



OUR HERITAGE

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A Study of Organized Retailing and its challenges and Retail Customer Services

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Abstract

India is becoming most favored retail destination in the world. 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 regarding the growth of retailing in India. And also focuses on the challenges faced by organized retail sector in India. It also emphasizes 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 in the retail trading in the society.

Key words: Retailing, Organized Retailing, Retail Formats, Customer Services

INTRODUCTION

Retail is the sale of goods to end users, not for resale, but for use and consumption by the purchaser. Retail industry in India is undoubtedly one of the fastest growing retail industries in the world. It is the largest among all industries accounting to 10 per cent of the country GDP and employs around 8 per cent of the workforce. India has seen a drastic shopping revolution in terms of format and consumer buying behaviour. From shopping centers to multi-storied malls to huge complexes offering shopping, entertainment and food all under one roof and it is because of this trend that the retail industry is witnessing a revolution as many new format markets like hypermarkets, supermarkets, departmental stores have made their way in the market.

ORGANIZED RETAILING IN INDIA

Indian organized retail market is growing at a fast pace due to the boom in the India retail industry. Retail Industry, one of the fastest changing and vibrant industries that, has contributed to the economic growth of our country. Within a very short span of time, Indian retail industry

has become the most attractive, emerging retail market in the world.

Healthy economic growth, changing demographic profile, increasing disposable incomes, changing consumer tastes and preferences are some of the key factors that are driving growth in the organised retail market in India.

REVIEW OF LITERATURE

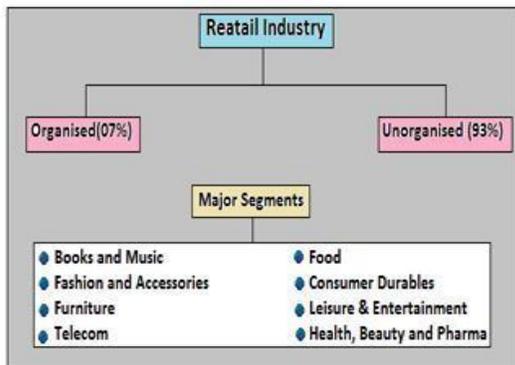
Organized retailing is trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc.

Organised retailing, in India, refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the publicly traded supermarkets, corporate-

backed hypermarkets and retail chains, and also the privately owned large retail businesses.

Organized retail is nothing but a retail place all the items are segregated and brought under one roof, unlike the unorganized retail where there are different things are sold in different shops. It also aims to bring maximum of different brands making the same type of product together. Organised Retail refers to the set-up of any retail chain supported by a well defined Supply Chain. Due to a number of factors like cutting down of middlemen, removing of bottlenecks along the supply chain, efficient processes, etc., the end user gets a better product at a cheaper price compared to the unorganized retail sector. As the Consumer base is growing by the minute, the Organised Retail sector has immense growth potential.

FIGURE : 1 Percentage Share of organized and unorganized sectors in retail industry



Source: Big Strategic Management Consultants, Jan 2012.

- Organized Retail – These are owned by private or government and are based on some principles and procedures like Wal-Mart, Big Bazaar. Possess license to sell the product.
- Unorganized Retail – Owned by an individual and they are also based on some principles.

Unorganized retailing, by business definition, is the conventional format of low cost retailing. It includes the local kirana shop and restaurant, general and provision stores, single owner manned medical store, the local dhobi and even the hand cart and pavement vendors.



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These unorganized retailers form the core of trade and commerce in this country. They manage their inventory quite well and run profitable businesses without any external funding. They also provide a great customer experience - greet their customers with a smile, provide prompt service over a phone call, provide personalized service to their customers and sometimes also double up as people who run other errands for them. Not to forget, they don't have a lot of manpower to work with. These retailers optimize their resources (money and people) in the best way possible. In startup parlance, these are the real cockroach startups who have figured out a way to survive over the years, in spite of economic downturns and rapidly changing customer demands.

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

Retail Formats in India:

Hyper Marts/ Super Markets: large self – servicing outlets offering products from a variety of categories.

Examples like Spencer's, Big Bazaar.

Mom-and –pop Stores: they are family owned business catering to small sections; they are individually handled retail outlets and have a personal touch.

Departmental Stores: are general retail merchandisers offering quality products and services. Examples like

Ebony, Shopper's Stop, Westside. Convenience Stores: are located in residential areas with slightly higher prices goods due to the convenience offered. Examples like in & out, Safal, 6ten.

Shopping Malls: the biggest form of retail in India, malls offers customers a mix of all types of products and services including entertainment and food under a single roof. E-trailers: are retailers providing online buying and selling of products and services. Discount Stores: these are factory outlets that give discount on the MRP. Examples like Subhiksha, Koutons, Nike, and Levis.

- Vending:** it is a relatively new entry in the retail sector. Here beverages, snacks and other small items can be bought via vending machines.
- Category Killers:** small specialty stores that offers a variety of categories. They are known as category killers as they focus on specific categories, such as electronics and sporting goods. This is also known as Multi Brand Outlets.
- Specialty Stores:** are retail chains dealing in specific categories and provide deep assortment. Mumbai's Crossword Book Store and RPG's Music World is a couple of examples. (Sunita Sikri,



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Ms. Dipu Wadhwa).

Year Percentage %	Share of Retail Sector
2013	32%
2014	40%
2015	52%

GROWTH OF ORGANIZED RETAILING IN INDIA:

The market is growing at a steady rate of 11- 12 percent and accounts for around 10 percent of the country's GDP. ... Of this 60%, organized retail is just 5% which is comparatively lesser than other countries with emerging economies. For the growth of retailing in India organized retailing provides great opportunities. Retail industry is basically that sector of the economy which is engaged in selling finished products to end consumers. Most of the goods sold are made by some third party though these days big retail chains have introduced their brand line as well which is known as private labels. As per the AT Kearney ranking, India is at number four in the list of thirty emerging countries for retail development.

Organized retailers offer many advantages which an unorganized store could not offer e.g. consumer now has a wider range of choices of goods, better shopping experience, more convenient and many other benefits. They also offer great discounts with some supermarkets offering more than 5% below MRP whereas unorganized stores generally sell products at MRP.

Companies are also in direct touch with the customer and so they have better awareness that which products are selling and which are consuming the shelf space. It has also enhanced the employment potential by providing direct employment to many people who are involved in many activities that take place during organized retailing.

In organized retail sector we generally have modern format stores which include supermarkets, hypermarkets, discount stores, departmental stores, shopping malls and similar kind of stores. While in unorganized sector we have small kirana stores which are the local shops that are owned and operated on a small scale generally in a limited space. Owners themselves operate it so it has the benefit of low operational costs. As they are in the near locality they have better understanding of customer requirements.

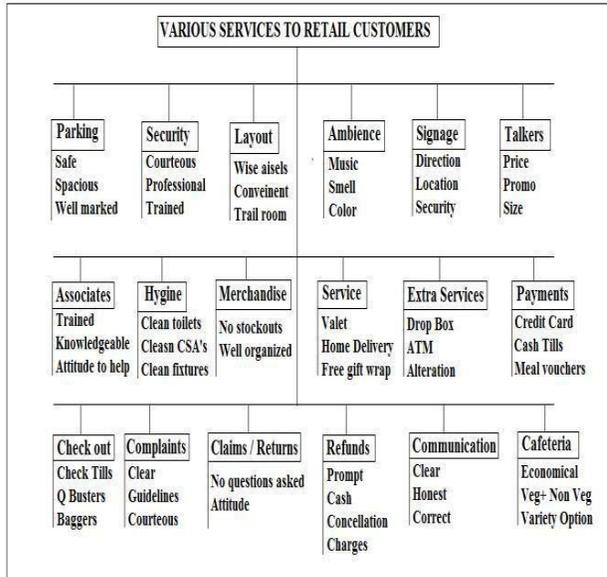
Reasons for the growth of retail industry in India:

- Emergence of Organized Retail. Spending Capacity of Youth of India. Raising Income and Purchasing Power. Changing Mindset of Customers.
- Easy Customer Credit. Higher Brand Consciousness.
- Increasing Disposable Income.
- Increasing no. of Dual Income Nuclear Families.
- Changing Lifestyle and Consumer Behavior. Experience with Formats.
- Store Design.

Customer Services in Retailing:

Retail customer service is like any other customer service: it's the act of providing customers with assistance, answering their questions and helping them solve problems. However there are some factors specific to this industry that make it important to learn and hone retail customer service skills. Doing so will lead to happier, more loyal customers.

FIGURE: 2



The Ten Commandments of Customer Service:

- Know who is boss. Be a good listener.
- Identify and anticipate needs.
- Make customers feel important and appreciated.
- Help customers understand your systems. Appreciate the power of 'Yes'.
- Know how to apologize.
- Give more than expected and treat employees well.
- Get regular feedback.

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:

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.

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



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- 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).
 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

Suggestions for overcome the challenges for Organized Retail:

- Acceptance of Industry Status to Retail:** industry status should be given to improve retail development, to facilitate organized financing and to establish insurance norms. **Incentives for Investments:** Tax holiday norms for cold storage chains, infrastructure and investment in supply chain should be enacted.
 - Comprehensive Legislation:** comprehensive legislation should be drafted and enacted with futuristic approach.
 - 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.
 - 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.
 - Establishment of national commission on retail:** the national commission on retail must be established. The functions should be:
 - To set clear target for giant retailers for procurement.
 - Enforce uniform quality standards.
- Setup a regulatory body for the governing the operations of retail sector.



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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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