

ROLE AND CHALLENGES OF SUPERMARKETS IN ORGANIZED RETAILING – A CONCEPTUAL APPROACH

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Abstract

Over the last two decades, the Indian retail market witnessed phenomenal changes, evolving rapidly from traditional shops to large multi-format stores in malls offering a global experience, and on to the highly tech-driven e-commerce model. Indian Retail sector is one the fastest growing industry in the world. It is expected to grow to 1.3 trillion USD by 2020, registering a CAGR (Compound Annual Growth Rate) of 16.7% over the 5 years ranging from 2015-2020 with 5th largest retail destination in the world. The retail sector is booming everywhere be it metro cities or the Tier-II and tier-III cities. The Government of India has introduced major reforms to attract FDI in the retail industry. The government has approved up to 100 % FDI in single brand retail and 51% in the multi brand- retail. All of these stats signify that the retail sector is as dominant as ever and any reform in the country which anyhow affects the working of the sector shall have a huge impact on it. This paper examines the relative importance of the various products purchased at organized retail outlets and the choice of format, the consumer has when purchasing a products through supermarkets. The paper also discusses the expected development of organized retail in the future, focusing on aspects with potential effects on consumer purchasing behaviour and the challenges faced organised retailing in current scenario. Not all items are equally important for retail outlets and various products need specific retail formats. In India there have been a great successful brand both national as well as international brands and again it has been realize that brands are sustaining power to stay in the competitions.

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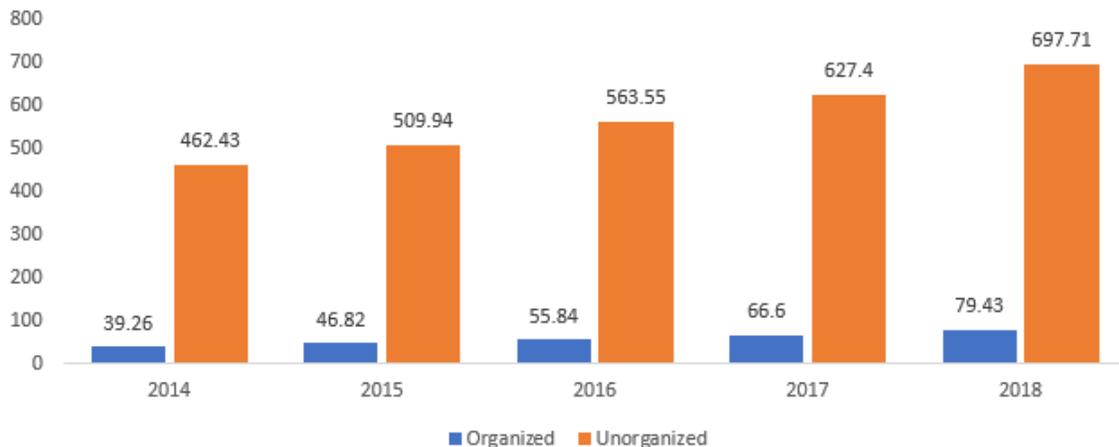
Key Words: Retailing, Organized Retail, Supermarkets.

1.INTRODUCTION:

Organized retailing comprises mainly of modern retailing with busy shopping malls, multi stored malls and huge complexes that offer a large variety of products in terms of quality, value for money and makes shopping a memorable experience. The retail sector is presently undergoing a transition in India. Previously, customers used to go to kirana Stores to purchases their necessities. This later changed to bigger shops run by one man with a few employees. Here all the work was done manually. Gradually more sophistication seeped into this sector and department stores came into being. Beginning in the mid-1990s,

however, there was an explosion of shopping malls and plazas where customers interacted with professional and not with just one single person –the owner. An important point here is that customers’ requirements are catered to by trained staff. Today, organized retailing has become an experience characterized by comfort, style and speed. It is something that offers a customer more control, convenience and choice along with an experience. Organized retailing is on continuous increase of its market share from the past. Retailing can be categorized as of different sectors like food and grocery, clothing and textiles, consumer durables, footwear, furniture and furnishing, catering services, jewellery and watches, books, music and gifts, mobile handsets and others.

Indian Retail Market - Organized Vs Unorganized (in \$ Billion)



Indian Retail Market Size has been super lucrative for brands across the globe. At \$700 billion the India retail market is

under penetrated by a lot of products and services. Unlike developed markets, the Indian retail market size is dominated with

unorganised Mom and Pop stores serving the nation at large. Of late, eCommerce companies have made major investments in the country to cater to various categories. With Walmart buying a controlling stake in India's leading e-tailer, [Flipkart](#), the India retail market size should expect a boom and consumers should soon see products from various categories delivered at their doorstep.

The focus of Flipkart, Amazon and PayTm now moves to categories including the fast moving Groceries, Lifestyle etc. However, this game needs to be played differently all together. The competition to eCommerce is not the organised trade players but the unorganised *kirana* shops which offer unmatched convenience, credit and delivery basis a lasting relationship.

2.LITERATURE REVIEW:

Ravichandran (2010) and Vu Thi My Chinh (2008) examines the influence of perceived service quality on customer satisfaction. They conclude that increase in service quality of the banks can satisfy and develop customer satisfaction, which ultimately retains valued customers. They affirm that the service quality level in the proposed study on private banks was at adequate level and the regression on

overall service quality lists out the various serviqua items which has a spread in all the dimensions of the serviqua model. Justin Beneke (2012) his research considers which aspects of retail service quality impact upon customer satisfaction and, ultimately, pay dividends in terms of generating store loyalty amongst urban shoppers in the middle to upper market segments. The results from the analysis concluded that two constructs, namely Physical Aspects and Personal Interaction, had a direct relationship with Customer Satisfaction. Lau Pei Mey (2006) his research assessed the expectations and perceptions of service quality in Malaysia's hotels by applying a modified version of the SERVQUAL model. Comparisons among Malaysian hotel guests, hotel guests from other Asian countries, and non-Asian were undertaken. The findings indicated, as a whole, that the hotel guests' perceptions of service quality provided by the hotel industry were lower than their expectations John E. Swan(1998)Contemporary research on service quality and satisfaction has limitations. popular paradigms assume consumers' determination of service quality and satisfaction is based solely on a set of attributes. Symbolic interaction and ethnographic methods expand the

theoretical basis of service quality/satisfaction research beyond an individually centered psychological view to consider social influences and processes, thereby providing a deeper understanding of how consumers experience quality and satisfaction. Udaya (2011) This paper studies the impact of service quality on apparel retail customer satisfaction and also identifies the critical factors of service quality from customer's perspective. The sample consists of 250 respondents from the Metropolitan City Hyderabad. The study identifies the critical of factors of Apparel Retail Service Quality and evaluates the impact of service quality on Retail Customer Satisfaction. William & Prabakar (2012) concluded that "The customer perception of retail service quality is an important segment to the emerging and the existing retailers in the market as the study reveals that perception of service quality influenced by the various nature with various customers even some of the general factors like Personal interaction, physical aspects are the dimensions on of the customer perception remains constant and common to all the customer on a majority basis so the retail outlets have to frame their own strategies In order to attract the customers on a longer basis". Dr. Ajmer Singh (2013)

stated that "In retailing perceived service quality is having a significant influence on purchasing and repurchasing decisions, positive word of mouth as well as on complaining behavior in retailing" Borkar Suneeta (2014) The study focuses on interdependence of service quality and customer satisfaction and its implications for hospitality industry. Various definitions of satisfaction are discussed and relationship of the quality is investigated. Studies in the subject of service quality have confirmed that service quality has interdependence and direct relationship with customer satisfaction.

3. THEORETICAL ASPECTS OF STUDY AREA:

3.1 RETAILING:

Retail industry is the largest sector in India and second largest employment provider after agriculture (Zameer, 2011). It plays a significant role in increasing the productivity across a wide range of goods and services. In India both organised and unorganised retail sector exists, majority of the share being under unorganised. Organized retailing has finally emerged from the shadows of unorganized retailing and it is significantly contributing for the

growth of Indian Retail Sector. India's retail sector, particularly the groceries and budget apparel segments, is poised to hit a purple patch. A host of factors—a shift towards organised retail, improved business models, changing demographics, and rising per capita income—may lift the sector's profitability to a different plane.

“Indian organised retail sector has seen a dream run in the past 1.5 years,” analysts at the brokerage firm Jefferies said in an April 12 note, citing various policy and macroeconomic factors. The improving prospects are evident in the stock prices of listed retail firms, which have been major wealth generators in the last year.

3.1.1 SHIFT FROM UNORGANISED RETAIL

India's \$670 billion retail market is still mostly unorganised, with nearly 93% of it happening through small mom-and-pop stores or stand-alone outlets. The shift to organised large-format chains has been on in the last decade, but only at a snail's pace. But that's changing now. “Demonetisation and implementation of GST (goods and services tax) have been tailwinds for organised retail in India, allowing them to gain share from

unorganised trade,” according to Jefferies. This has boosted the sales of almost all organised players. Value fashion retailer V-Mart expects double-digit growth in same-store sales by March 2019, compared to an average of 7.5% in the last four years. Same-store sales are the total revenue from stores that have been open for the previous one year; it is a preferred measure of growth for retail chains. Departmental store chain Shoppers Stop, too, sees 12% growth in same-store sales for financial year 2019, nearly double that of the last four years' average.

Mumbai-based Avenue Supermarts, which runs the hugely popular chain, D-Mart, has pegged its same-store sales growth figure at over 20% for financial year 2018, according to estimates by brokerage firm Edelweiss Securities. The average growth for the retail chain has been over 22% in the last four years, according to Jefferies. Meanwhile, Future Retail, which runs the Big Bazaar stores, has seen its stock price nearly double in the past year following sustained quarterly growth of over 10% in same-store sales during the period.

Retail industry in India is undoubtedly one of the fastest growing retail industry 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.

3.1.2 ASIA PACIFIC EXPECTED TO WITNESS THE FASTEST GROWTH RATE IN RETAIL INDUSTRY

As rural and urban households witnessed a steady growth of disposable incomes, the spending power of the Chinese population has also increased dramatically and the **retail market** has matured into one of the largest and still growing consumer markets worldwide. It is highly competitive and diversified, and the market shares of the leading Chinese retail chains were receding over the past few years. In India, government policies, like FDI up to 100% allowed in single-brand retail and FDI up to 51% in multi-brand retail is further expected to fuel up the competition in the

country's **retail market**. Moreover, the **retail market** in Japan boasts of 52,417 convenience stores and 240 department stores. It is driven by M&A's and increased cross-border investment and international cooperation, which are presenting opportunities for the country to develop local markets and gain benefits from production networks in Asia.

3.1.3 Key Developments in the Retail Industry

E-commerce has also changed the face of Indian retail sector in the past few years. As the acceptance towards technology increases, more and more consumers are willing to explore web based shopping alternatives. This has lead to an overcrowding of platforms as customers are flooded with options. In such a scenario, E-tailers are turning to innovative ways of interacting with their consumers, seamlessly blending off-line and online channels, all the while trying to stay connected with their target consumers via various touch points – social media being the most crucial of them. These brands look to offer the consumers an experience, which extends beyond the product and creates a long term relation with them.

The advent of Demonetisation, while beneficial to the nation’s long term growth, will take its toll on the Fashion Retail Industry, especially the Luxury market. The post-demonetisation surge in gold prices in the country has discouraged the consumer from investing into gold. If these speculations in gold prices continue, it could prove beneficial to an already growing fashion jewellery market as consumers look for a cheaper substitute. The real estate market will also face a slowdown, leading to fall in property rates. This could prove beneficial to retailers who are looking towards expansion and online retailers who want to foray into brick and mortar, but were up till now skeptical.

3.2. Challenges:

The new research anticipates grocery ecommerce sales across Asia’s top 12 grocery markets will grow to \$267 billion from the current value of \$91 billion. This represents an annual growth rate of 24.1% to 2022, compared to the overall grocery retail market annual growth rate of 6.4% over the same period. Online grocery sale in India is expected to increase by \$5billion between 2017 and 2022 at an 87% CAGR, as per new figures from international research organisation IGD. The share of India’s online grocery market in Asia currently stands at 0.05% and is expected to touch 0.6% by 2022.

Country	Market share of online grocery in 2017	Market share of online grocery in 2022	Online grocery sales growth 2017-2022 (CAGR)	Increase in online grocery sales 2017-2022 (US\$)
China	3.8%	11.1%	31%	136.8bn
Japan	7.0%	9.8%	7.9%	14.4bn
South Korea	8.1%	13.6%	15.7%	9.9bn
India	0.05%	0.6%	87.0%	5.0bn
Indonesia	0.1%	1.5%	85.0%	4.5bn
Taiwan	4.5%	7.3%	14.9%	1.7bn
Singapore	2.5%	7.8%	29.0%	0.4bn

Source: IGD Asia research

3.2.1 Consumption growth

Over the last two decades, the Indian retail market witnessed phenomenal changes,

evolving rapidly from traditional shops to large multi-format stores in malls offering a global experience, and on to the highly tech-driven e-commerce model. According to Kejriwal, these changes have resulted in unprecedented growth in overall consumption with numbers suggesting that consumer expenditure in India is expected to almost double to \$3,600 billion by 2020 from \$1,824 billion in 2017.

Another highlight of this growth story is that organised retail is gaining ground. Growing significantly at a CAGR of 20-25 per cent annually, organised retail penetration is expected to be over 10 per cent of the total Indian retail market by 2020 as against just 7 per cent currently. The organised retail market is estimated to increase to 19 per cent across the top seven cities during the same period from the current 9 per cent. High demand for a superior customer 'experience,' penetration of big brands into smaller towns and cities, enhancement in business strategies and operations, along with the movement from unorganised to organised business have been key factors driving this growth.

3.2.3 Policy boosts

Furthermore, liberalisation in FDI policies by the Centre has repositioned the Indian retail sector on the global map, attracting a large number of global retailers into the Indian diaspora and further fuelling growth of organised retail in the country.

The government's decision to allow 51 per cent FDI in multi-brand retail and 100 per cent FDI in single-brand retail under the automatic route is the icing on the cake which has attracted giants like Walmart to make a foray into India. By easing the FDI norms in the retail sector over the past few years, the government has hit the bull's eye.

The introduction of the Goods and Service Tax (GST) as a single unified tax system in July 2017 was another major policy overhaul that is attracting foreign players. The government's move to provide a single-policy framework for retail, FMCG and e-commerce in order to offer a level playing field to stakeholders is another step in the right direction.

4. CONCLUSION:

Indian retail industry is no doubt one of the largest and fastest growing industries. Like most developed countries, India's growth also relies on growth of its retail

industry. India is becoming a dynamic market with many international brands entering India to capitalize on the growing consumption pattern shown by the country. With right reforms and government initiatives, India retail industry is surely inching its way towards becoming the next boom industry. The future of the retail industry looks promising, as more and more Government policies have come into play, making it favourable to do business. As a result of the retail sector's globalization, Indian retailers are facing escalating challenges from foreign retailers in providing a complete retail experience. To cater to evolving customer expectation, retailers are adopting multi-channel retailing and are re-strategizing their store networks to stay competitive.

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