

Retail business management in india-challenges and strategies

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I. INTRODUCTION

Retailing in India is the second largest untapped market after China. Professional management and strong customer focus characterize organized retailing. Despite the huge size of the industry, only 8% of the country's population is engaged in retailing while that in United States of America, it is 20%. The positive factor such as increased purchasing power, rise in number of double income families and demanding customers, due to the change in life style and shortage of time, customers are increasingly looking for convenience. To attract the customers to the store, retailers are providing a wide product range, quality and value for money, apart from creating a memorable shopping experience.

If economy continues to register a growth of 7-8% of the GDP, retailers will comprise of \$300bn industry. Indian Retail market has undergone an immense transformation in the post liberalization period and it is providing very good employment opportunities. This paper examines major issues in the way of retail growth in India.

II. RECENT TRENDS

The opening up of retail sector in India has its credit to the boom in the service sector. The service sector has really grown manifold in the past few years. Companies such as Infosys, Tatas, Reliance, Wipro etc have really helped India to be recognized at the international level. In India, the unorganized retailing sector comprise of 96.5% and the organized sector is just 3.5% that is mainly in major metropolitan and urban areas. Indian retailing traditionally was dominated by small family run stores. However the emerging trends should be carefully monitored and exploited.

- a. Raising income levels, education and a global exposure have contributed to the evolution of the Indian middle class purchasing and hopping habits are maturing as a result.]
- b. Current organized retail is very small and crowded with players not being able to reap economies of scale.
- c. Retailing through formats such as supermarkets, hypermarkets, department stores and other speciality chains are increasing. It has attractive number of foreign players leading with world largest retailer Walmart.
- d. Retailing through non-traditional channels such as direct selling, home shopping television and online shopping is on the rise.
- e. The foreign players are appearing in the market franchise form.
- f. India is rated as fifth most attractive emerging retail market.
- g. It is estimated to be 200billion US dollars and the annual growth of departmental store is estimated at 24%.
- h. India is ranked second in a Global Retail Development Index of 30 developing countries.

III. 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.

IV. 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.

7. India can develop consumer confidence index like advanced countries that measures consumer sentiment on various business and environmental issues. Adequate data regarding consumption patterns that may lead to significant savings in terms of store operations, category management and merchandising functions.
8. Government should grant industry status to retail. Some of the world largest companies are retailers, Indian companies are also entering the space and it is appropriate that the government should support them.
9. Single window clearance models which makes it ideals for retailers, and minimizes time lost in bureaucratic paper work.
10. Retailer associations need to consistently engage with governments to bring standardization across policies.

V. CONCLUSION

Though all the issues are not equally important, some issues like supply chain, utilities, taxation, and human resources hurdles are the most critical issues. Our analysis shows that there are issues that need government intervention across states and central levels, retailers need to proactively develop their own solutions to accelerate growth in the retail sectors.

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