

# Status of Retail Industries in India

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**Abstract**—Retail is currently the flourishing sector of the Indian economy. The retail industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. Retail industry sector in India is dominated by a large number of unorganized shops and establishments, while the organized retail sector comprises of varied retail formats. The paper provides detailed information about the role of unorganized retailing industry in India while discussing the various retail formats available at present of both the sectors. The paper surveys the unorganized retailers to understand the challenges impacting the retail sector. It concludes with the detailed opportunities available for the retail sector. The study shows the relative size of organized retail of total retail sales of different countries. The study also highlights actual and expected share of organized retails of total retail sales in India over the years. The paper further analyzes item-wise contribution of organized retails in total retail sales. There is great hue and cry that FDI will to a great extent make the small retailers shutting their business and opt for alternate employments. The paper focuses on the impact of the unorganized sector in Indian retail market. It is further noted that the unorganized retail sector has a great share in spite of development of organized sector in Indian context.

## 1. INTRODUCTION

Retail is currently the flourishing sector of the Indian economy. The retail industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. Retail industry sector in India is dominated by a large number of unorganized shops and establishments, while the organized retail sector comprises of varied retail formats.

Retailing is the final stage of any economic activity. It encompasses the business activities involved in selling goods and services to customers for their personal, family or household use. It includes every sale to final consumers ranging from cars to apparels through meals at restaurants and movie tickets.

Huddleston *et.al.* (2009) found that the perception of satisfaction was higher among specialty grocery store customers as compared to conventional grocery store

customers. Store price, product assortment, service and quality had positive influence on satisfaction for both store formats. Stepwise regression revealed that each store attribute made different contribution to store satisfaction for conventional and particularly store formats.

Anand *et al* (2011) revealed that the organized retail and unorganized retail businesses could exist together. Each format was observed to be having its own sets of values that would be attractive to the consumers. Malls and other organized retail formats were not competing with small kiriyana shops. However, there was also a great resistance to more and more FDI participation in the retail sector. The apprehension was that the organized retail would force a great number of shops and businesses in the unorganized sector to close down.

## Types of Retailing

There are two types of retailing, such as unorganized retailing and organized retailing.

### Unorganized Retailing

This refers to the traditional formats of low cost retailing. It is any retail outlet which is run locally by the owner or the caretaker of the shop. Such outlets lack technical and accounting standardization. The supply chain and the sourcing are also done locally to meet the local needs.

### Organized Retailing

This refers to trading activities undertaken by the licensed retailers i.e. those are registered for sales tax, income tax etc. It is any retail outlet chain (not a one shop outlet) which is professionally managed (even if it is family run), has accounting transparency (with proper usage of accounting standards) and organised supply chain management with centralised quality control and sourcing (certain part of the sourcing can be locally made) can be termed as an organised

retailing in India *e.g.* Retail Chains, Corporate backed hypermarket etc.

### Retail Activities

Retailers are often referred to as “middlemen” or “intermediaries”, who occupy a middle position, receiving and passing on products from producers and wholesalers to customers. Retailers thus undertake various business activities and perform functions such as sorting, holding stock etc that add value to the offerings they make to the target segments. Therefore the key objective of any successful channel is to ensure availability of the right product, in the right quantity, at the right time via the right channel. The research paper intends to analyze the status of organized and unorganized retailing in Indian context.

## 2. RESEARCH METHODOLOGY

Data base of the study is prepared by collecting and compiling various related information strictly from secondary sources.

## 3. RESULT AND DISCUSSION

In this section attention is made to present and analyse different relevant information available from secondary sources.

As shown in the Table.1, the share of organized retail is very high in US (85 per cent). In Taiwan also it is more than eighty percent. India is far behind so far as organized retail is concerned. In India the share of organized retail is currently four per cent. The situation of Pakistan is much more disappointing.

The Indian retail sector is highly fragmented. More than ninety per cent of its business is being run by the unorganized retailers like the traditional family run stores and corner stores. The organized retail in India is at a very nascent stage. However, in order to increase its share in total retail, attempts are being made so as to bring in a huge opportunity for prospective new players. India's retail sector is heading towards modernization. New formats such as departmental stores, supermarkets and specialty stores, westernized malls are fast appearing in metros and tier-II cities.

The Table.2 presents the figures for relative shares of organized and traditional retail in Indian retail market. It reflects that during the periods 2005-07 and 2007-10, the increase in share of organized retail was not much. During these periods it increased by 13.9 per cent and 21.9 per cent

respectively. However thereafter organized retail is penetrating the market at a more rapid pace. During the period 2010-12 the share of organized retail rose by 60 per cent, its share in total retail had just doubled and is expected to increase by 2.6 times during 2012-15. As mentioned in FICCI (2011), over the next 10 years India's retail market is expected to grow at 7 per cent and by 2020 it is expected to reach a size of US\$ 850 billion. The expected growth in traditional retail is estimated to be at 5 per cent while organized retail is expected to grow at 25 per cent. The traditional and organized retail are expected to reach a size of US\$ 650 billion (76 per cent of total) and US\$ 200 (24 per cent of total) billion respectively by 2020.

As shown in Table 3 and 4, in both the years (2007 & 2012), Food and Grocery is the biggest contributor in total retail. This segment contributed about 60 percent of total retail. The next two major contributors in 2007 are Clothing & Footwear (9.30 per cent) and Non Institutional Health care (7.95 per cent). Sports goods, Entertainment, Equipment and Books segments together contributed the least (2.71 per cent) followed by Beverages (3.55 per cent) and personal care (4.23 per cent) from the bottom end. Furniture, Furnishing, Appliance & Services and Jewellery, Watches etc occupied 6.77 per cent and 5.92 per cent shares respectively in total retail in 2007.

In 2012, after Food and Grocery (60 per cent), the next two segments at second and third place, as per their relative share in the retail market are Apparel (8 per cent) & Mobile and Telecom (6 per cent). Food service and Jewellery had 5 and 4 per cent shares respectively in total retail market. Consumer Electronics and Pharmacy had equal share (3 per cent) in total retail market.

## 4. SUMMARY AND CONCLUSIONS

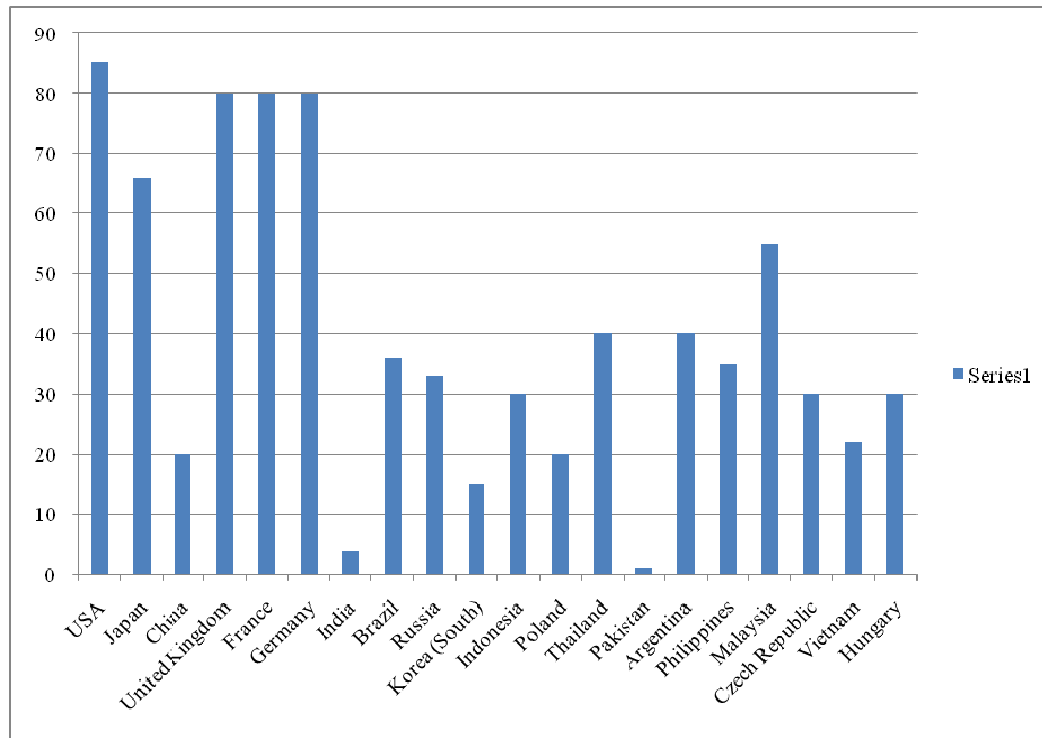
From the above study, it is summarized that India is far behind so far as organized retail is concerned. More than ninety per cent of its business is being run by the unorganized retailers like the traditional family run stores and corner stores. It is also evident that the increase in share of organized retail is not significant. Food and Grocery is the major share in Indian retail market.

Finally it is concluded that organized retail is an important business sector in Indian context but in India organized retailing is still at a very nascent stage. However, in order to increase its share in total retail, attempts are being made so as to bring in a huge opportunity for prospective new players.

**Table 1: Relative Share of Organized and Traditional retail in Selected Countries, 2009**

| S. No. | Country        | Total Retail Sales (US\$ bn) | Share of Organized Retail | Share of Traditional Retail* |
|--------|----------------|------------------------------|---------------------------|------------------------------|
| 01.    | USA            | 2983                         | 85                        | 15                           |
| 02.    | Japan          | 1182                         | 66                        | 34                           |
| 03.    | China          | 785                          | 20                        | 80                           |
| 04.    | United Kingdom | 475                          | 80                        | 20                           |
| 05.    | France         | 436                          | 80                        | 20                           |
| 06.    | Germany        | 421                          | 80                        | 20                           |
| 07.    | India          | 322                          | 4                         | 96                           |
| 08.    | Brazil         | 284                          | 36                        | 64                           |
| 09.    | Russia         | 276                          | 33                        | 67                           |
| 10.    | Korea (South)  | 201                          | 15                        | 85                           |
| 11.    | Indonesia      | 150                          | 30                        | 70                           |
| 12.    | Poland         | 120                          | 20                        | 80                           |
| 13.    | Thailand       | 68                           | 40                        | 60                           |
| 14.    | Pakistan       | 67                           | 1                         | 99                           |
| 15.    | Argentina      | 53                           | 40                        | 60                           |
| 16.    | Philippines    | 51                           | 35                        | 65                           |
| 17.    | Malaysia       | 34                           | 55                        | 45                           |
| 18.    | Czech Republic | 34                           | 30                        | 70                           |
| 19.    | Vietnam        | 26                           | 22                        | 78                           |
| 20.    | Hungary        | 24                           | 30                        | 70                           |

**Source:** Girish K. Nair and Harish K Nair (2011), “FDI in India’s Multi Brand Retail Sector”: How to Get Ready for the Big Play”, Munich, GRIN Publishing [17].

**Fig. 1: Relative Share of Organized and Traditional retail in Selected Countries, 2009**

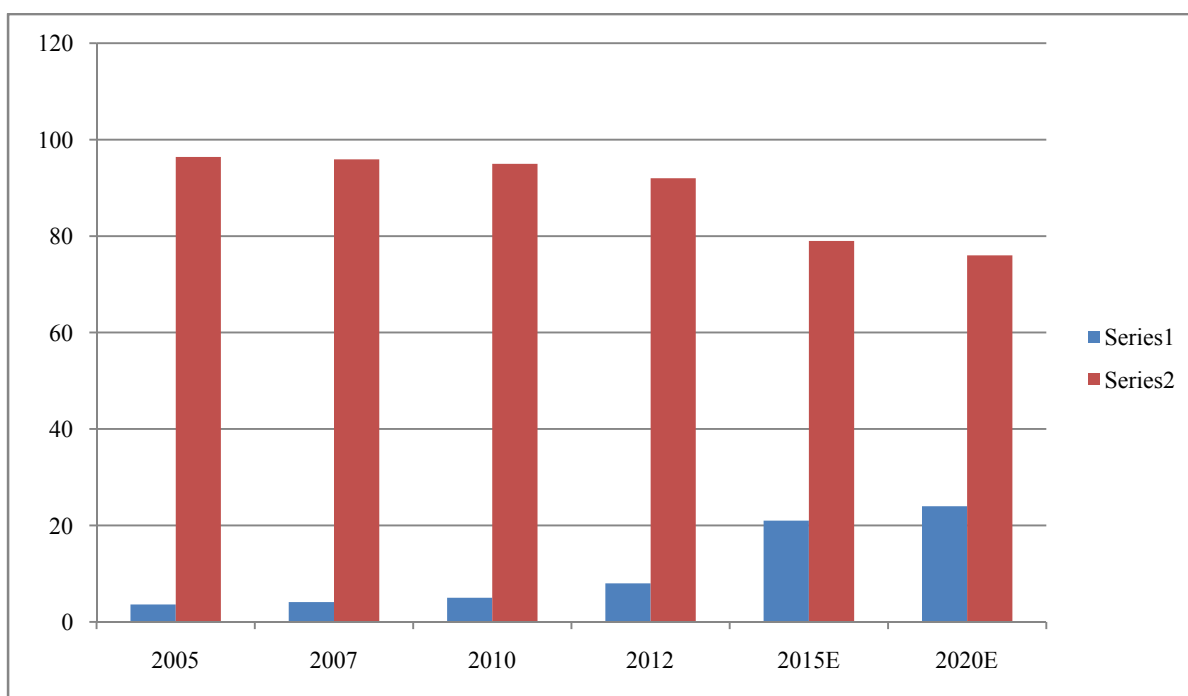
**Table 2: Indian Retail Market (Organized & Traditional) percentage share**

| Year              | Organized | Traditional |
|-------------------|-----------|-------------|
| 2005              | 3.6       | 96.4        |
| 2007              | 4.1       | 95.9        |
| 2010              | 5.0       | 95.0        |
| 2012              | 8.0       | 92.0        |
| 2015 <sup>E</sup> | 21.0      | 79.0        |
| 2020 <sup>E</sup> | 24.0      | 76.0        |

E - Expected

**Source:**

1. Deloitte (2011), "Indian Retail Market: Embracing a new trajectory", September, [12] (For 2005 and 2015)
2. FICCI(2011), "Sector Profile", 2 December,[7] (For 2010 and 2020)
3. Deloitte (2013), "Indian Retail Market Opening more doors", January,[13] (For 2012)
4. ASA(2012), "A Brief Report on Retail Sector in India", August, ASA and Associates chartered accountants, [15] (For 2007)



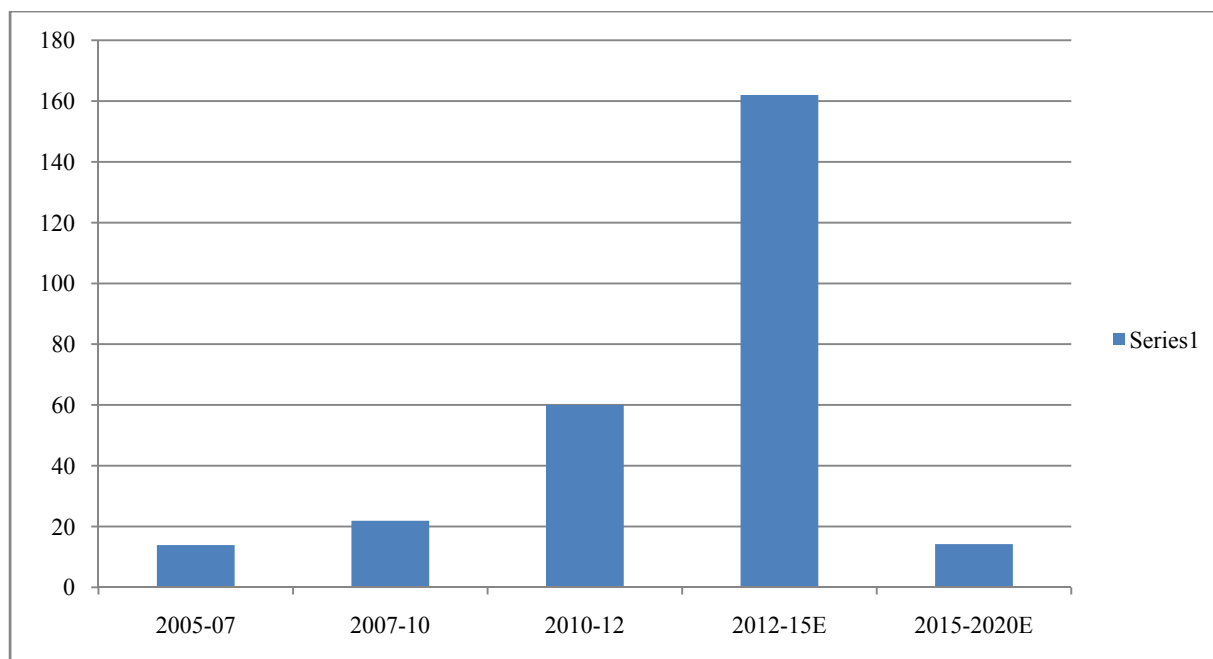
**Fig. 2: Indian Retail Market (Organized & Traditional) percentage share**

**Table 2.A: Percentage increase of organized retailing in Indian Retail Market**

| Year       | Percentage |
|------------|------------|
| 2005-07    | 13.9       |
| 2007-10    | 21.9       |
| 2010-12    | 60.0       |
| 2012-15E   | 162.5      |
| 2015-2020E | 14.2       |

**Source:**

5. Deloitte (2011), "Indian Retail Market: Embracing a new trajectory", September, [12] (For 2005 and 2015)
6. FICCI(2011), "Sector Profile", 2 December,[7] (For 2010 and 2020)
7. Deloitte (2013), "Indian Retail Market Opening more doors", January,[13] (For 2012)
8. ASA(2012), "A Brief Report on Retail Sector in India", August, ASA and Associates chartered accountants, [15] (For 2007)



**Fig. 2 A.: Percentage increase of organized retailing in Indian Retail Market**

**Table 3: Total, Organised and Traditional Retail Market in India (2007)**

| Sl. No | Segments                                      | Total Retail Market (Rs Billion) | Organised Retail Market(Rs Billion) | Traditional Retail Market(Rs Billion) |
|--------|---|----------------------------------|-------------------------------------|---------------------------------------|
| (1)    | (2)   | (3)                              | (4)                                 | (5)                                   |
| 1      | Food and Grocery                              | 8,680<br>(59.56)                 | 61<br>(10.2)                        | 8,619<br>(61.7)                       |
| 2      | Beverages                                     | 518<br>(3.55)                    | 16<br>(2.7)                         | 502<br>(3.6)                          |
| 3      | Clothing and Footwear                         | 1,356<br>(9.30)                  | 251<br>(42.0)                       | 1,105<br>(7.9)                        |
| 4      | Furniture, Furnishing Appliances and services | 986<br>(6.77)                    | 101<br>(16.9)                       | 885<br>(6.3)                          |
| 5      | Non institutional                             | 1159<br>(7.59)                   | 24<br>(4.0)                         | 1135<br>(8.1)                         |
| 6      | Sports goods and Entertainment                | 395<br>(2.71)                    | 63<br>(10.5)                        | 332<br>(2.4)                          |
| 7      | Personal Care                                 | 617<br>(4.23)                    | 33<br>(5.5)                         | 584<br>(4.2)                          |
| 8      | Jewellery, Watches etc                        | 8.63<br>(5.92)                   | 49<br>(8.2)                         | 814<br>(5.8)                          |
| 9      | Total Retail                                  | 14,574                           | 598                                 | 13,976                                |

**Note:** Figures in parentheses show the percentage share in total

**Source:**

For columns 2,3 &4, ASA (2012), "A Brief Report on Retail Sector in India", August, ASA and Associates chartered accountants[15]  
For columns 5 Author's calculation

**Table 4: Total, Organised and Traditional Retail Market in India (2012)**

| Sl. No | Segments             | Total Retail Market (USD Billion) | Organised Retail Market (USD Billion) | Traditional Retail Market (USD Billion) |
|--------|----------------------|-----------------------------------|---------------------------------------|---|
| (1)    | (2)                  | (3)                               | (4)                                   | (5)                                     |
| 1      | Food and Grocery     | 310<br>(60.0)                     | 4.56<br>(11.0)                        | 306.24<br>(64.0)                        |
| 2      | Apparel              | 41.44<br>(8.0)                    | 13.68<br>(33.0)                       | 27.76<br>(6.0)                          |
| 3      | Mobile and Telecom   | 31.08<br>(6.0)                    | 4.56<br>(11.0)                        | 26.52<br>(6.0)                          |
| 4      | Jewellery            | 20.72<br>(4.0)                    | 2.49<br>(6.0)                         | 18.23<br>(4.0)                          |
| 5      | Food Service         | 25.9<br>(5.0)                     | 2.90<br>(7.0)                         | 23.00<br>(5.0)                          |
| 6      | Consumer Electronics | 15.54<br>(3.0)                    | 3.32<br>(8.0)                         | 12.22<br>(3.0)                          |
| 7      | Pharmacy             | 15.54<br>(3.0)                    | 0.83<br>(2.0)                         | 14.71<br>(3.1)                          |
| 8      | Others               | 56.98<br>(11.0)                   | 9.12<br>(22.0)                        | 47.86<br>(10.0)                         |
| 9      | Total                | 518                               | 41.46                                 | 476.54                                  |

**Note:** Figures in parentheses show the percentage share in total.

**Source:** Author's compilation and calculations using information from (i) Deloitte (2013), "Indian Retail Market Opening more doors", January[13], (ii) ASA (2013). A Brief Report on Retail Sector in India, August[18], and (iii) Michael Page (2013), The Indian Retail Sector Report 2011

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