar Santhai



(Farmers Market for PUSS). Two kirana stores near each of the four retail stores type were selected by simple random method. In each kirana store, ten customers were selected. The adult consumers irrespective of gender and age who had purchased for at least one year at the same retail outlet were considered as respondents for this study. Thus, the total sample respondents selected from the retail stores for the study were 306.

METHOD OF DATA COLLECTION AND STATISTICAL TOOLS USED

Primary data were collected with the aid of pretested interview schedule and questionnaire tool is used and respondents selected randomly by adopting “mall intercept survey method” (Phau and Teah,2009) in the selected sample retail store outlets in tanjore Garrett’s ranking technique was adopted to analyze the problems faced by the consumers visiting different types of stores. The respondents were asked to rank the various constraints faced during the purchase. The ranks assigned to the above responses by the consumers were converted to scores The per cent position of each rank obtained was converted into scores by referring to the table given by Garrett(1969). Mean score was estimated for each factors. These mean scores for all the factors were arranged in descending order and factors with the highest mean score was given first rank. The most important factors were thus identified.

LIMITATION OF THE STUDY

The study area was limited to TANJORE city and the findings may not be applicable to other markets, as vast differences exist among the consumers with regard to demographic and psychographics characteristics. Hence, the findings of the study may be considered appropriate for the situations similar to study area and extra care should be taken while generalizing the results.

ANALYSIS AND DISCUSSION

The respondents were asked to rank the problems faced by them while purchasing of fruits and vegetables in the NCRC store in the city. The problems faced by the consumers were

Ranked based on the mean score and the results are presented.

The survey revealed eleven problems that were perceived by the consumers while purchasing fruits and vegetables from National Corporate Retail Chain stores. The top three problems were selling low quality of F&V’s(79.36), lack of refilling the produce (74.98) followed by relatively higher price of the produce (67.58). The other problems identified by the consumers were lack of freshness (58.88), slow billing (58.13), poor customer relationship (51.10), poor handling (48.90), narrow merchandise (38.80), selling of old and damaged produce (36.94), limited check outs (31.80) and parking problem (31.03) in that order. The customers of Reliance Fresh felt that, very minimum quantity of F&V was made available for selling in the store. As the sales of F&V progress the bay were not filled with sufficient quantity of F&V. Consumers also felt that the cost of F&V was relatively higher compared to others stores. These three issues were ranked as the important problems by majority of the respondents.

Problems faced by the consumers at RCRC store:

The customers of Regional Corporate Retail Chain store indicated 10 problems in varying magnitude and these problems were ranked using Garrett’s ranking technique

Majority of the consumers ranked non-availability of all kinds of F&V on day to day basis (67.23), slow checkouts (64.08), and poor quality (60.08) of fruits and vegetables as the top three problems in RCRC store. Other problems revealed by the consumers of RCRC store were poor customer service (58.80), lack of parking facility (47.31)s Faced

Sr. No.	Problems	Total	Garrett’s score	Mean	Garrett’s Rank
1.	Selling low quantity	6349.00	79.36	I	
2.	Poor refilling	5998.00	74.98	II	
3.	Higher price	5406.00	67.58	III	
4.	Not fresh	4710.00	58.88	IV	
5.	Very slow billing	4650.00	58.13	V	
6.	Poor relationship with customers	4088.00	51.10	VI	
7.	Poor handling of product	3912.00	48.90	VII	
8.	Narrow merchandise	3104.00	38.80	VIII	
9.	Old and damaged products	2955.00	36.94	IX	
10.	Limited checkouts	2544.00	31.80	X	
11.	Parking problem	2482.00	31.03	XI	
	produce, lack of produce refilling in the bays	(44.75),			

location of the store at distance place (34.15), availability of old stocks (30.20) and improper weighing of the produce (19.65) in that order.
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The store laid minimum emphasis on making available the F&V in the store on all days in a week. About 3 checkout counters existing in the Sri Kannan Departmental Store were not able to clear the customers in time. Hence, majority of its customers felt that slow check out result in loss of time. The fruits and vegetables sold in the store was not maintained under regulated temperature. Hence, the produce was perceived to be of poor quality..

**Problems in retailing of fruits and vegetables:**

The details regarding the problems as perceived and ranked by the five types of retailers in the city viz., NCRC, RCRC, PRSS, PUSS, M & P stores are presented

The constraints expressed by the store managers of the following organized and unorganized retailers were classified as follows:

Procurement problems :
– Supply default
– Delayed supply
– Damaged produce
Infrastructure and economic problems :
– Parking problem
Table 6 : Problems faced by the retailers
Problems NCRC RCRC PRSS PUSS M&P
Decision making I
Supply default II I
Competition from other retailers III VI
Unsold produce IV VII II
Produce rate is high V II II III
Damaged products VI VI
Low foot fall VII
Delayed supply VIII III III
Price volatility I V IV
Parking facilities IV IV IV
Lack of man power V III
Unavailability of uniform quality of product VI II
Lack of local varieties VIII
Space constraint IX
Fixation of price I
Theft/ consumers creating problems V
Repayment of credit I
Source : Primary data
– Space constraint
Merchandising problem :
– Unsold produce

– Unavailability of uniform quality of product
– Lack of local varieties
Human resource problems :
– Lack of man power
– Attrition / theft and problems created by the workers and consumers
Pricing problem :
– Price volatility
– Fixation of price
– Produce rate is high
Market problems :
– Low foot fall
– High competition from other retailers

The NCRC store manager had confronted eight constraints and ranked them. The most important constraints perceived by the NCRC store manager was to take appropriate decision to dispose the half perished fruits and vegetables from the store as this has to be done with the concurrence of headquarters of the retail chain. The second problem felt by the manager was untimely/ delayed default supply of the most preferred fruits and vegetables in the store from the procurement wing of the NCRC. The introduction of new organized retailers created higher level of competition to the NCRC store and thus competition was perceived as the third major problem. The most important problem perceived by the RCRC store was price volatility of the F&V which created slow movement of produce from the stores to the consumers. The second major problem felt by the store was the higher procurement price paid for the F&V. This problem was followed by the delayed supply of F&V to the store due to collection of produce from various sources. In the case of PRSS store the manager had perceived the following three major problems viz., default supply, high rate of produce and delayed supply of produce in that order. Besides those, six other problems were also perceived by the PRSS store. The Agricultural officer in-charge of the PUSS stated that fixation of price for the fruits and vegetable was the first major issue confronted by them. The unavailability of uniform quality/ grade of the fruits and vegetables produce were felt as the second major issue. Shortage of man power to manage the PUSS was also felt as the third major problem.

Most of the M&P store owners perceived that the repayment of credit by the customers as the major issue. In the event of unsold produce in the store, it

was a waste (or) loss as it cannot be sold out to customers. The other major issues confronted by them were price volatility, theft by the consumers and problems created by the consumers in that order.

#### SUMMARY OF FINDINGS

1. Retail is one of India's largest industries, contributing to about 10 per cent of the GDP and providing employment to 8 per cent of the nation's workforce.
2. India topped AT Kearney's Global Retail Development Index 2007 for the third consecutive year.
3. Poor rail, road and port network, and lack of supplier Relationship programmes have resulted in fragmented supply base. As a consequence of the same, economies of scale and cost efficiency have become difficult in the Indian context.
4. There is no reliable national cold chain system, leading to enormous wastages especially in rural India.
5. An acute shortage of power, clean water and natural gas in urban areas are bottlenecks for large organized retailers - at times they have to pay significantly for these utilities and these additional costs are passed to the consumer.
6. Impetus from the IT industry needs contribution by way of indigenous software and hardware products to cater the domestic needs on par with International standards.
7. There is a growing imbalance in the kind of manpower that is generated compared to the job opportunities that are available in the market especially Retail.
8. Indian stamp duty rates at the rate of 5-14 per cent are among the highest in the world. Lack of transparency in organized vs Unorganized Retail and corrupt practices increases land cost.
9. Lack of proper city planning and public transport facilities acts as a great hurdle for organised retail.
10. Non-uniform Tax regimes across states lead to differential pricing of goods and multiple taxation formats for the same goods in different states.
11. The Retail sector is facing hurdles due to lack of industry status. Hence there is no easy Bank credit available for starting Retail operations.

12. Nearly 37- 45 licenses are required to start a retail operation. Within this, different states have different licensing requirements.
13. The share of organized sector in the largest category of food and grocery retailing, although growing, remains just below 1 %.
14. There is limited knowledge about the consumer behaviour due to limited market research conducted on the huge population in towns and rural areas.

#### SUGGESTION

15. It is found that majority of the retailers are suffering from the problem of bad debts. Though bad debts are
16. Unavoidable in business, it can be minimised. For that it is suggested that the retailers should maintain
17. friendly relationship with their customers, must assess the credit worthiness of their customers before
18. Allowing credit and allowing credit sales only to the regular customers. Then only the retailers can escape
19. From this critical problem.
20. It is found that majority of the sample respondents are suffering from the problem of limited financial
21. Resources. Hence, it is suggested that the government should provide financial facility (short term and
22. Medium term loans) to those retailers who are financially weak.
23. It is found that majority of the sample respondents ranked poor market condition as their major problem.
24. Hence, it is suggested to the retailers could successfully market their products by more careful
25. Identification of market segments and providing service superior to that of the competitors. It is found
26. That there is a significant relationship between occupation and problem faced by the customer. Hence it is
27. suggested to the retailer that may try to cater the needs of different occupation group of people by selling

28. The products at reasonable price, ensuring the availability of branded and non-branded products etc.

#### CONCLUSION

The Indian Retail industry has made in roads by way of Governmental efforts and private support. The momentum should keep going and the highly affluent Indian consumer seems to be there in all of the demography in cities as well as villages. The success formula for making giant leaps in organised retail can be mainly through better customer insights, Government support and skilled workforce.

The major problems perceived by consumers in NCRC stores were selling low quality of fruits and vegetables and lack of refilling the produce. Frequent maintaining of selling the fruits and vegetables with adequate emphasis on maintaining the quality produce should be emphasized. Ensuring the quality can enhance the number of customers and their by chances to increase the sales can also be achieved. In the case of Momand Pop store, the major problems perceived by the consumers was non-availability of wider range of fruits and vegetables coupled with higher price margin. Hence, it is suggested to wider range of fruits and vegetables in the mom and pop stores. The study has found that selling low quantity, poor refilling and slow checkouts as the major problems faced by the consumers in the modern fruits and vegetables retail store outlets. Whereas, narrow range of merchandise, limited quantity and high cost were identified as the major problems in the case of mom and pop stores. The study also found that decision making, supply default and competition from other retailers were the major problems perceived b the retailers. Suggestions to overcome the problems were indicated in the study. This study was based on the primary data collected from sample consumers by survey method. As many of the consumers furnished the required information from their memory and experience, the collected data would be subjected to recall bias.

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