
Globalization and Indian Retail Market

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Abstract

Globalization or the global exchange of goods and ideas between human populations is a process that has been existed for 2.5 million years, but that has been intensified during the last 500 years, mainly under the influence of the Western European expansions. (Schulp,2006). Every nation in all around the world experiences the process of globalization and its effect on the country and its society, starting from the high developing countries to developing countries and until the under developing countries as well. The second trend of globalization is the declining trade and the investment barriers worldwide. The impacts of this trend can be divided into two components; they are the globalization of market and the globalization of production. The globalization of market refers to the merging of historically distinct and separate national markets into one huge

Keywords:- historically distinct and separate national markets

Introduction

Indian economy has become more open and gained competitiveness in the world economic scenario. It was able to maintain an annual average growth rate between five to seven per cent. Given the current growth rate, it is being projected that by the end of the second decades of the twenty first century, India would become the third largest economic power behind the United States and China. Globalization is continuing process which could not be avoided by every nation in this world where the globalization trends contribute big impact toward society life and toward the development of retail industry. The impact of globalization toward society can be seen on the changing in several aspects such as economic, politic and legal, social and culture, and technology as well. Globalization or the global exchange of goods and ideas between human populations is a process that has been existed for 2.5 million years, but that has been intensified during the last 500 years, mainly under the influence of the Western European expansions. (Schulp,2006). Every nation in all around the world experiences the process of globalization and its effect on the country and its society, starting from the high developing countries to developing countries and until the under developing countries as well. The second trend of globalization is the declining trade and the investment barriers worldwide. The impacts of this trend can be divided into two components; they are the globalization of market and the globalization of production. The globalization of market refers to the merging of historically distinct and separate national markets into one huge global marketplace. Falling barriers to cross border trade have made it easier to sell internationally. It has been argued for sometime that the taste and preferences of consumers in different nations are beginning to converge on some global norm by offering standardized global product worldwide that help create global market.

Objectives

1. To access the status of retailing in globalized market.
2. To highlight the impact of globalization on retail industry particularly in Indian context.

Discussion

Indian retail sector at a glance

The retail sector in India is organized into three categories. According to the Department of Industrial Policy and Promotion (DIPP) of the Government of India, single-brand retail comprises those retailers selling products “of a ‘single brand’ only, such that products should be sold under the same brand internationally; and single-brand product retailing covers only products which are branded during manufacturing. In this category, FDI is allowed to the extent of 51 per cent. From 2006 to March 2010, around 94 foreign firms applied to invest through the single-brand route of which 57 were approved. Consequently, the percentage increase in FDI flows in the retail sector between 2008 and 2010 was even higher than that in sectors such as the services sector, trading and telecommunications, which have a much higher share in the country's overall FDI (DIPP, 2010). In contrast, no FDI is allowed in the multi-brand retail category. This includes all firms in organized retail that seek to stock and sell multiple brands, such -

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as large international retailers like Wal-Mart and Carrefour. This is the sector that is most under dispute. The third segment, called 'cash and carry', refers to wholesale retail. The government defines this segment as the "sale of goods and merchandise to retailers, industrial, commercial, institutional or Technology in communication, computer, and information play the important role in the process of globalization. People in the society are connected and shared information across the boundaries of space and time by using those technologies. The society more depended on the information as their guidance in their daily activities than the culture and custom. The people on the society begin to receive the different opinion and insight of others and treat others equally as well

Forecasts for Retail Sector Growth in India

The data from private consulting company reports suggest that growth in the retail market has been rapid despite major restrictions on FDI. In the third-quarter report of 2010, the BMI India Retail Report forecasts that the total retail sales will grow from US\$ 353 billion in 2010 to US\$ 543.2 billion by 2014. An important consideration, the report suggests, is the fast-growing middle and upper class consumer base. The analysis also suggests that in the next few years there will be major opportunities in India's smaller cities. AT Kearney, a global management consulting firm, rates India as the most attractive nation for retail investment. The study, presented in the Global Retail Development Index of 2009, is carried out annually for 30 emerging markets, and has rated India highest four times in the last five years. This report expresses even more optimism, and estimates that suggests that India's retail market is expected to be about US\$535 billion by 2013, with around 10 per cent coming from organized retail. Other estimates are more conservative, though still impressive. According to McKinsey, a research and consulting firm, organized retail in India is expected to increase from 5 per cent of the total market in 2008 to 14-18 per cent of the total retail market and reach US\$ 450 billion by 2015. Even if growth is more conservative than estimated, the spill-over effects of this rapid expansion could be felt by many other sectors of the economy. A report published by Knight Frank India in May 2010 looks at the question of land and available retail space. It estimates that, during 2010-12, around 55 million square feet of retail space will be ready in the major cities like Mumbai, the national capital region (NCR), Bengaluru, Kolkata, Chennai, Hyderabad and Pune. Furthermore, between 2010 and 2012, the organized retail real estate stock is expected to grow from the existing 41 million square feet to 95 million square feet. Arguably, this could drive up real estate prices, with consequent knock-on effects.

The Relationship between Globalization Trends and Development of Retail Industry

The rapid and continuing globalization of the world economy means that globalization of retailing activities is a major management issue for most large retailers today and is likely to intensify in the coming decades. (Varley and Rafiq,2004). This analysis give some limitation toward the impact of globalization trends on the development of retail industry into two main components, they are the emerging of on line retailing (e-commerce) and the internalization of retail operation. This limitation established in order to make this analysis stay on the focus and in consideration that the on line retailing represent the impact of globalization trends in the technology of computer, communication and information; meanwhile the internationalization of retail operation represent the impact of globalization trends in containerization and the declining of trade barrier worldwide. The technology of information, computer, and communication create the concept of on line retailing, which means that customers don't need to visit a store but they can shop a product through the internet from home, working place, school, or elsewhere. According to Boston Consulting Group (1999), on line retailing in total has certainly grown significantly in term of sales from a few million dollars in 1995 to an estimated 36 billion dollars in 1999. However, the pattern of growth is not consistent across all product categories, company types, or indeed, between companies based in different countries.

There are many types of product which are commonly offered through the internet like books, clothes, electronic products, insurance products, gifts, etc. (cited in Keegan, 2002) Kotler and Armstrong (2004) explained that there are several benefits to the retailers which conducted the on line retailing. The first benefit is giving the opportunity to the retailers in building customer relationship because the retailers can interact on line with the customers to learn about specific needs and wants, moreover the customers can propose questions and give the feedback to the retailers. The second benefit is the reduction in costs and the increasing of speed and efficiency. By implementing on line retailing, the retailers avoid the expense of maintaining a store and other operation costs. The third benefit is that retailers can manage its supply

chain activities like order processing, inventory handling, delivery, and trade promotion efficiently. The fourth benefit is the greater flexibility for retailers in adjusting the offering to the customer and the last benefit is the opportunity for retailers in connecting to global customers.

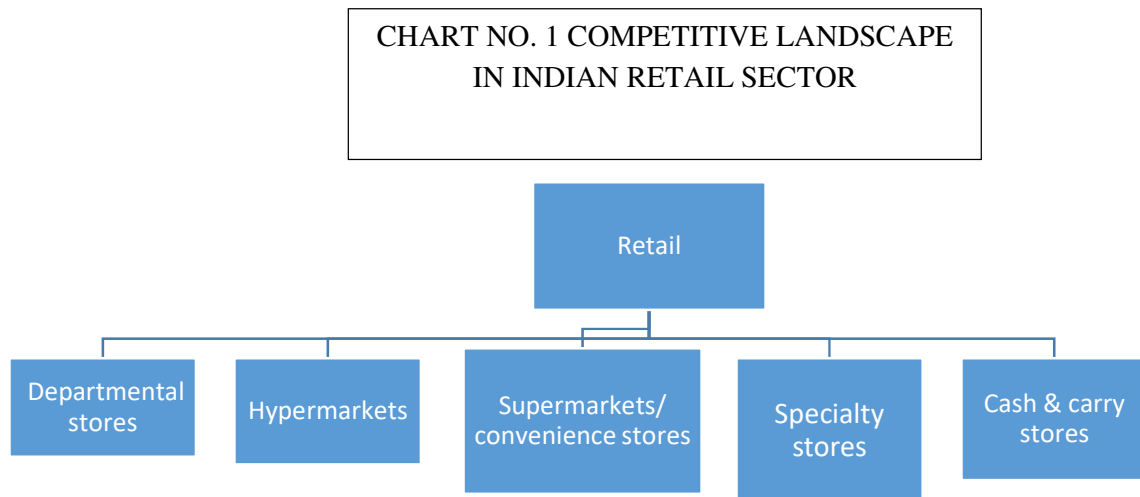


Chart No -1 show competitive landscape in Indian retail sector. Departmental store is one of the important part in retailing. Reliance has established near about 100 departmental store in country. Pantaloon has 77 store has open, whereas in hypermarket 162 big bazar and other retail stores are working. Supermarkets are open in every metro cites. Titan industry is one of best example in specialty store. Titan is working through 368 store in the world. Metro started the cash-and-carry model in India; the company operate 16 stores across Mumbai, Kolkata, Delhi, Punjab, Hyderabad and Bengaluru Reliance opened its first cash-and-carry store in September 2011

Local positions of indian retail

India was ranked fifth in 2012 on the global retail development index by AT Kearney, highlighting it as on of the key foreign investment destinations worldwide. However in 2013, the rank fell to fourteenth possibly due to slow pending and general economic slowdown, along with policy concern over approval of multi-brand retail across several states in India.

Opportunity

1. Retail consumers

70 percent of the total population base, but currently account for only 40 percent of the total consumption of India.

2. Working population

The population of the working age group of 15 to 54 years is the largest spender on retail. As per the census of 2011, more than 50 percent of India's total populations falls under this group.

3. Youth

As per the census of 2011, India has about 500 millions Indians under the age of 25. Young Indians are driving purchases in catogiries such as mobile phones, fashion, accessories, food and beverages, quick service restaurants etc.

4. Middle income group household

India has a large and aspirational middle class of 75 million household or 300 million individuals. Middle income consumers is the best target group.

In the past few decades large retailers have experienced substantial growth around the world. Evidence suggests while the impact of entry by large retail chains on employment and incumbent mom-and-pop stores is mixed, there can be substantial benefits to consumers in the form of lower prices and lowered food price inflation in particular. Similarly, by employing improved distribution and warehousing technologies, large retail chains are in a position to provide better price signals to farmers and to serve as a

platform for enhanced exports. At the same time, public outcry over the impact of these chain stores on other retailers and local communities is reported around the world. Small retailers, farmers, and even large organized competition have concerns about the entry of large global chain stores. On balance, however, in this paper we argue that opening up FDI in India to multi-brand retailers from abroad may be a catalyst to growth and the development of the retail industry, with positive externalities for the rest of the economy.

Concluding remark

Globalization is a continuing process that creates the trends which provide its impacts on the society and on the development of retail industry as well. The emerging of connecting technologies and the declining trade and investment barriers worldwide are the main of the globalization trends. Those trends changed the macro dimension of the society such as economic, political and legal, social and culture, and technology. This changing led the society into the global world where the global products and brands, and global culture become more popular within the society. Meanwhile those trends also influenced much on the development of the retail industry.

In India many retailers are looking beyond the top twenty Indian cities, pro-actively exploring the online space and closely mall developments across the countries. The recent classification on the FDI relaxation in multi brand retailing provides an interesting dynamic to the Indian landscape. Several large international retailers are contemplating to invest in India to leverage the strong demand potential of the world's fifth largest consumer market.

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