CHAPTER-5

MAJOR FINDINGS & RECOMMENDATION AND CONCLUSION

This chapter covers the major findings on the basis of analysis and also the recommendations made on the basis of findings and the last part of the chapter is the conclusion. This chapter is a very crucial part of the study as it brings out the crux of the study. Major findings of the study are as follows:

5.1 RETAIL SCENARION IN THE WORLD

- World's total retail sales is growing at faster CAGR (7.7) as compared to the last decade (0.4). Grocery is an important segment of the world's retail sector which is growing at a CAGR (7.8) faster than the total retail sales CAGR (7.7). In case of modern retail sales also the modern grocery retail sales is growing at a higher CAGR (9.0) as compared to the modern retail sales as a whole (8.8). Grocery dominates retail sales with a share of approximately 40% which varies from about 30% in rich Japan to an average of 60% in poor Africa.

- The share of organized retailing is one of the minimum in case of India compared to the other countries. Although now in India the organized retailing is growing at a faster pace (30%-35%). So, it could be anticipated that India's organized retail trade will be comparable to Brazil & Philippines (36% & 35% respectively) in the next 10 years.

- Number of workers in retail trade in 1998 was almost 175 lakhs. And if we look at the data of 2006-07, organized trade employs roughly 5 lakh people, whereas unorganized retail trade employs nearly 395.Presently 8% of the Indian population is employed with the retail sector. As the Indian retail sector is growing at a very faster pace (30%-35%), more and more people will be required in this sector. It means that the sector will provide tremendous opportunities for employment. And this is the reason why more and more institutes are coming up with retail management as a separate cource.

5.2 RETAIL SCENARION IN INDIA

- Indian retail trade statistics shows that the growth of retail trade in India is associated with the growth in the Indian economy. From the data, it seems that the reason for this relation is that the growth in the GDP leads to more disposable income which further leads to more private consumption which ultimately leads to the increase in the retail sales.

- Share of the organized retailing in India is one of the minimum in the world. And having a look at the category wise share of organized retail sector in India indicates that food and grocery is the category with minimum share of organized retailing with 0.9%.

- Modern retail formats, such as hypermarkets, supermarkets, superstores, discount and convenience stores are widely presenting the developed world, whereas such forms of retail outlets have only just begun to spread to developing countries. In case of the retail formats the most preferred format in case of grocery is the supermarket and it is the specialty stores.

- Retail sales through modern formats have risen from about 45% in 1996 to over 52% in 2006. The pace of growth of organized retailing in India is much lower compared to the world.

- It must be noted that even within the organized sector, the number of individually owned retail outlets far outnumber the corporate-backed Institutions.Food and grocery constitutes the bulk of Indian retailing and its share was about two-thirds in 2003-04 gradually falling to about 60% in 2006-07. while the overall share of organized retailing remains low, its share in certain categories is relatively high and in certain other categories quite low. The share of organized sector in the largest category of food and grocery retailing, although growing, remains just below 1%.

- The growth of the organized retail in recent years can also be gauged by the rise shopping malls as well as the rising number of modern retail formats. In 1999, India had just three shopping malls measuring less than one sq. ft. By the end of 2006, the country had 137 malls equivalent 28 million sq.ft.

- In India the total number of organized retail outlets rose from 3125, covering an area of 3.3 million sq. ft. in 2001 to 27076 with an area of 31 million sq.ft. in 2006. small-sized single-category speciality stores dominated the organized retail in the beginning with almost two-thirds of total space in 2001. Departmental stores came next with nearly a quarter of total space and supermarkets accounting for the balance of about 12% of organized retail space. There were no hypermarkets in India in 2001. specialty stores are still the most common modern retail format with over half of total modern retail space in 2006.

5.3 GENERAL PERCEPTION ABOUT ORGANIZED RETAILING

Customer's perception about organized retailing is changing very fast, although these changes are visible in case of the grocery retailing. There are some of the reasons because of which customers still find traditional grocery store a better option for the purchase of the grocery. These reasons are listed below

- Customers have a perception that it is expensive to buy from the organized grocery stores.
- They don't find it worth paying extra for the facilities given by the organized grocery retailers like ACs, music, great interiors. Customers are not ready to pay extra in case of grocery unlike the other segments of retailing.
- Despite of the above mentioned factors the organized grocery retailing is growing at its own pace. And the reasons for this are:
- Majority of the customers think that the organized grocery stores will soon replace the traditional grocery stores.
- Customers think that it is better experience to buy from the organized grocery store as compared to the traditional store. Keeping in mind the fact that the disposable income is increasing and there is dearth of time, so it is quite possible that customers get ready to pay extra for a better experience.
- Organized grocery stores give a better value proposition in terms of experience, variety & ambience.
- Customers are expecting major changes in case of retailing in India. They think that this industry is getting organized at a very faster pace.

Other findings are:

- The most preferred format in case of the organized grocery retailing is supermarkets. Customers prefer this format because of convenience in location and shopping.
- The growth of the organized grocery retailing will happen at a faster pace compared to the traditional grocery retailing. Although the growth will happen in both the types of retail formats but there pace of growth will be different.
- Customers trust family members on the first place for the choice of store of purchase decision as compared to the other source of information. Then customers are influenced by the promotional offers given by the retail outlet. Most of the grocery purchasing is done by the female members of the family and females prefer to buy from a source which provides maximum of promotional offers.
- Grocery purchasing in the maximum household is done by the female member of the family.
- Majority of the customers used to spend more than 30% of their monthly income on the purchase of the grocery.
- Presently customers prefer both the types of sources for the purchase of grocery in almost equal number.

5.4 FACTORS FOR THE GROWTH OF ORGANIZED RETAILING

The retail scenario in India is changing very fast. A number of the factors are found responsible for it. The factor that is most responsible for the present day retail growth in India is the greater urbanization. After greater urbanization it is the younger population which is a driving factor. The number of young population is very high which India has never seen before. Urban development: urban development that is taking place in India is found to be the third most responsible factor for the growth of the retail in India. Fourth place is occupied by increasing trend of nuclear family. Increasing disposable income of the customers came out to be the fifth important factor. Dual earning families which means both the husband and wife are working has got the sixth ranking. Western influence also plays a role in this growth but does not play a highly important role and ranked as 7^{th} factor of importance. High customer's aspiration and increasing media access have been ranked as 8^{th} and 9^{th} factor in ranking.

5.5 CHALLENGES AND TRENDS IN ORGANIZED RETAILING

The biggest challenge in case of the organized grocery retailing came out to be the high cost of acquiring land. As in case of grocery convenience is given the first and foremost preference by customers so it cannot be located much farther from the customer's place. And the availability and the cost of land or constructed facility has become a real challenge for the organized retailers.

Out of other highly significant challenges lack of supply-chain efficiency and high tax/multiple & complicated taxation system came were ranked higher by the organized retailers. organized retailers are registered for taxes unlike their traditional counterparts, it pose a big challenge for the organized retailers.

The other challenges of low significance in case of the organized retailers are lack of adequate infrastructure, legal formalities, knowledgeable & empowered customers and entry of e-tailors in the same order of their level of significance.

The upcoming trends in the organized grocery retailing would be increased customer focus, increased usage of technology, efficiency in operations and increased basket size in the order of their level of significance.

- Modern retail will grow but there is a scope for both. It means that it is irrelevant to think that the organized retail will grow at the cost of the traditional retail. Indian market is big enough to accommodate both the types of retail formats in case of the grocery retailing
- Entry of the foreign retailers: entry of the foreign retailers is more likely in near future. Although it has not been allowed in case of multibrand retailing as yet but there are high expectations that soon routes for FDI will open in India.
- Cross border movement (Indian retail will get integrated with the global supply-chain: again a less likely trend which will eventually come to India when the industry gets mature.
- Migration of formats: migration of the formats is the least likely trend
- Majority of the traditional grocery retailers have only one store. In case of the organized grocery stores this number is more than 10 stores.
- Traditional grocery retailers engage only one supplier and the organized grocery retailers engage 2 to 5 suppliers.
- Organize grocery retailers opening new grocery stores at a faster pace as compared to their counterpart.

5.6 CONCLUSION

The conclusion of the study is as follows:

Customer's perception about organized retailing is changing very fast, although these changes are visible in case of the grocery retailing. There are some of the reasons because of which customers still find traditional grocery store a better option for the purchase of the grocery. Customers have a perception that it is expensive to buy from the organized grocery stores. They don't find it worth paying extra for the facilities given by the organized grocery retailers like ACs, music, great interiors. Customers are not ready to pay extra in case of grocery unlike the other segments of retailing. But still majority of the customers think that the organized grocery stores will soon replace the traditional grocery stores. Customers think that it is better experience to buy from the organized grocery store as compared to the traditional store. Keeping in mind the fact that the disposable income is increasing and there is dearth of time, so it is quite possible that customers get ready to pay extra for a better experience.

The retail scenario in India is changing very fast. A number of the factors are found responsible for it. The factor that is most responsible for the present day retail growth in India is the greater urbanization. After greater urbanization it is the younger population which is a driving factor. The number of young population is very high which India has never seen before. Urban development: urban development that is taking place in India is found to be the third most responsible factor for the growth of the retail in India. Fourth place is occupied by increasing trend of nuclear family. Increasing disposable income of the customers came out to be the fifth important factor. Dual earning families which means both the husband and wife are working has got the sixth ranking. Western influence also plays a role in this growth but does not play a highly important role and ranked as 7^{th} factor of importance. High customer's aspiration and increasing media access have been ranked as 8^{th} and 9^{th} factor in ranking.

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The upcoming trends in the organized grocery retailing would be increased customer focus, increased usage of technology, efficiency in operations and increased basket size in the order of their level of significance. Modern retail will grow but there is a scope for both. It means that it is irrelevant to think that the organized retail will grow at the cost of the traditional retail. Indian market is big enough to accommodate both the types of retail formats in case of the grocery retailing Entry of the foreign retailers: entry of the foreign retailers is more likely in near future. Although it has not been allowed in case of multibrand retailing as yet but there are high expectations that soon routes for FDI will open in India.Cross border movement (Indian retail will get integrated with the global supply-chain: again a less likely trend which will eventually come to India when the industry gets mature.