

Retail Ecosystem in India—An Overview of the Regulatory Framework and the Emerging Paradigm

Valiaparampil Joseph Sebastian, Rakesh Gupta

Institute of Management Technology (IMT), Ghaziabad, India

Email: vjsebastian@imt.edu, rgupta@imt.edu

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Abstract

Indian retail sector has been a strong area of interest and discussion both within and outside India for a number of reasons. India has the highest retail density in the world dominated by small retail outlets, which many call as “mom & pop” stores. But the sector of late has been undergoing a major transformation in terms of its structure and scale. Slowly and steadily, the big players have been entering in this field and the sector is evolving into organized shape and structure. The Indian retail sector has been categorized as the top player among the developing country markets in terms of future growth potential. This has created strong interest among big retail players of the world in the Indian retail sector but at the same time has created anxieties and fears in the minds of small Indian retailers. In this context, the regulatory environment for this sector is evolving and has a lot of challenges in hand in terms of how to balance the interests of both small and large players as well as organized and un-organized players. The study is based on an extensive survey of literature, industry reports, and field survey of small retailers. Drawing upon the analysis of primary and secondary data, the study highlights the issues facing the sector and comes out with some pertinent policy recommendations.

Keywords

Indian Retail Sector, Small Retailers, Organized Retailers, Regulatory Environment, Foreign Direct Investment

1. Introduction

Retail sector in India is undergoing a definite transformation in terms of its

structure and scale. The sector has been on a path of steady growth since the last decade and half due to many factors such as growing urbanisation, rapid economic growth and the resultant rise in purchasing power and consumerism. The above developments are also reflected in the AT Kearney Global Retail Development Index 2017, in which India is ranked No. 1, replacing China, among top 30 developing countries “where the markets are not only attractive today, but also offer future potential” [1]. The burgeoning middle-class population, spread of information and communication technology, globalisation and rising aspirations of consumers have all contributed to the transformational changes taking place in this sector. The visible aspects of the transformation are proliferating shopping malls, e-commerce operators, modern retail, foreign retailers and fast upgrading traditional retailers. Retailers are increasingly investing in developing countries like India and China to boost their sales and revenues. It is too early to predict how the sector would look like in future, but certain broad trends are visible, such as the slow but steadily rising importance of modern retail and e-commerce. This would impact the traditional retailers who are still the main stay of Indian retail and have implications for employment and livelihood.

The objectives of this paper are to study the recent developments in India’s retail sector with a view to highlight the emerging trends and possible future directions in term of various indicators such as growth, composition, economic impacts and the regulatory framework. This study is descriptive in nature and uses both primary and secondary data in the analysis.

The structure of the paper is as follows: Section 2 provides a review of select literature; Section 3 presents an overview of Indian retail sector; Section 4 explains the retail formats and structure in India; Section 5 presents the analysis of primary data collected through survey of small retailers; Section 6 presents the regulatory framework pertaining to retail sector; Section 7 provides some policy recommendations and Section 8 concludes the paper.

2. Review of Literature

This section presents an overview of select literature pertaining to retail evolution. Many of these studies have been done in the context of the developed countries. The pattern discernible in those markets may not be applicable in its entirety to developing counties like India at present, but may be relevant in future. Moreover, some aspects are definitely applicable to the present Indian context, and from a survey of these studies inferences may be drawn.

A glance through relevant academic literature and industry reports shows that retail formats are in a state of flux both in developed and developing countries. Several studies show that in the United States, store closures are happening even as consumer confidence is strong and unemployment is low, suggesting that a permanent restructuring is underway in retail sector there. A recent article in New York Times [2] portrays a dismal picture of the current status of brick-and-mortar retail. According to the report, e-commerce players, led by Amazon, have made

it so easy and fast for people to shop online that traditional retailers, are struggling to compete. This shift apparently has been building up over the years. But experts in retail sector say that the trend has perhaps reached a tipping point. This transformation is hollowing out suburban shopping malls, bankrupting long time brands and leading to staggering job losses.

In their study of dead malls in Portugal, Daniela Ferreira and Daniel Paiva [3] combined theories of retail change with perspectives on the resilience of urban retail, to explain the rising phenomenon of dead malls in Portugal, which also has close parallels with the experience in other European countries and the US.

Price water house Coopers and Kantar Retail, in their report [4] have presented a *Retail Market Evolution Model*, according to which UK and Germany are in Post-Modern market evolution phase, characterized by hyper-competition and USA which currently in maturation phase will join the group in 2020. In this phase, some major retailers fail and retail market continues to concentrate and to be reduced to fewer companies. As per the model India is in the nascent stage, with organised retail having less than 10% share and top 3 retailers combined having a market share of less than 2%.

However, in developing countries like India, an entirely opposite trend is visible, *i.e.* shift of patronage from shopping street to shopping malls, which has socio-economic implications. In fact there is also a parallel shift taking place from brick-and-mortar retail to on line retail in these countries. There have been plethora of studies on retail patronage, which have identified retail outlet attributes that lead to patronage and shift of patronage [5] [6] [7]. Some of the attributes found significant in these studies like nature and quality of stocks, in-store promotions, broad merchandise assortment, and; impressive in-store atmosphere etc. are likely to be better in modern (large) retail and they may swing customer patronage in their favour, with the rise in incomes and spread of urbanisation.

Changes in urban retail systems have been explained by three major theoretical approaches—life cycle theories, which assume existence of a life cycle for businesses and establishments; environmental theories, which focus on the ability of business and stores to adapt to changes in economic, political, and cultural environment in which they operate; and conflict theories, which focus on the interaction between innovations and existing establishments [8] [9] [10]. Based on the conflict theory, three stages have been identified in the process in which a retail system reacts to new innovations which affect its existence. The first is considered to be that of shock, as retailers are not aware the changes that may have happened in the ecosystem due to which their business is adversely affected, and therefore not able to respond to them. In the second phase actors try to prevent the success of the innovation in a strategy of “defensive retreat”. The third and fourth phases are that of acknowledgement and adaptation to the innovation, respectively [3].

There is also a vast literature available on resilience of retail systems which can

be drawn upon to study both large and small formats. Resilience in this context is defined as a system's ability to cope with internal changes or external shocks while being able to maintain its functions. In this way, various factors contributing to retail resilience may be identified and used in analysis retail change [3].

There are also many studies undertaken in the context of retail transformation happening in developing countries. According to Arpita Mukherjee *et al.* [11] retail modernization is a part of economic development and strongly argued in favour of allowing foreign investment in multi-brand retail on various grounds.

A seminal study by Mathew Joseph and N. Soundaearajan [12] recommended simplification of procedures to promote expansion of organised retail and also support to traditional retail in term of credit and infrastructural support. However, contrary to the findings in their study, the present study found that the traditional retail sector was more stressed, with close to 50% respondents saying that given a chance, they would like to get out the business. Other studies such as K. Ramakrishnan [13] focus on business practices by small retailers, which makes them competitive and identify the major factors of successful retail strategy. However, the best practices of small retailers may fall short of the competitive aggression displayed by modern retail. Thomas Reardon and Ashok Gulati [14] specifically address the issue of conflicts between the traditional and modern retailers in developing countries and suggest various strategies and policies to address them. Supporting the traditional retailers in upgrading themselves is one of their important suggestions.

The present study with an empirical focus is more contemporaneous in nature, and unlike earlier studies has the advantage of picking up the changed perceptions of traditional retailers in the context of the challenges posed by fast expanding modern retail formats, including e-commerce. Also the field survey has made an attempt to assess the resilience of traditional retailers vis-à-vis modern retailers based on perception survey.

3. The Indian Retail Market

In the absence of reliable data on the size of retail sector in India, estimations based on GDP have been attempted. It is estimated that about 57% of GDP constitute private final consumption expenditure (PFCE). Further, an average of 60 per cent of PFCE component indicates retail consumption. Finally, about 90% of retail component may be taken as the size of the retail market [15]. Based on these assumptions, the size of the retail market and the growth rates have been calculated using the latest GDP figures released by the government of India, and are presented in **Table 1**.

Table 1 shows that the retail market size in India in financial year¹ 2016-17 is to the tune of INR 48,206 billion, and it is growing at an average annual rate of 11.3% over the period 2013-14 to 2016-17 years. Since we estimate retail market size as a constant ratio of 60% of private final consumption expenditure (PFCE), the retail market growth rates would be equivalent to the growth rate in PFCE.

¹Financial year in India is from 1 April to 31 March.

Table 1. Retail Market Size in India (INR Billion).

		2013-14	2014-15	2015-16	2016-17
1	Gross Domestic Product (at MP)	112,335.22	124,451.28	136,820.35	151,837.09
2	Private Final Consumption Expenditure (PFCE)	64,756.5	72,328	79,323.31	89,270.1
3	PFCE as per cent to GDP	57.65	58.12	57.98	58.79
4	Retail Component @ 60% of PFCE	38,854	43,397	47,594	53,562
5	Retail market @ 90% of Retail Component	34,969	39,057	42,835	48,206
6	Retail market Growth Rate (%)		11.69	9.67	12.54
7	Exchange Rate (USD 1 = INR)	60.502	61.144	65.468	67.072

Source: GDP and PFCE data have been taken from *Economic Survey* 2016-17, Vol. 2, Ministry of Finance, Govt. of India. Retail Component and Retail Market values have been computed by the authors from PFCE by using the ratios adopted from *India Retail Report*, 2015 [1].

Value addition in retail sector is estimated to be 9.5% of GDP in 2016. Retail sales is projected to growth at a CAGR of 13.7% during FY 2016 to FY 2020 [16].

4. Retail Formats and Structure in India

Retailers prefer to locate themselves next to other retailers in one place or locality, giving rise to retail agglomerations, where there is clustering of retailers. Several types of agglomeration formats have been identified in literature [17] [18]. The two most important retail agglomeration formats are evolved retail agglomeration formats and created retail agglomeration formats. The former consists of retail clusters in central business districts, inner-city locations or main streets of a city, where a number of small retail units are located in a street or locality. The latter consists of consciously planned, built, centrally marketed and managed shopping spaces such as malls. There is intense competition going on between shopping streets and shopping malls across the world [19]. This is equally applicable to India, even though growth of malls is in a nascent stage in the country. It may be necessary to understand the reasons for the shift of market shares from shopping street to shopping malls and also identify the competitive advantage of each format.

Infrastructure within malls such as public toilets, cash dispensers and recreational areas have been planned and created to meet the expectations and demand of customers, and adds to the shopping experience, thereby facilitating fulfilment of shopping tasks. In shopping streets, infrastructure services are rarely provided according to the requirements or views of the customers, but they depend on the municipality, city authorities or government. The superior infrastructure and other factors such as accessibility, parking etc. make malls more attractive compared to shopping streets which are often congested and over-crowded and lack parking facilities.

In spite of the rapid increase in the number of organised retail outlets in the last one and half decade, Indian consumers even in urban areas still predomi-

nantly buy their main food and non-food household items from local *kirana* stores (mom-and-pop shops) or neighbourhood grocery stores [20]. Further the share of organised retail in the overall retail in FY 2016-17 was about 8%, but it has almost doubled over the past 5 years.

However, like many other countries, there is increasing evidence of strong growth in non-store retail in India too. In fact omnichannel retail might be the future retail model for the country. It has been pointed out that over 50% of Croma's² sales during the 2015 holiday season came from online sales through the company's website [21]. There are about 30 players in the online grocery business, which is growing at about 25% - 30% per annum in the metros [22]. There are also several online retailers who specialise only in a particular product category like vegetables or meat products. According to Technopak Advisors, about 67% of India's retail spending is directed towards groceries, in which the share of organised retail is only 15% [23].

In future, even large retailers may start offering a number of options for order and fulfilment such as home delivery, store pick-up, or in-store payment thereby taking away some aspects of competitive advantage enjoyed by small retailers. However, India is still placed at the initial stage of the retail evolution model in the Kantar Retail Market Evolution Model (MEM) [24]. Accordingly, the market is overwhelmed with non-formal retail formats such as *Mom and Pop* stores, stalls, carts, sidewalk sales, door-to-door, etc. with relatively minor penetration of formal retail [22]. India's retail sector at present is highly fragmented with about 150,700 companies engaged in trade in FY 2016 [16]. Besides, there were about 15 million family run stores (known as Kirana), operating in the country in 2016. The share of organised (modern) retail is expected to increase from 8% in 2016 to about 24% by 2020. Trading (wholesale and retail) employed about 0.8 million persons in organised sector currently [16].

Looking at the financials of the trading companies, according to Economics Survey 2016-17, [25] net sales of retail trading companies increased 22.3% in 2015-16 and 61.9% in 2016-17, compared to previous years. Profit after tax (PAT) increased by a robust 102.1% during 2016-17. However, the wholesale cash and carry operators—Metro Cash & Carry, Tesco and Walmart are found to be incurring losses since the last 5 years, indicating that these players will take longer to stabilise their financial health and sustainability [16].

5. Field Survey, Data Collection and Analysis

A survey of small (traditional) retailers was conducted in 11 cities spread across 10 states of India. For this study, stand-alone shops of less than 500 square feet in area have been defined as small retailers. The total sample size was 400; they belonged to 4 different categories—grocery, textile, fruit & vegetable vendor and fruit & vegetable hawker. The average store size/space available was found to be 280 sq. feet. The objective of the survey was to find out the perception of the

²Croma is one of India's leading electronics retail chains, owned by the Tata group.

small (traditional) retailers about various aspects of their working in the context of increasing competition from large (modern) retailers³. The perception of the small retailers regarding their preparedness, resilience and competitiveness against the large (modern) retailers were the major aspects to be studied. **Table 2(a)** & **Table 2(b)** show the summary features of the sample establishments surveyed. It may be seen that about 50% percent of the establishments were started during year 2000 or before and 50% after 2000.

The retailers were interviewed by trained enumerators who filled in a structured questionnaire. In addition to questions eliciting factual information on the profile of the establishment, growth in turnover and profits etc., there were twenty one statements on different aspects of the competitiveness and confidence of the small retailers, where their responses were marked on a Likert scale with range 1 (Strongly disagree) to 5 (Strongly agree). These 21 statements were divided into four broad assertions on the functioning of large retailers vis-à-vis the small retailers. They were: 1) Confidence of small retailers in competing with large retailers 2) Store amenities in large retail being considered superior 3) Large retailers being more Price competitive, and 4) Government policies favour large retailers. The average scores of responses under the above four dimensions were cross tabulated against the type of retail establishment and the age of the retail establishment. The results are presented in **Table 3** and **Table 4** respectively.

In **Table 3**, column 1 shows the type of retailers by their product category; columns 2 shows the average score of respondents on their perceived ability to

Table 2. Age and Category-wise Classification of the Retail Establishments Surveyed. (a) Age-wise Classification; (b) Category-wise Classification.

(a)		
Sl No	Year of Starting of the Retail Establishment	Number
1	1990 or before	110
2	1991-2000	106
3	2001-2010	167
4	2011 and after	23
5	Total	406

(b)		
Sl No	Category of Retail Establishment	Number
1	Grocery/General store	102
2	Textiles/Ready Made Garments	106
3	Fixed Fruit/Vegetable Shop	100
4	Fruit/Vegetable Hawker	98
5	Total	406

³Organised retailers include various modern, large scale formats such as supermarkets, hyper markets, departmental stores, specialty stores, discount/chain stores etc.

compete with large retailers. The scores tend converge to the mid-point on the Likert scale 3, showing they do not feel too confident about their ability to compete with the large (modern) retailers. Columns 3 and 4 show the average score on the respondents' perceptions about competitiveness of large retail vis-à-vis small retail. It may be seen from columns 3 and 4 that the values tend toward 4, indicating they tend to agree with the fact that large retail is more competitive on price and store amenities, as compared to small retailers. Column 5 of **Table 3** shows that the respondents also perceive that the government policies are progressively favouring large retail. From the table, an inference may be drawn that the perceived superiority of large retail on price and amenities to consumer fronts combined with the fact that small retailers feel the government is favouring the large retail, might be at the core of the small retailers' apparent lack of confidence in competing with large retail. This was visible across all categories of retailers.

From **Table 4**, column 2, it may be observed that since the average values tend to converge to the midpoint of the scale, retail establishments, irrespective of whether they are long established ones or relatively new, do not feel very confident about their ability to compete with modern retailers. Similarly average scores in columns 3 to 5 show that traditional retailers tend to agree with various statements about the competitive superiority of the modern (large) retail. Significant variation was observed between the age of the retail and the feeling that

Table 3. Resilience of Small Retailers vis-à-vis Large Retail (by the Type of Retail).

	Confident of competing with large retailers		Store amenities are superior in large retail		Large retailers are more Price competitive*		Govt. policies favour large retail	
(1)	(2)		(3)		(4)		(5)	
Category of Small Retailer	n	Mean rating (SD)	n	Mean rating (SD)	n	Mean rating (SD)	n	Mean rating (SD)
1. Grocery	85	3.37 (0.47)	93	3.78 (0.60)	89	4.08 (0.79)	91	3.81 (0.57)
2. Textile	89	3.40 (0.50)	98	3.61 (0.60)	96	3.84 (0.74)	95	3.88 (0.63)
3. Fruit/vegetable vendor	67	3.25 (0.55)	84	3.40 (0.65)	75	3.54 (0.77)	75	3.71 (0.57)
4. Fruit/vegetable hawker	53	3.36 (0.54)	80	3.46 (0.65)	77	3.46 (0.87)	66	3.64 (0.60)

Note: *Chi-square test $p < 0.05$, n (sample size) values vary due to missing responses.

Table 4. Resilience of Small Retailers vis-à-vis Large Retail (by the Age of Retail).

	Confident of competing with large retailers		Store amenities are superior in large retail		Large retailers are more Price competitive ***		Govt. policies favour large retail	
(1)	(2)		(3)		(4)		(5)	
Year of starting	n	Mean rating (SD)	n	Mean rating (SD)	n	Mean rating (SD)	n	Mean rating (SD)
Before 1980	45	2.98 (0.47)	45	3.55 (0.53)	45	3.50 (0.86)	48	3.69 (0.58)
1980-2000	161	3.08 (0.50)	200	3.62 (0.64)	188	3.81 (0.85)	177	3.78 (0.61)
Post-2000	88	3.19 (0.51)	110	3.50 (0.67)	104	3.79 (0.55)	102	3.80 (0.59)

Note: ***Chi-square test $p < 0.01$, n (sample size) values vary due to missing responses.

Table 5. Results of Dichotomous Response Questions on Likely Impact of Large retail on Small Retailers.

Questions	Yes	No	Total
1) Do you think large/modern retailers can take away the market share/customers in future?	233 (60.52)	152 (39.48)	385 (100)
2) Do you think large/modern retailers will be a threat to small retailers in future in future?	238 (61.82)	147 (38.18)	385 (100)
3) Do you think large/modern retailers are a threat to small retailers in currently?	236 (61.30)	149 (38.70)	385 (100)
4) Do you think Government should introduce time & location restrictions on large retailers?	251 (65.19)	134 (34.81)	385 (100)

large retailers are more price competitive.

The respondents were also asked dichotomous response questions (Yes = 1, No = 2) about the likely impact of large (modern) retail on their business. The results are tabulated and presented in **Table 5**.

Table 5 shows that an overwhelming majority of the respondents feel their business faces an existential threat from the large, modern retail formats (Questions 1 - 3) and therefore want the government to bring in some form of restrictions on their functioning (Question 4).

6. Retail Regulatory Framework in India

Retail in India is at a point where new retail formats are emerging and consumers are switching their preferences. Regulatory framework governing retail sector in India is also undergoing constant changes as the governments from time to time try to find the right balance between various concerns such as efficiency, growth and employment. For example, the supply chain of agriculture products in metros has on average 5 - 6 intermediaries between the primary producer and the consumer resulting in total mark up to 60% - 75%. As a result the primary producers received only 20% - 25% of the consumer price and inefficiencies in the supply chain resulted in wastage of 15% - 25% of the value of output [26]. Various reforms measures such as allowing foreign investment in wholesale trade and food retail, have been undertaken with a view to improve the supply chain, minimise wastages, especially in food, and better prices for producers and consumers. The main provisions governing trading (retail and wholesale) currently in force in India are summarised in **Table 6**.

7. Policy Recommendations

The low share of organised retail (8% in FY2016), a rising household income and growing aspirational levels of the people, is likely to increase demand for modern retail formats. Thus, modern trade (organised retail) is expected to be one of the main drivers of growth in retail sector in the coming years [16]. However, this can create severe pressure on small retailers causing job loss and distress in the sector over the next 5 - 6 years. A situation may arise in future, which may be akin to the present distress in the agricultural sector leading to farmer's suicides in India⁴.

⁴Over 12,000 suicides were reported in the agricultural sector every year since 2013, according to *The Times of India*, May 3, 2017.

Table 6. Regulatory Reforms Impacting Wholesale and Retail Trade in India.

I. Foreign Direct Investment (FDI) in Retail and Modern Trade		
Sector/Activity	% of Equity/FDICap	Entry Route
a) Cash & Carry Whole sale Trading/Whole sale Trading (including sourcing from MSEs) ¹	100	Automatic
b) E-commerce activities ²	100	Automatic
c) Single Brand Product Retail Trading ³	100	Automatic up to 49%. Beyond 49%, through Govt. route
d) Multi Brand Retail Trading ⁴	51	
e) Food Retail	100	Government
f) Duty Free Shops	100	Automatic

II. Implementation of Goods and Services Tax (GST)

Implementation of Goods and Services Tax (GST) w.e.f. 1 July 2017, is expected to facilitate seamless trading across states. It is expected to remove hurdles in interstate movement of goods and turn the concept of *one nation one tax* into a reality. With GST, traders are spared of the need to comply with multiple taxes and multiple rates. This is also expected to help rationalise logistics operations of trading entities, thereby reducing cost of operation.

III. Model Shops and Establishments (Regulation of Employment and Conditions of Service) Bill, 2016

Shops and Establishments act regulates working conditions of commercial establishments in India. The proposed new bill would cover shops and establishments employing ten or more workers except manufacturing units. The bill has provision for establishments to operate 24 × 7, which is expected to boost retail market. It is expected to boost employment in general and that of women particular, as it allows women working during night shift, which may again boost the retail sector. It is expected that if the model law is adopted by state governments, it will help smooth functioning of services sector, especially the retail sector.

IV. Other Enabling Measures Impacting Trading

- a) Government's efforts to promote cashless payments may boost modern/online retail.
- b) Retail has been accorded status of a priority sector by the government in the National Skill Development Mission. Retailers Association of India is the nodal agency for training the manpower. This would make available the required trained manpower for the growth of the sector.

Source: Consolidated FDI Policy Circular (2017) Department of Industrial Policy and Promotion, Government of India. ¹Cash & Carry Wholesale trading/wholesale trading, would mean sale of goods/merchandise to retailers, industrial, commercial, institutional or other professional business users or to other wholesalers and related subordinated service providers. Thus, whether the sale is wholesale or not would depend on the type of customers to whom the sale is made and not the size or volume of sales. Wholesale trading can include resale, processing and thereafter sale, bulk imports for business sales and B2B e-Commerce. ²E-commerce entities can engage only in Business to Business (B2B) e-commerce and not in Business to Consumer (B2C) e-commerce. FDI under automatic route is permitted in marketplace model of e-commerce only, where the e-commerce entity provides an information technology platform on a digital & electronic network to act as a facilitator between buyer and seller. ³In respect of proposals involving foreign investment beyond 51%, sourcing of 30% of the value of goods purchased, will be done from India, preferably from MSMEs, village and cottage industries, artisans and craftsmen etc, in all sectors. ⁴Minimum US \$ 100 million to be brought in as FDI, and at least 50% of total FDI brought in the first tranche of US \$ 100 million, to be invested in 'back-end infrastructure' within three years. Further, at least 30% of the value of products purchased shall be sourced from Indian MSMEs. Activity permitted only in cities with more than a million population as per 2011 census. Final decision maker is the government of the concerned state, where the outlet is to be established.

To tackle the above, policies and regulations should be crafted which would facilitate coexistence of both organised and unorganised retail and better prospects for the overall retail sector and their customers. Broadly, these policies and regulations may be divided into three categories: transformative, collaborative and restrictive.

7.1. Transformative Policies

Several support measures can be undertaken which would help traditional re-

tailers reinvent and transform themselves. Measures such as tax breaks, infrastructural support, assistance in reaching out to more customers by leveraging digital retail/e-commerce etc can be provided to small retailers to enable them to compete with large retailers. They should also be encouraged to connect to retail aggregators to take advantage of e-commerce facilities, and reach a larger number of customers in a cost effective manner. Further some measures could be taken by the retail association/govt. to spread awareness among the general public about the role and significance of small business in the economy. *National Small Business Week* celebrated in the US every year to recognise the role of small business is worth mentioning in this context.

Drawing upon the conflict theory of retail transformation, small retailers in India seem to be concurrently employing a multi-pronged approach to counter the forces affecting their business. The first is a defensive strategy—that of putting pressure on government to prevent or delay reforms such as FDI in multi brand retail. In addition, as the field survey has shown, they are very much aware of the changes happening in retail ecosystem, and have started responding and adapting to these through innovations such as better in-store facilities, better display, selling below the maximum recommended price (MRP) etc.

Urban planning and management policies can also increase or decrease the resilience of retail sector [27]. This may be especially true for the urban small retailers. Studies show that for several reasons, retail space is scarce in urban areas in India and correspondingly rental costs tend to be high. In 2015, rental costs amounted to 7 - 9 per cent of total sales of Indian retailers, compared to a global average of 1% to 3% [16]. Urban planning authorities can help the cause of small retailers by providing infrastructure support such as re-design and re-development of existing shopping streets and markets, providing parking facilities, civic amenities etc. which would attract more shoppers. Other measures like fiscal assistance in the form of tax remission and concessional bank lending can go a long way in increasing the resilience of traditional retail in the country.

7.2. Collaborative Actions

These actions may be explored by those traditional retailers, who find it difficult to sustain the business in the hyper competitive environment. Some of these could be to become franchisee of large chains, who may want to leverage the locational advantage or cost effectiveness provided by traditional retailers; taking advantage of cash and carry opportunities provided by modern trade etc.

As e-commerce gathers steam in India, traditional retailers can be co-opted into the system. A good example is that of Amazon. The company has enlisted mom-and-pop store owners as partners in its delivery platform. Residents of small villages and remote areas can go to their local store and use the owner's internet connection to browse and select goods from Amazon in Store owners act as conduits whereby they place order for goods selected and the customers can collect the same from the store by paying cash. The store owner passes on

the payments to Amazon after deducting handling charges. In this arrangement, Amazon can reach to customers in remote areas and store owners get increased sales of their own products while customers are on-site [28]. Similarly, Amazon Now has tied up with local stores to deliver products to customers within two-four hours.

7.3. Restrictive Policies

On the part of the government, there is a need to exercise greater caution in opening up the retail sector to foreign multibrand retailers. Traditional retailers running into millions would need at least 5 - 7 years to prepare themselves to face the competition from the former. Thus it may be imperative not to relax the exiting caps on foreign investment in this sector any further until that time. In addition, the restrictions on the cities where multi-brand retail with foreign investment can be started based on size of population, and need to be continued and strictly implemented. Further, competition watch dog, Competition Commission of India should be tasked with looking into cases of unfair trade practices such as predatory pricing in this sector. Other reasonable restrictions on large retail, even the domestic ones like zoning restrictions can be considered in appropriate cases.

8. Conclusion and Suggestions for Future Research

Based on an extensive survey of secondary sources—both academic and industry reports, the study has attempted to highlight the structure and fast paced changes happening in Indian retail sector which provides livelihood for millions. Retail transformation which has taken decades in other countries is happening in a short span of time in India with different retail formats emerging simultaneously. The field study undertaken shows that there is increasing tension and stress among the traditional retailers, as they face competition from modern retailers. In this context, the study recommends a cautious approach to opening up the sector to foreign investments and a proactive approach to transforming the traditional retailers and making them competitive, before any further liberalisation measures are undertaken in this sector.

Some of the limitations of present study are the relatively narrow coverage in terms of sample size and the cities covered, and lack of adequate data on the financial aspects of small retailers. Future studies should attempt to cover wider sample in term of sample size and geographical coverage, develop an instrument for measuring resilience of small retail, focus more on analysis of financial data and use more sophisticated statistical tools such as factor analysis and cluster analysis to identify common factors and characteristics impacting retail competitiveness and resilience.

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