

EMERGING INDIAN ORGANIZED RETAIL INDUSTRY - MUMBAI CITY

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ABSTRACT

This paper intends the emergence of organized retailing in India. The retail scenario in India is unique. The growth and development of organised retailing in India is driven by two factors- lower prices and benefits the consumers can't resist. This paper attempts to explore the industry and evaluate the extent of its impact of organized retail store in Mumbai city. Since efforts have been made in this paper to highlights the present status and opportunities of retail sector in India.

KEY WORDS: Emergence, Opportunity, Evaluate, Industry & Organized Retail Sector.

RESEARCH METHODOLOGY:

The secondary data will be collected from various references which already exist in published from as articles, books, newspaper, national/international journal, magazine, government publication and non government publication etc.

LITERATURE REVIEW:

Philip Kotler(2003) explains retailing is the activity involved in selling of goods or services directly to find customers for personal non business use. A retailer or retail store is any business enterprise whose sale volume comes primarily from retailing.

U.C. Mathur(2010) expressed the challenges & opportunities in Retail Marketing and Customer Relationship in retail. The retail movement in India has become the sunrise area and the retail management or the last mile management has the potential of emerging a clear winner. It offers tremendous opportunities for entrepreneurs and the employees alike. Business strategy of a firm includes the plans, policies and their implementation in a given time frame. Plans and policies are converted into action or activities where tasks are assigned to individuals or to teams for achieving specific targets.

G.Ramesh Babu (2008) said that shopping Malls are becoming more popular as one stop shops. In these malls all kinds of goods will be available under one roof. The holding of title of the property is the most important and influencing factor in establishment of shopping malls.

K.C. Mittal and Anupama Parashar (2011) explained that the proportion of organized retail stores in total retail market in India is developing day by day. Regardless of area, people prefer organized retail stores to be proximity. Product assortment is important for organized retail store. Ambience of the retail stores has been perceived differently by people of different areas and prices are equally important for groceries. Perception and preference towards importance of service or product was also different across different areas. Factor analysis has been used in identifying the main factors. The factors identified include: availability and variety of branded products, ambience, retailer services, and price of commodities, advertisement, prestige, and quality. In the study, no special attention is given to the customer perception towards retail stores, and focused more on promotional offers in order to attract the customers.

Kotler(2006), the retail industry in India is largely traditional and predominantly consists of small, independent, and owner managed shops. However the retail sector in India is witnessing an enormous changing exercise as the traditional retailers are making way for new formats. These modern retail formats provide extensive variety to customers and offer an ideal shopping experience with a combination of product, entertainment and service, all under a single roof.

Avinash Mulky and Rajendra Nargundkar⁴⁹ (2003), opine that the structure of a Indian organized retail sector has an tremendous influence on marketing strategy and marketing activities of firms. The Indian retail sector has arrived at a very critical stage. Stores in modern formats have emerged in the urban and semi-urban areas but the bulk of the retail sales happen through unorganized retail formats. The development of organized retailing is of great interest to marketing scholars, practitioners and policy makers. The modernization of retailing in India would be influenced by some important factors. These factors include socio-economic development; improvement in civic situation; changes in consumer needs, change in attitude and behaviour; changes in government policies; increased investment in retailing and rise in the power of organized retail.

Introduction of retail industry in India:

The retail scenario in India is unique. Much of it is in the unorganised sectors with over 12 million retail outlets of various sizes and formats. Almost 96% of these retail outlets are less than 500 sq.ft. In size, the per capita retail space in India being 2sq.ft. Compared to the us figure of 16sq.ft. India's per capita retailing space is thus the lowest in the world. Most of them are independent and contribute as much as 94% to total retail sales.

Retailing in India is one of the pillars of its economy and accounts for 14 to 15 percent of its GDP. The Indian retail market is estimated to be US\$ 500 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.

As of 2013, India's retailing industry was essentially owner manned small shops. In 2010, larger format convenience stores and supermarkets accounted for about 4 percent of the industry, and these were present only in large urban centres. India's retail and logistics industry employs about 40 million Indians (3.3% of Indian population).

Until 2011, Indian central government denied foreign direct investment (FDI) in multi-brand retail, forbidding foreign groups from any ownership in supermarkets, convenience stores or any retail outlets. Even single-brand retail was limited to 51% ownership and a bureaucratic process.

In November 2011, India's central government announced retail reforms for both multi-brand stores and single-brand stores. These market reforms paved the way for retail innovation and competition with multi-brand retailers such as Walmart, Carrefour and Tesco, as well single brand majors such as IKEA, Nike, and Apple. The announcement sparked intense activism, both in opposition and in support of the reforms. In December 2011, under pressure from the opposition, Indian government placed the retail reforms on hold till it reaches a consensus.

In January 2012, India approved reforms for single-brand stores welcoming anyone in the world to innovate in Indian retail market with 100% ownership, but imposed the requirement that the single brand retailer source 30 percent of its goods from India. Indian government continues the hold on retail reforms for multi-brand stores.

In June 2012, IKEA announced it had applied for permission to invest \$1.9 billion in India and set up 25 retail stores. An analyst from Fitch Group stated that the 30 percent requirement was likely to significantly delay if not prevent most single brand majors from Europe, USA and Japan from opening stores and creating associated jobs in India.

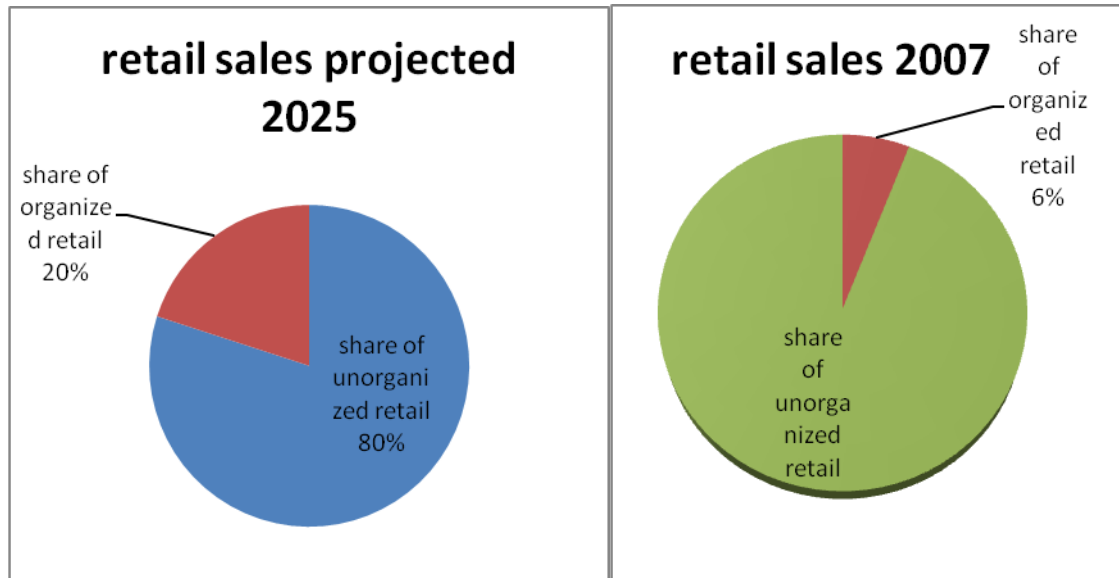
On 14 September 2012, the government of India announced the opening of FDI in multi-brand retail, subject to approvals by individual states. This decision was welcomed by economists and the markets, but caused protests and an upheaval in India's central government's political coalition structure. On 20 September 2012, the Government of India formally notified the FDI reforms for single and multi brand retail, thereby making it effective under Indian law.

On 7 December 2012, the Federal Government of India allowed 51% FDI in multi-brand retail in India. The government managed to get the approval of multi-brand retail in the parliament despite heavy uproar from the opposition (the NDA and leftist parties). Some states will allow foreign supermarkets like Walmart, Tesco and Carrefour to open while other states will not.

A 2012 PWC report states that modern retailing has a 5% market share in India with about \$27 billion in sales, and is growing at 15 to 20% per year. There are many modern retail format and mall companies in India. Some examples are in the following table.

Indian retail group	Market reach in 2011
Pantaloon retail	65 stores & 21 factory outlets in 35 cities, 2 million square feet space
Shoppers stop	51 stores in 23 cities, 3.2 million square feet space
Spencers retail	200 store in 45 cities, 1 million square feet space
Reliance retail	708 marts & supermarkets, 20 wholesales stores in 15 cities, 508 fashion & lifestyles Rs 1206(US\$190 million) per month sales in 2013
Bharti retail	74 Easy days stores, plan to add 10 million square feet by 2017
Birla more	575 stores nationwide
Tata Trent	59 websites mall stores, 13 hypermarkets
Lifestyle retail	15 lifestyles stores, 8 home centres
Future group	193 stores in 3 cities one of the largest supermarkets in India by sales Rs 916 core(US\$ 150 million)per month sales in 2013

The retail business in India in the year 2007 was US\$ 385 billion (Rs 1,540,000 crores) and a McKinsey study says it is estimated to go to US\$ 1.52 trillion (Rs.6, 080,000 crores) by 2015. One expects that the share of organized retailing will be in the vicinity of 20% by then.



The key drivers of organized retailing: The changes in the nation's social structure like, improvement of the Indian economy, Consumerism, urbanization, profusion of brands have been the main causal factor for the Development of these modern formats. Indian food buying behaviour is gradually changing in Response to the changing social structure. The increasing number of nuclear families, Double income households and working women, greater work pressure and increased Commuting time has put the consumers under constant time pressure. The other equally important factors in the changing Indian landscape are the increasing influence of children, gradual acceptance of frozen, semi-processed and processed foods by the Indian consumer, the growing influence of television in decision making and improvement in literacy rates. As the modern housewife starts shopping for herself she appreciates and welcomes:

- ❖ A pleasant shopping environment;
- ❖ Convenience of one-stop shopping with wider product portfolio at a single location;
- ❖ Speed and efficiency in processing;
- ❖ More information;
- ❖ better quality and hygiene; and
- ❖ discount too if possible.

The improved income and the increased purchasing power of a larger section of the Indian population makes the opening of outlets, which provide the whole bunch of these improved services a viable opportunity.

Opportunities in organized retail industry:

Retail marketing gets various opportunities to grow up in the Indian market. Not only retailing but Manufacturers as well as suppliers, and buyers have various opportunities, some of which are: Organized retail provides brands much needed visibility and platform for customer interaction. It also

helps in launching of new product or product variant and in market penetration. It has wider product range and more frequent, speedier deliveries. Increased urbanization has shifted consumers to one place and thus a single retail can catch more customers. As the time passed away joint families came in a new form i.e. nuclear family. Again the income level of these nuclear families increases because both members started earning. This results into increased power of purchase and lack of time. Now they want everything under one roof. This brought the concept of organized retailing. Increased use of credit cards is in favour of retail marketing. It creates requirement even when it is not necessary. Organized retail stores put stress on proper Infrastructure like well maintained building, air conditioning, trained employees, electronic machine, parking facilities and proper display of goods category wise. Here customers feel comfort, joy and entertainment. Purchasing becomes joy for him. Self-selection saves time and gives more opportunities and satisfaction. Fix cost removes the threat of misleading. They avail various discounts and promotional schemes presented by the manufacturers. They also get product of different varieties and of proper quality.

Importance of Mumbai city in retail industry:

Mumbai bears the tag of being financial capital of the country and contributes around 5 percents of the country GDP. The city is home to important financial institution like RBI, the Bombay Stock Exchange and the National Stock Exchange. Besides being the entertainment capital of the country, the city has rich cosmopolitan demographics. The region referred to as Mumbai Metropolitan Region (MMR) covers the city of Thane and Navi Mumbai along with Mumbai city.

Mumbai which houses the first Mall in the country. The city is home to some of the most prominent and successful malls in the country and the retail rentals are amongst the most expensive in the world. While the size of the consumer market in the city is particularly large, the pace of the retail real estate development has outgrown retail business over the last 4-5 years.

Mumbai currently has 8.72mn.sq.ft. Of major operational mall space in the city. These malls are spread all over the city, stretching from Nariman point in south Mumbai to Bhayandar in the western suburbs and Kalyan in central suburbs. The city of Mumbai divided into 4 zones: Island city, western suburbs, central suburbs and Navi Mumbai.

Zonal classification of retailing in Mumbai

S.No.	Zone	Locations
1.	Island city	<u>Nariman point, Haji Ali, Worli, Lower Parel, Dadar, Mahim</u>
2.	Western suburbs	<u>Bandra, Santacruz, Andheri, Goregaon, Malad, Borivali, Dahisar, Mira –road</u>
3.	Central suburbs	<u>Matunga, Chembur, Ghatkopar, Mulund, Thane, Kalyan, Bhandup</u>
4.	Navi Mumbai	<u>Airoli, Vashi, Kharghar</u>

Source: Knight Frank Research.

As mentioned above table which shows the zonal classification in Mumbai. Retail is an age old trade in the city of Mumbai. It has undergone considerable shift in the last past decade and more radical changes are foreseen. Mumbai being a commercial capital of India keeps vibrating with

trade and commerce activities of all shapes and forms. It's been seen that retailing in Mumbai has undergone into drastic changes in the last few years. The rising consumerism and increasing purchasing power of the customer has led to significant growth of organized retail market in Mumbai. The distribution of the Mumbai region on the basis of zonal aspects has been mentioned in table no 4.1 which provides a clear idea of the location.

Island City

As mentioned in the table, the Island City zone of Mumbai encompasses all of South Mumbai, Worli to Nariman Point, as well as Prabhadevi, Dadar and Mahim. The major micro-markets covered in the Island City are Nariman Point, Worli-Prabhadevi, Lower Parel and Haji Ali-Kemps Corner. Some of the major malls in the zone include High Street Phoenix located at Lower Parel and Atria Mall located at Worli.

Western Suburbs

Some of the major micro-markets falling under the Western Suburbs include Santacruz, Linking Road in Bandra, Andheri, Malad, Goregaon and Kandivali. All of the major operational malls in this zone were covered, like Infinity Mall, Inorbit Mall and Oberoi Mall.

Central Suburbs

The major micro-markets that were taken into consideration while studying the Central Suburbs are Matunga, Chembur, Ghatkopar and Mulund. The micro-markets of Thane and Kalyan, although normally considered an independent zone, were clubbed along with the Central Suburbs.

Navi Mumbai

The major micro-markets that fall under the Navi Mumbai zone are Airoli, Vashi and Kharghar. There are only 6 major operational malls in this zone. Of the 6 major malls, Inorbit Mall became operational in 2009 and has a very low vacancy rate; it is purely a retail project. All the other 5 malls opened up in 2007-2008; hence all the malls in this zone are relatively new malls.

Mumbai Metropolitan Region (Shopping Malls)

Sr.No.	Name	Location	Year	Sr.No.	Name	Location	Year
1)	High Street Phoenix	Lower Parel	2008	26)	Infocity Mall	Nerul	2010
2)	Phoenix Market City Mumbai	Kurla	2011	27)	Sunrays Shopping Center	Kandivali	2008
3)	Orchid Ozone Mall	Vashi	2008	28)	V Mall	Kandivali	2008

Sr.No.	Name	Location	Year	Sr.No.	Name	Location	Year
4)	Metro Junction Mall	Kalyan	2008	29)	Viva City Mall	Thane	2010
5)	Inorbit Mall	Malad	2004	30)	Palm Beach Galleria	Vashi	2008
6)	Inorbit Mall	Vashi	2008	31)	Metro Mall	Bhandup	2010
7)	Raghuleela Mall	Vashi	2007	32)	HBS Centrix mall	Bhandup	2010
8)	Center One	Vashi	-	33)	Littleworld	Kharghar	2009
9)	Huma Mall	Kanjurmarg	-	34)	Kohinoor City Mall	Kurla	2009
10)	Atria Millenium Mall	Worli	2006	35)	Fountain Square	Kharghar	2008
11)	Korum Mall	Thane	2009	36)	R City	Ghatkopar	2009
12)	Growel's 101	Kandivili	2007	37)	Neptune Magnet Mall	Bhandup	2011
13)	Shagun Mall	Goregaon	2005	38)	Bayside Mall	Haji Ali	2009
14)	R-Mall	Mulund	2003	39)	Royal Palms shopping mall	Goregaon	2009
15)	Nirmal Lifestyles	Mulund	2004	40)	Atlantic Mall	Dadar	2010
16)	R-Mall-2	Thane	2010	41)	D-Victorian Mall	Borivili	2010
17)	Lake City Mall	Thane	2008	42)	G7 Mall	Andheri	2010
18)	Crossroad Mall	Worli	1999	43)	City Mall	Andheri	2009

Sr.No.	Name	Location	Year	Sr.No.	Name	Location	Year
19)	Fun Republic	Andheri	2002	44)	Palladium Mall	Lower Parel	2009
20)	Maxus Mall	Bhayander	2007	45)	Moksha Mall	Mumbai	2010
21)	Maxus Mall Meghraj	Vashi	2009	46)	Bhoomi Mall	Navi Mumbai	2010
22)	Maxus Mall	Kurla	2009	47)	Rassaz Mall	Vashi	2008
23)	RNA NG Mall	Mumbai	2010	48)	Oberoi Mall	Goregaon	2008
24)	Raguleela Mall	Kandivili	2007	49)	Big Thane Shopping Centre	Thane	2009
25)	Thakur Mall	Mira Road	2008	50)	Viviana mall	Thane	-

Findings & Conclusion:

Retailing is entering an active phase in its business life cycle in India. Retailing provides a crucial link between producers and consumers in modern market economy. Retail in India is most dynamic industry and represents a huge opportunity both for domestic and international retailers. Modern retailing has miles to go in India. The continuously growth of organizing retailing in India due to Availability of good brands, Good customer service, Good infrastructure, Wide range of products, Products for all age groups Source for entertainment, Good ambience, Availability of everything required at one place, and kids have to place to enjoy. People have a favourable inclination and perception as they like shopping from an organized retail outlet or a shopping mall. People in India have undoubtedly a positive perception as well as preference for organized retailing.

The findings of the study reveal that organized retailing is successful in Mumbai city as majority of the people perceive it to be successful. Mall culture is increasing steadily in India and has the highest number of shopping malls in Mumbai city. It is estimated that even though the market share of organized retail will grow, the share of unorganized retail will also increase having a corresponding growth in the overall retail sector. Large retail chains have a definite advantage with respect to the available infrastructure that they have in place. India still has more of a traditional shopping environment. People here are still more inclined towards traditional retailers. They use a combination of the two retailer types for their shopping. Thus, it can be concluded that organized retailing in India has a lot of scope as it has managed to create a mark in the minds of the shoppers and people have started preferring the new retail formats substantially.

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