

Issues, Challenges and Prospects For Retailing in India For Global Competitiveness

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***Abstract-**Retailing in India is one of the pillars of its economy and accounts for about 10 percentage of its GDP. The Indian retail market is estimated to be US\$ 600 billion and one of the top five retail markets in the world by economic value. India is one of the fastest growing retail markets in the world, with 1.2 billion people. This paper attempts to articulate some of the notable contributions in the area of Indian retail industry and prelude to the search for future research.*

I. INTRODUCTION

Retail is India's largest industry, which accounts for more than 10% of the country's GDP and around 8% of the employment. The sector has grown into one of the most self-motivated and fast paced industries with numerous entrants in the market. The industry is set to become the next boom industry in India resulting to a paradigm shift of the whole concept of shopping format and consumer buying behaviour. The Indian retailing sector is at new juncture, where the growth of organized retailing and growth in the consumption by the Indian population is going to take a higher growth trajectory. The Indian population is witnessing a significant change in its demographics along with the demand and supply. The organized retailing in India accounts for 5% of the total market. (Ernest young 2006) Further the organized retail market in India is projected to grow at 25-30% per year in which the strategic globalization is yet to be committed for its accelerated growth. Although the market is highly sensitive the retail industry in India is still in its nascent stage.

One of the remarkable features and constrains of the contemporary retail scenario has been the propagation of private capital flow in the form of Foreign Direct Investment (FDI) since the new millennium. India offers a huge economic opportunity, both globally and domestically for the emerging players of the scene. This phenomenon may be related to the broader context of retailing as well as its liberalized business environment in which most developing countries have moved to market-oriented strategies. In India, the policy frameworks are yet to decide over the particular areas FDI should be promoted and how it should be identified, mainly because of the lack of political will (FICCI, (2005). The present study enlightens to various issues and prospects for global competitiveness India's retail segment.

II. REVIEW OF LITERATURE

A good number of studies have been conducted in the field of globalisation of retail industry in India, emphasizing the needs and importance of the same. A few important studies are reviewed on account of its importance of the context is briefly analyzed below.

The globalization Indian retail sector has been critically examined by the studies made by Vidpuriswar A.V, (2001), Wrigley, N and A. Currah (2003), Agarwal, D.P. D. Singh, S. Kabiraj and A. Andrews (2003), CII-KSA Techno-Park (2003), McKinsey & Co, Inc, (2000), Miao-Que, Wen-Kuei Liag (2003). The studies insist the government for inviting global players to Indian retail sector with a view that the current boom in Indian retail sector and its opportunity of high end growth.

Three important studies on foreign investment of Mohan Guruswamy, Kamal Sharma, (2006) Mohan Guruswamy, Kamal Sharma, Jeevan Prakash Mohanty, Thomas J. Korah, (2005) and Kamal Sharma Jeevan Prakash Mohanty, (2005), are of same opinion and fairly criticizing the FDI in Indian retail on account of its social impact such as creation of unemployment, adverse impact on Indian agrarians society.

In case of international experiment the papers of Davies, K. (1994). "The Implications of Foreign Investment in the Retail Sector: The Example of Singapore, AT Kearney Report (2004), Emerging Market Priorities for Global Retailers, and Asian Development Bank Outlook (2004), Impact of Foreign Direct Investment, are of a view that the foreign direct investment in development economies has its ultimate impact and results which has been discussed by some country case studies in all the papers and strongly recommend to eliminate the barriers of government regulations.

One of the authentic study or report on Indian retail sector and invitation of foreign players towards the retail sector is of Arpita Mukherjee, Nitisha Patel (2005), FDI in Retail Sector: India, is very clearly provides the centre fact that is supporting and recommending 100% FDI should be promoted and implemented as soon. Similarly the working

papers of ICRIER, Mukherjee, A, (2002), Distribution Services: India and the GATS 2000 Negotiations, and Banga, R. (2005). Trade and Foreign Direct Investment in Services: A Review, are of same opinion about the globalisation of Indian retail industry and that too accountable as a part of WTO negotiations.

The report of Ernst & Young, (2006) The Great Indian Retail Story is one of the important study on the changing face of India retail Perspective and Gateway to India's changing face of consumerism and challenges of future Indian retail. The FICCI, (2005), FDI in Retail: A Policy Perspective, KSA Technopark, (2003), Indian retail industry and The Economic Times, Knowledge series (2003), Changing Gears, Retailing in India, have predicted the high growth of Indian retail sector in near future and that too found out that the foreign investment will play a vital role in the sudden increment in the retail trade.

III. RESEARCH GAP AND SCOPE OF THE STUDY

There are a number of studies regarding Indian retailing especially in globalization of retailing through attracting FDI. The followers of FDI and widening of organized retailing has a similar common view of mass employment opportunities whereas the critics point out the same fact that one organized retail can make 10 quality jobs substituting unemployment of 100 unemployment. The studies made on the basis of the issues have not covered the aspects of enormous amount of consumer surplus and the strategic investment in the sector.

The present paper makes an earnest attempt to analyze the real issues and problems of Indian retail industry which can be substituted by strategic approaches through government's initiation. It also traces out the implications and prospects of FDI in retailing for future agenda for accelerated growth. The paper has a typical view on all the issues such as accomplishment of 100% of FDI in the retail sector which is very divisive and most significant in nature the paper further delves into the fact that with full commitment of the government towards the organized retail sector the spirit of global competitiveness in Indian business sortie should be infused. In a nutshell the paper takes the wholehearted attempt to bring out a set of recommendations, and strategies for enhancing global competitiveness in Indian retail industry keeping a balanced view of whole gamut the socio- economic aspects.

The present study is an empirical work based on the both international and Indian scenario of retail industry which is going to be grown at least 25% in a year without making

further overtone. The study has taken into consideration that the sector is growing automatically without doing any commitments as usual and only growth can be accelerated through the commitments. The researchers would make relevant comparison of Indian retail industry with other nations according to the time. The researcher is of a strong opinion that these case studies would be able to represent the total trends of the all India especially urban India, which, the scope can be justified on the basis of the following objectives.

IV. OBJECTIVES OF THE STUDY

- i. To find out a futuristic view of India's retail industry.
- ii. To find out the need for 100% FDI in retail industry in near future.
- iii. To identify the real issues and challenges of the industry for global competitiveness with a great support of FDI in Indian retail which has been already proposed up to 100% by the government of India
- iv. To find out the solutions for managing these issues and challenges and to make suggestions and recommendations for further improvement in the policy reforms and future performance considering the government policy perspectives and people's welfare according to the case studies taken by the author.
- v. To make some relevant comparison with other nations of the world for better understanding of India's position in global scenario
- vi. To identify the future perspectives of Indian retail industry and policy perspective, pattern & trends in investments, implication and strategies.

Present Scenario of Indian Retail Industry: A Bird's Eye View

Retail growth in the coming five years is expected to be stronger than GDP growth, thanks to the changing lifestyles and strong income growth, which in turn will be supported by favorable demographic patterns and the extent to which organized retailers succeed in reaching lower down the income scale to reach potential consumers towards the bottom of the consumer pyramid. With this growing consumer credit, consumer demand will also be boosting.

The structure of retailing is also expected to develop rapidly. Shopping malls are becoming increasingly common in large cities, and announced development plans project at least 150 new shopping malls by 2008. The number of department stores is growing much faster than overall retail, at an annual

24%. Over the last two decades, supermarkets have been taking an increasing share of general food and grocery trade.

However, Distribution continues to improve, but it still remains a major inefficiency. Poor quality of infrastructure, coupled with poor quality of the distribution sector, results in logistics costs that are very high as a proportion of GDP, and inventories, which have to be maintained at an unusually high level. Distribution and marketing are of huge cost in Indian consumer markets. It is much easier to cut manufacturing costs than to cut distribution and marketing costs. (Mukherjee Arpita, Patel Nitisha (2005))

Besides, the government of India has relaxed regulatory controls on foreign direct investment (FDI) considerably in recent years, while retailing currently remains closed to FDI. In 2005, the Indian government had indicated that liberalization of direct investment in retailing was under consideration. The proposal allowed 51% FDI in “single brand” retail. The arrival of foreign players in consumer retailing, could be considered as another major change in Indian consumer markets. FDI remains highly restricted to retailing; most of the companies believe that this would not remain for long. Indian companies know Indian markets better, but foreign players will come in and challenge the locals by sheer cash power, the power to drive down prices. (Report of McKinsey & Co, Inc, (2000),)

The Indian retail sector is highly fragmented with 97% of its business being run by the unorganized retailers, just like the traditional family runs stores and corner stores. The organized retail is at its initial stage though attempts are being made to raise its proportion to 9-10% by the year 2010 bringing in a huge opportunity for prospective new players. The retail sector is the largest source of employment after agriculture, and has deep penetration into rural India generating more than 10% of India's GDP. (The Economic Times, Knowledge series (2003),)

Recently, this sector has grown significantly with the key drivers being changing consumer profile and demographics, increase in the number of international brands available in the Indian market, economic implications of the government increasing urbanization, credit availability, and improvement in the infrastructure, increasing investments in technology and real estate building a world class shopping environment for the consumers. In order to keep pace with the increasing demand, there has been a hectic activity in terms of entry of international labels, expansion plans, and focus on technology, operations and processes. This has led to more complex relationships involving suppliers, third party distributors and retailers, which can be dealt with the help of

an efficient supply chain. A proper supply chain will help meet the competition head-on, manage stock availability; supplier relations, new value-added services, cost cutting and most importantly reduce the wastage levels in fresh produce

Large Indian players like Reliance, Ambanis, K Rahejas, Bharti AirTel, ITC and many others, have are making significant investments in this sector leading to emergence of big retailers who can bargain with suppliers to reap economies of scale. Hence, discounting is becoming an accepted practice. Proper infrastructure is a pre-requisite in retailing, which would help to modernize India and facilitate rapid economic growth. This would help in efficient delivery of goods and value-added services to the consumer making a higher contribution to the GDP. (The Economic Times, Knowledge series (2003),)

With China's retail sector becoming saturated, international retailers have started to look into India as the last retailing frontier left. However, the Indian Government restrictions on the FDI are creating ripples among the international players like Walmart, Tesco and many other retail giants struggling to enter Indian markets. As of now the government has allowed only 51% FDI in the sector to 'one-brand' shops like Nike, Reebok etc. (Miao-Que, Wen-Kuei Liag, (2003))

In the past few years, the whole concept of shopping has been altered in terms of format and consumer buying behavior. With the increasing urbanization, the Indian consumer is emerging as more trend-conscious. There has also been a shift from price considerations to designs and quality as there is a greater focus on looking and feeling good (apparel as well as fitness). At the same time, the Indian consumer is not beguiled by retail products which are high on price but commensurately low on value or functionality. However, it can be said that the Indian consumer is a paradox, where the discount shopper loyalty takes a backseat over price discounts.

Foreign Direct Investment in Indian Retailing

The current scenario of Indian retail is to be taken into consideration in context of FDI and the government's commitment to raise the limit of direct investment of foreign partners up to 100%. Global retailers have already been sourcing from India; the opening up of the retail sector to the FDI has been fraught with political challenges. It is worth mentioning that the only opening in the retail sector so far has been to allow 51% foreign stakes in single brand consumer stores, private labels, high tech items/ items requiring specialized after sales service, medical and diagnostic items and items sourced from Indian small sector (manufactured

with technology provided by the foreign collaborations). Parties supporting the FDI suggest that the FDI in retail should be opened in a gradual/ phased manner, such that it can promote competition and contribute to the growth of the Indian economy. (Asian Development Bank Outlook (2004),) The impact of the FDI would benefit the end user of the consumer to a great extent and will help to generate a decent amount of employment as more and more entrepreneurs would be coming forward to invest and taste the new generation in retail marketing. The opening of FDI should be designed in such a way that many sectors - including agriculture, food processing, manufacturing, packaging and logistics would reap benefits. Indian consumer is also witnessing some changes in its demographics with a large working population being under the age group of 24-35. There has been an increase in the number of nuclear families, increase in working women population and emerging opportunities in the service sector during the past few years which has been the key growth driver of the organized retail sector in India. The emergence of a larger middle and upper middle classes and the substantial increase in their disposable income has changed the nature of shopping in India from need based to lifestyle dictated. (Mukherjee Arpita, Patel Nitisha (2005),)

The Pros and Cons of FDI in Retail

The FDI in the retail sector has both advantages and disadvantages. To start with, while FDI allows inflow of investment and funds, it may give rise to cut-throat competition rather than promoting incremental business. Similarly, while it ensures improvement in the quality of employment, it would also promote cartels and creating monopoly. The FDI will increase local sourcing, at the same time it will also marginalize domestic entrepreneurs. Although FDI provides better value to end consumers, the financial strength of foreign players would displace the unorganized players. The FDI has also advantages like investments and improvement in the supply chains and warehousing, franchising opportunities for local entrepreneurs, growth of infrastructure, increased efficiency, cost reduction, implementation of IT in retail, stimulation of infant industries and other supporting industries. However, in the absence of proper regulatory guidelines, it may induce unfair trade practices like Predatory pricing. (Mukherjee Arpita, Patel Nitisha (2005),)

Employment Opportunities in Retail Sector

The Indian retail sector offers economic opportunities at a huge scale both globally and domestically. This sector yields many positive results like generating more jobs and bringing numerous goods to the consumers at reasonable

prices. According to Ernst &Young's report 'The Great Indian Retail Story' this sector is expected to create 2 million jobs by 2010. About 4 crore people are employed in retail trade, assuming each person supports a family of 5, this, implies that about 20 crore people are dependent on this sector. For a vast majority of the households, retailing is a euphemism for a marginal existence. Modern retail formats have generated huge employment for the young and even senior citizens and women wanting to work part-time (even in small towns). People have greater exposure to the technical aspects, training and also earn higher salaries along with bonuses and incentives. With foreign companies opening expanding in India, employees are being re-trained according to international standards and practices that are being bought in. There is also an increase in the number of retail management programmes and institutes. This will bridge the gap in availability of talented professionals at the middle and lower levels. Successful Indian retailers are creating a robust second and third level of management by hiring aggressively for these key roles. Talented professionals will put increased pressure on wage costs. Therefore operating margins, especially for mid-sized retailers, are becoming a poaching ground for international retailers once they enter India. (Ernest young 2006)

With private companies getting into retail, there are people employed from diverse cultures (no room for reservations unlike government owned stores) where there is a sense of unity in diversity. The companies are also employing people who are physically handicapped. The next few years are expected will see the sector offering new jobs to 50,000 young graduates and diploma holders. A host of traditional 'brick and mortar' companies such as Tatas have entered the retail business. With demographic changes like rising disposable incomes and rapidly expanding middle class, the Indian retail sector is at an inflexion point where the growth in consumption and growth of organized retailing are taking it towards higher growth. Market liberalization and an increasingly assertive consumer population have attracted bigger Indian and multinational operations to make investments, but are yet to achieve success or reach break even.

The Indian consumption pattern and preference have undergone vast changes over the years allowing the foreign retailers to play with the psyche of the brand conscious modern Indian, who has no qualms spending a fortune on overhauling his wardrobe. This led to the entry of up-market brands like Nautica and New Balance into the country to cash in on this opportunity.

India has the youngest population in the world, with large population between 20-34 age groups in the urban regions boosting the demand. All these factors have tempted the foreign firms such as Walmart, Tesco and Carrefour to enter India. India is now firmly placed on the US and UK radars as US retailers are gradually realizing the potential of the retail and consumer goods sector. The timing is the most important source of competitive advantage for global and regional retailers in the globalization race.

Consumer Surplus and Organized Retailing

This is one of the benefits associated with organized retailing that whatever is the expected price in an organized retailing; the prize will be more through unorganized retailing thus it create consumer surplus. The figure one is presenting apparent view of futuristic retailing with the assumption that there is no tax and transport charge only middle men’s margins has been considered. In unorganized retailing if manufacturing cost is Rs.100, the product is reaching to the final consumer at Rs.124 whereas in organized retailing (futuristic view) the prize of product for final consumer is only Rs.110 due to elimination of unnecessary middle men’s margin comparatively less profit of retailer due to economy of large scale. There for consumer surplus is generated in futuristic view of retailing

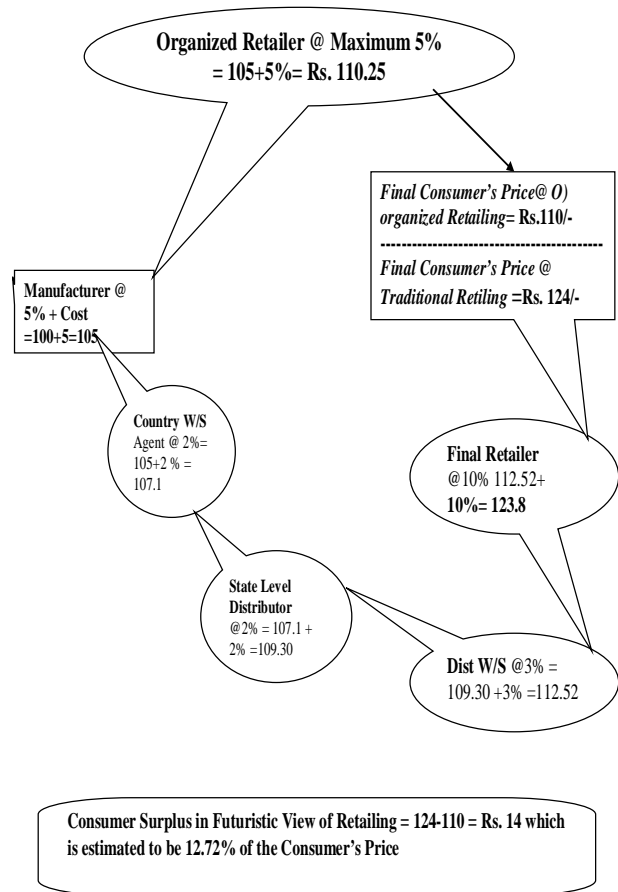


Figure 1
Futuristic View of Retailing

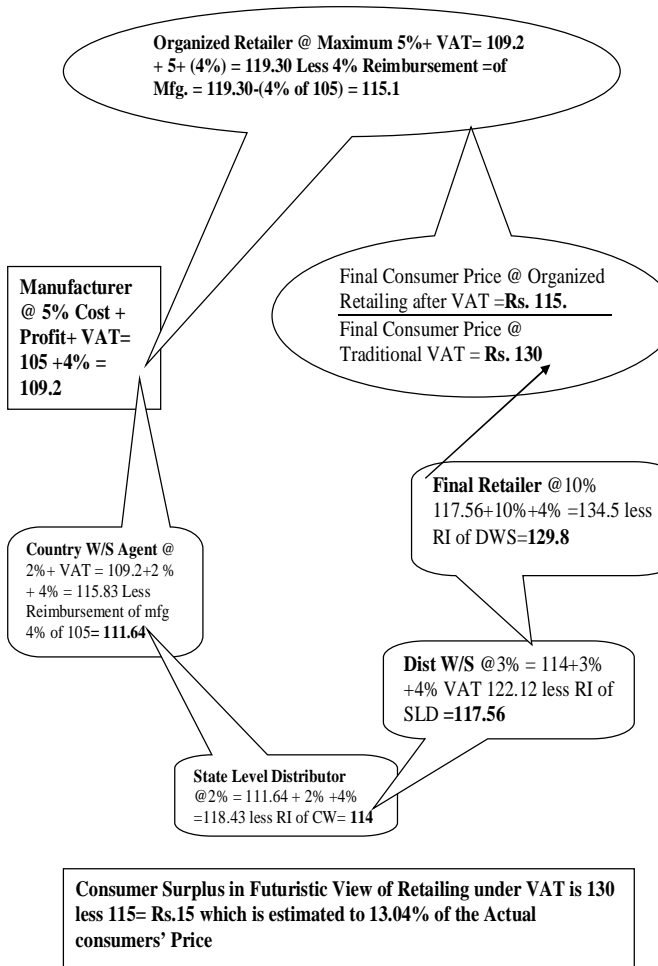


Figure 2

Implication of Value Added Tax in Futuristic View of Retailing

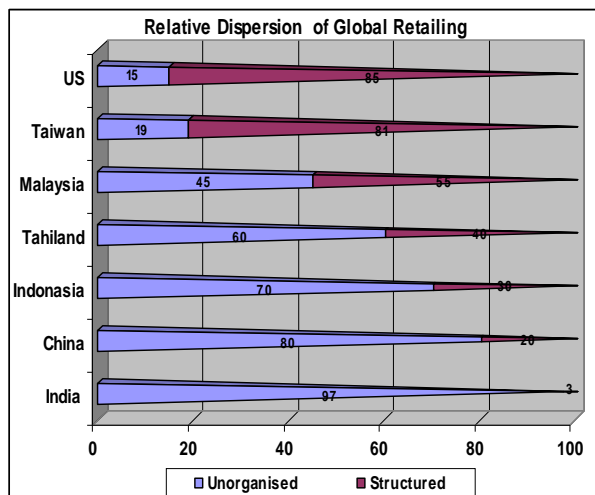


Figure 3

Source: Ernst & Young

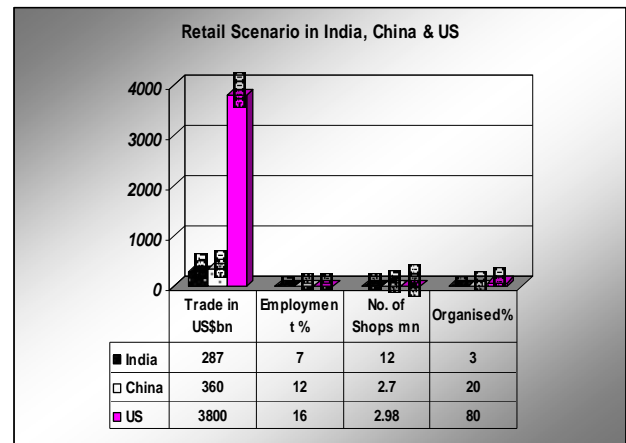


Figure 4

Source: Ernst & Young

The figure 4 is based on retail scenario in India china &US. The figure comprises share of organized retailing and the share of employment by retailing in total employment, also it shows per million inhabits and trade by organized retailing in US\$b. For the sake of analysis only 3 countries have been selected due to the importance of each one in the realm of retailing. In US share of organize retailing is more than any other country and China it is the biggest competitor for India, Share of organized retailing in USA in 80% while in china and India it is 20% respectively. As far is shops per million inhabitants is concerned china comes at bottom followed by America but India more than any other country i.e. 12000 which shows large number of small retailers in India who cannot give competition to future coming giants. In case of retail employment opportunity America is largest provider of employment of 16% proportion were as china is provided employment for 12% workforce but share of India is only 7% in retail employment and in trade India is having only US\$ 287 million

Table 1

Trend of Total Retail Segments Perspective for 2010-11

Segments	2000-01	2005-06	2010-11
Clothing & Textiles	44.00	39.00	34.57
Food & Grocery	17.00	11.00	7.12
Consumer Durables	7.00	5.00	3.57
Foot Wear	10.00	9.00	8.10
Furniture And Furnishing	6.00	8.00	10.00
Catering Services	3.00	7.00	8.00
Jewelers And Watches	4.00	7.00	9.00
Books Music And Gifts	1.00	3.00	5.00
Mobile	1.00	3.00	5.00
Others	7.00	8.00	9.64

Source: Ernst & Young

The table 1 regarding the segmental trend of the total retailing presents the projection of the futuristic portfolio of retails segments where clothing and textiles was on the top in 2000 became 39% now and expected to decrease to 34% and more in future that indicates the traditional segments is going to be matured and new and fashion and allied segments are getting the pace due to increase in disposal income of people. From the table it is very clear that in case of mobile, books and music, jewellery and catering services have the maximum growth and the hierarchy of growth is from bottom to top. Again the trends in segments of the retailing is very clear that the segments such as the furnishing and allied are also have had the pace of the total trend.

Table 2
Segmental Projections of Urban and Rural Retail Perspectives (2010-11)

Segments	Urban 2000-01	Rural 2000-01	Urban 2005-06	Rural 2005-06	Rural % Changes	Urban % Changes	Rural Prj 2010-11	Urban Prj 2010-11
Food	75.00	25.00	64.00	36.00	11.00	-11.00	54.61	45.39
Clothing & Foot Wear	73.00	27.00	61.00	39.00	12.00	-12.00	50.97	49.03
Consumer Goods	61.00	39.00	57.00	43.00	4.00	-4.00	53.26	46.74
Consumer Durables	41.00	59.00	50.00	50.00	-9.00	9.00	60.98	39.02
Consumer Services	31.50	68.50	44.00	56.00	-12.50	12.50	61.46	38.54
Entertainment	21.50	78.50	33.00	67.00	-11.50	11.50	50.65	49.35

Source: Ernst & Young

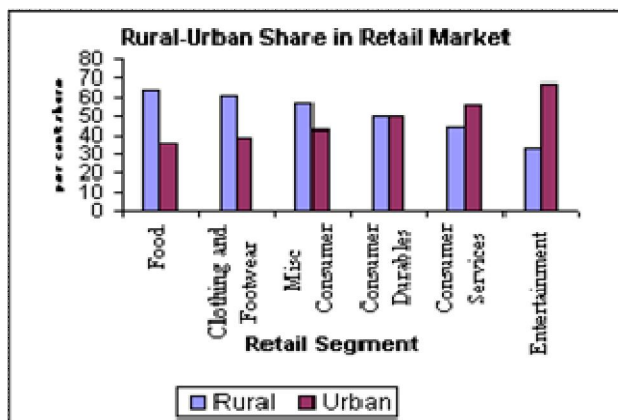


Figure 5

The table 2 on the segmental projection of the urban and rural comparison also focuses on the cultural divide between the rural and urban people. Earlier the food and clothing was the important target of the rural people, and now it is the time of spending disposal income of the rural people that is diverting to the segments such as entertainment, consumer services and consumer durables. The urban rural proportion of traditional segments such as food clothing and

consumer goods are going to become equal along with its maturity as stated in the table 1. The table and figure 5 also predicts the future trend in urbanization of rural areas and the gap between the both are going to be eliminated due to continuous increase in income. According to the facts and figures the state of Kerala is at least five 10 years a head of other states urbanization of rural areas where prediction can be made that after five years same proportion is likely to come to most of the states.

Table 3
India's Total Retail Segment's Perspective 2010

Segments of the Products and Services	Total Retailing US\$ million	Organized Retailing US\$ million	2000 % Share	2004 % Share	% Change	Prj 2010 % Share
Food Grocery	6150.00	29.00	0.11	0.47	328.68	2.80
Clothing Textiles & Fashion	800.00	109.00	6.40	13.63	112.89	36.70
Jewelers	435.00	9.00	1.23	2.07	68.21	4.19
Catering Services	350.00	20.00	3.20	5.71	78.57	12.45
Furniture & Furnishing	330.00	22.00	3.12	6.67	113.68	18.03
Consumers Durables	320.00	25.00	3.45	7.81	126.45	22.63
Health, Beauty & Pharma	300.00	5.50	0.96	1.83	90.97	4.34
Mobile & Allied	130.00	8.00	1.89	6.15	225.60	26.98
Footwear	100.00	25.00	15.36	25.00	62.76	48.54
Books & Music	82.00	8.00	6.53	9.76	49.40	16.99
Watches	28.00	11.00	24.00	39.29	63.69	76.82
Health, Beauty Care Srvce	25.00	1.50	4.40	6.00	36.36	9.27
Entertainment	25.00	6.00	16.12	24.00	48.88	41.60
Total	9300.00	280.00	1.50	3.01	100.72	7.56

Source: Ernst & Young

From the table 3 on the total retail perspective of organized and unorganized sector is found out that the pace of growth is less in comparison with emerging segments and the larger segments such as food and grocery cannot cross a particular level due to scattered nature and huge quantity of which is mainly based in rural small retailers. But in clothing and fashion the share of organized sector is going to increase even important for rural and urban people and it is more concentrated in nature. The share in entertainment, watches, and footwear are matter of increasing income status of the public because when income increases individual demand will be more on quality products which is already available in organized format.

Again from the table it can be summarized that the segments such of luxurious products such as health beauty, branded mobile handsets, books and music and furnishing are likely to become leaders of organized format where the maximum growth has shown by the table 2. Also the share of total organized retailing is going to achieve landmark of 10% in the conclusion of the next quyaqnaile (5 years) phase.

The major target of the FDI organized retailing is the unification of both wholesaler and retailer and providing benefit of economy of the large scale to the ultimate consumers. India made its economy liberalized for global players in 1991 as policy matter. The post liberalization globalization wholesale and retail market is considered as post FDI too. To analyze the impact of foreign direct investment (FDI) in the retail sector it is necessary to consider both retail and wholesale market. The trend in the total organized retail and wholesale market it is very much transparent from the table 4. the table 4 on the pre FDI regime of the wholesale and retail market is having a normal growth with the index number of 500.

Table 4
India’s Wholesale& Retail Market in Pre FDI Regime

Year	Total Retail & Wholesale US\$B	Growth	Index
1975	18	50.00	100.00
1980	29	61.11	161.11
1985	57	96.55	316.67
1990	80	40.35	444.44
1991	90	12.50	500.00

Source: ICICI Bank

The table is also clearly pronounces the 15 years trend of retail and wholesale in general that attained a growth of only five times and from the table the authors drawn the trend line for the year 2006 by applying regression technique that has shown in the figure 6.

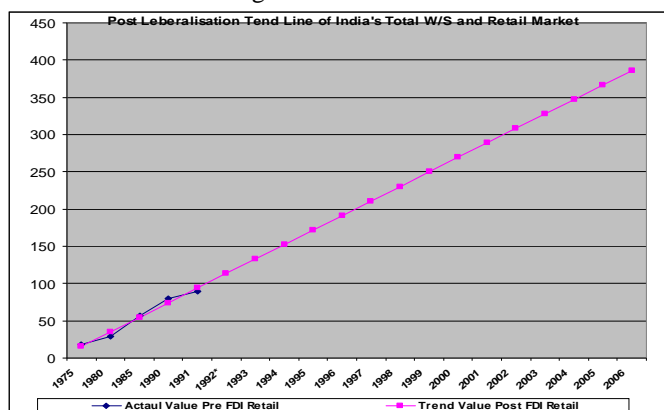


Figure 6

Source: table 4

The trend line drawn on the basis of pre FDI regime is having normal curve slop upward which lies on US\$ 386 b in 2006 and that too the data is considered to be uniform for the 15 years of pre liberalization regime.

The table 5 on the post liberalization retail and wholesale market is shown and the actual amount for 2006 is US\$ 633b. Also it as an index number of 3516 with an average growth of 14.22% per year, the regression line drawn on the basis of pre FDI for 2006 was 386 and that for other years too was more than the estimated. It is further summarized that there is a clear divide in 1992 onwards figures.

From the table 5 the figure 7 has drawn by regression line equation which presents that if the current situation prevails with the existing degree of reforms, the amount for the year 2015 will be US\$ 850b.

Table 5
India’s Wholesale& Retail Market in Post FDI Regime

Year	Total Retail & Wholesale US\$B	Growth	Index
1992	99	10.00	550.00
1993	141	42.42	783.33
1994	179	26.95	994.44
1995	207	15.64	1150.00
1996	240	15.94	1333.33
1997	256	6.67	1422.22
1998	275	7.42	1527.78
1999	299	8.73	1661.11
2000	324	8.36	1800.00
2001	343	5.86	1905.56
2002	375	9.33	2083.33
2003	422	12.53	2344.44
2004	479	13.51	2661.11
2005	548	14.41	3044.44
2006	633	15.51	3516.67
Mean	321.33	14.22	

Source: ICICI Bank

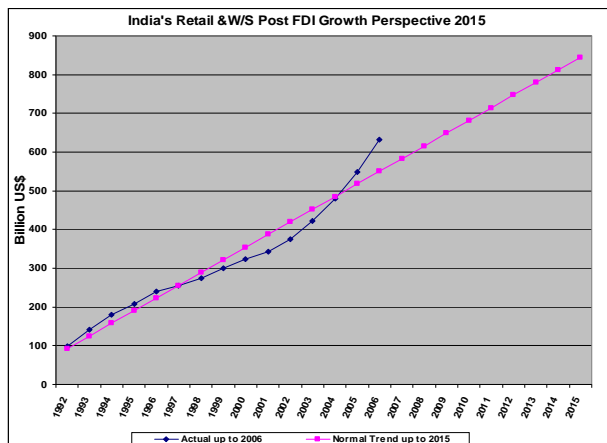


Figure 7

Source: table 5

If more liberalized policy is adopted and more FDI is allowed then the figure will be much bigger as in the deference between table 4 and figure 6.

Table 6
Exhibit Growth in Organized Retail (US\$ m)

	2002	2007	GAGR	2020
Large Segments	1924	5024	21	59876.92
Other Segments	1315	2645	15	16274.12
Non Store Retailing	239	422	12	1841.394
Total Organized	3478	8091	18	69577.42

Source: Economic Times Retail Knowledge Series These

The exhibits of future trend in organized retailing in India again predicting large and small segmental view of retailing. The table 6 on the retail formats in 2002 and 2007 has a CAGR of 18% amounted to US\$ 8091b. According to the trend and growth rate the figure of 2020 is being predicted that the large segments are getting a head of the total retailing with almost 60000 resulted in total of 70000. Again the statistics of area of organized retailers in the table 7 has presented the status up to 2005 where the predicted area of total organized retailing in the year 2020 is 62 million squire feet but mostly the areas are of metropolitan cities.

Global Scenario of Retailing (India’s position in world not competence but strength and opportunity)

The current scenario of global retailing has gone ahead of India in many aspects. India the world’s number two in population is still on a double minded view and policies towards the major reforms, on the one hand fear of mass

unemployment due to development of organized retailing. On the other hand due changing international scenario, urbanization, increasing income, liberalized policy for growth of organized retailing is also necessary. India is number one in number of retail shops in the world and more than 8% of the total employment is generated by the retail industry itself and in global scenario it is very clear that India gives competition in many sectors for even developed nations of the world with its liberalized policy but in retail it is far behind the other developing countries;

The table 8 regarding Retail through Non Grocery Retailers by Type shows the current status of Indian retail segments in comparison with the selected economies where India comes only after Indonesia. The table is very clear that where ever the organized retailing has flourished the share of disposal income and luxurious buying is more. India is far behind all the other countries with large potential of growth opportunity. USA Japan, the number one and two in organized retailing with at least 80% and 60% share of organized retailing respectively have very less market potential comparing with India. India can attain the same target with less than that much share just with its strength of population and number of shops.

Table 7
Growth of Retail Space in India in Sq’Ft Million

2001	2
2002	3.5
2003	6.5
2004	16.5
2005	21.5
2020	62

Source: Cygnus

Table 8
Retail Through Non Grocery Retailers By Type 2005

Country	Mixed Retailers	Health & Beauty	Clothing & Footwear	Home Furnishing	Durable Goods	Leisure & Personal	Others Non Grocery	Total
Australia	13,965	8,986	8,886	18,734	9,273	8,918	470	69,232
Brazil	3,142	5,759	10,552	19,283	10,263	9,542	3,526	62,067
China	40,814	39,574	14,584	34,890	45,293	46,258		221,412
Germany	29,421	67,605	42,334	71,300	26,160	34,396	2,714	273,931
India	473	6,036	3,898	552	2,833	1,556	3,243	18,591
Indonesia	1,798	2,273	7,273	1,387	2,467	2,603	4,669	22,468
Japan	195,975	93,967	81,438	58,714	69,110	52,923	79,348	631,473
Malaysia	1,690	1,600	648	1,356	639	807	2,971	9,710
UK	42,676	25,789	62,493	50,299	25,899	44,826	13,100	265,082
USA	536,131	215,761	154,089	345,324	98,288	161,513	52,043	1,563,149

Euro monitor international from national statistics

Table 9
Most attractive developing markets for retail by region

Regions	2002 % Share	2003% Share	2004% Share	2005% Share	2006% Share
Asia	30	35	30	30	40
Eastern Europe	30	40	45	55	35
Middle East	15	20	20	10	15
America	20	5	5	5	10
Africa	5	0	0	0	0
Total	100	100	100	100	100

Source: AT Kearney, GRDI 2006.

The table 9 on AT Kearney' ranking of most attractive regions of the world for organized retailing and most developing market for the last five years Asia is the number one due to the presence of two fast growing economies India and China but India is holding the key growth orientation. In other region Eastern Europe has 35% growth orientation but there was a mild fluctuation in the ranking of other regions. American region is already matured and in African region it is most dangerous for external investors. The share of Middle East is mainly of foreign players especially British and American dominated.

Table 9
Retail As A Proportion Of Consumer Expenditure 2000-2005

Country	2000	2001	2002	2003	2004	2005
Australia	31.9	32.1	32.3	33.1	33.3	33.8
Brazil	24.9	24.5	24.2	23	24.4	23.8
China	40.1	38.6	41.8	43.7	47.4	51.5
Germany	37.5	36.8	36.4	36.5	36.3	38.1
India	17	16.9	17.1	17.5	17.7	18.1
Indonesia	47.5	45	42.8	43.7	44.2	45
Japan	41.1	40.7	39.9	40	39.4	40.2
Malaysia	30.7	29.6	29.5	29.1	30	30.1
UK	36.6	36	36.4	37.3	37.6	38.5
USA	30.2	30.3	30.2	30.1	30.6	30.3

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The table 9 on the retail expenditure of the people as percentage of consumer expenditure shows that the expenditure of Indian population is scattered and unidentifiable and in comparison of other nations it is only 17% in 2000 and the trend shows a gradual increase in that. The other developed nations such as UK USA, Japan and Australia, Germany are having a consistency in their share of expenditure but India and china show the fluctuation due to increase in organized retail outlets. The share of Brazil, the member country of BRIC and Indonesia are the two large

populated countries are also showing a big chunk due to early liberalization of their economy and immediate commitment with organized retailing.

Table 10
Top Five Direct Selling Retailers:
Concentration Ratio, (% Share)

Country	Ratio Top Five	Share of Others
Venezuela	97.1	2.9
Thailand	93.57	6.43
Indonesia	93.23	6.77
India	86.65	13.35
China	83.89	16.11
Brazil	54.19	45.81
Australia	40.61	59.39
Italy	38.83	61.17
USA	26.48	73.52
Japan	12.4	87.6

Source: www.euromonitor.com and World Retail Data and Statistics, 2006-07

The table 10 regarding the statistics of direct sellers and the top five players' concentration ratio is showing a mind boggling proportion for India in comparison with other nations. The top five players in direct selling cover more than 86.65% in India whereas in US and Japan it is only 26% and 12.4% respectively. The statistics of the table shows a wide scope of new players in direct selling market, whereas in US and Japan the market is already saturated and there is no scope for entry of new players in the scene. The countries such as Venezuela, Thailand, Indonesia, the total market is more concentrated than India and the business is restricted to only the top five players. Therefore the need of an hour is to consider the new applicants in the market in realm of retailing to make it more competitive and more beneficial for customers.

Table 11
Top Five Internet Retailers : Concentration Ratio
(%Share)

Country	Top Five Ratio	Share Of Others
Columbia	83.52	16.48
Ireland	76.36	23.64
South Africa	67.63	32.37
Finland	66.76	33.24
Brazil	66.42	33.58
India	56.76	43.24
UK	35.87	64.13
USA	15.22	84.78
Japan	13.27	86.73
Italy	2.73	97.27

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Another organized format of retailing is through internet and internet business or E-commerce in India is still to be developed and promoted. Currently internet is not much popular in rural areas and government is going provide free broadband by year 2008 to all the subscribers of BSNL and MTNL. This will bring a drastic change in e-business even in villages. The current statistics regarding top five players' concentration in the market India is in a good position comparing to other developing countries and direct selling market. The concentration ratio of top five is 56.76% where still scope for new entries and by 2010 the market can be more competitive in nature.

The countries such as Columbia, Ireland, South Africa Finland and Brazil, the e-business players are few in numbers. The share of top five is more than 70% in these countries and nature of competition is very less. In Italy, US, Japan, and UK the market is already saturated and scope of new entry is restricted to a certain extend. India has the ideal potential in IT and ITES and good communication network can enable the internet based retailing free and maximum reach to the rural public. Due to the quality communication network and large English speaking population with potential IT experts, India may become global hub for internet based retailing and that too with cheep cost and bonanzic quality assurance.

V. CONCLUSION

Retail industry in India has grown to the level of one of largest contributor of the GDP with at least 8% of total employment of the country. It has grown into one of the most dynamic and fast paced industries with several players entering the market. In India, it is all set to become the next boom industry, as the whole concept of shopping has altered in terms of format and consumer buying behavior, leading in a revolution in shopping. India's organized retail market is projected to grow at 25-30% per year, yet to be committed with strategic globalization for its accelerated growth.

Recently, this sector has grown with significance with the key drivers being changing consumer profile and demographics, increase in the number of international brands available in the Indian market, economic implications of the government increasing urbanization, credit availability, and improvement in the infrastructure, increasing investments in technology and real estate building a world class shopping environment for the consumers. The Indian retail sector is highly fragmented with 3 to 5% of its business being run by the organized retailers, just like the traditional family runs stores and corner stores.

The post FDI retail regime has witnessed a huge divide in the total retail business and the taste and choices of the consumers. The global scenario of organized retailing has also influenced Indian customers as well as the network of the retail chains. The present scenario of retailing is associated with issues and challenges for Indian economy to make India global leader.

India is the least competitive as well as least soaked of all major global markets. This means that there are considerably low entry barriers for players trying to setup foundation here, in terms of the cutthroat landscape. The global retailers such as Carrefour, Tesco Wal-Mart, and Casino would take advantage of the more favourable FDI rules that are likely to come in India and enter the country through partnerships with local retailers such as Bharati, TATA, and Reliance. Other retailers such as Marks & Spencer and the Benetton Group, who operate through a franchisee model, would most likely adopt a hybrid ownership structure with supermarkets, and hypermarkets. However, in order to achieve breakthrough growth the global retailers might have to face some glitches in India. High taxes, poor infrastructure, redtapism and bureaucratic obstacles and high cost of real estate are some of the challenges that overseas retailers may have to address in the country.

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