Changing Face of Indian Retail Sector:
Ethics, Challenges and Opportunities

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Abstract

Ethics in the retailing sector has some certain critical issues. Retailers may use certain ethical standards which help them in decision making. The aim of this paper is to investigate the ethical practices of retailers, the ethical beliefs of the retail sales force and also provides detailed information about the growth of retailing industry in India. It examines the growing awareness and brand consciousness among people across different socio-economic classes in India and how the urban and semi-urban retail markets are witnessing significant growth. The paper includes growth of the retail sector in India recent trends strategies, strength and opportunities of retail stores, retail. This paper wraps up with a scenario of the likely impact of the entry of global players into the Indian retailing industry. It also highlights the challenges faced by the industry in near future Retail salespeople need guidelines on ethical issues. The guidelines should be formulated and clearly communicated to help salespeople deal effectively with the new situations. This is likely to contribute towards the job performance and satisfaction of the salespeople and customer satisfaction as well. To that extent this study would help retail salespeople and the help of the management address ethical problems.

Keywords: Ethics problems, strategies, global player, force, trends.

1   Introduction

"Consumers are challenging the industry to adapt to the ways they live and shop today. Supported by emerging technologies, consumers will be more focused than ever on price and convenience"

Ravi Bagal, Verizon Business

The India Retail Industry is the largest among all the industries in India, accounting for over 13per cent of the country GDP and 8 per cent of the employment. The Retail Industry in India has come forth as one of the most dynamic and fast around paced industries with several players entering the market. But all of them have not yet tasted success. Major reason for this negativity are the heavy initial investments that are required to break even with other companies, marketing tends and ethical decisions. The India Retail Industry is gradually inching its way towards becoming the next boom industry. . Studies have confirmed that unethical marketing decisions can engender considerable personal, organizational and social costs. After all, ethics functions as a form of social control, something that is especially critical to customers, salespeople and the organization. The concept of Corporate Social responsibility (CSR) is often associated with the concept of corporate ethics and according to many definitions, CSR appear to be the ethical expression of the business. Consequently retailers' ethics may be focused on the notion of ethical responsibility to contribute to sustainable economic development; working with employees, their families, the local community and society at large to improve their quality of life. The retailers' ethics may be an analyzed from the standpoint of ethical practices, seen as "Good Actions". The retail industry is the first link in the

distribution chain, from the customer's point of view. It is therefore vital for retailers to act in an ethical manner because they affect the lives of many people. One area in marketing where ethical misconduct can easily occur is the selling area. Sales personnel tend to be guided by their professional demands for bending ethics. Marketing personnel are the unfortunate victims of the ethics gap.

Definition of Retail

In 2004, The High Court of Delhi defined the term 'retail' as a sale for final consumption in contrast to a sale for further sale or processing (i.e. wholesale), a sale to the ultimate consumer.

Thus, retailing can be said to be the interface between the producer and the individual consumer buying for personal consumption. This excludes direct interface between the manufacturer and institutional buyers such as the government and other bulk customers. Retailing is the last link that connects the individual consumer with the manufacturing and distribution chain. A retailer is involved in the act of selling goods to the individual consumer at a margin of profit.

The Retailing Scene in India

The retail sector in India is highly fragmented and organized retail in the country is at a very nascent stage. However, in the last few years, the process of change has started. In India,2010 the retail sector is the second largest employer after agriculture. The Indian retail is one of the biggest industries with a turnover US $450-500 bn by 2010.Within the retail sector grocery has 50% of share. At the macro level 2010 retailing is the largest private sector industry accounting for 10-11% of the GDP. Globally India has the highest absolute number and the highest per capita number of retail outlets. With an estimated 11.2 mn outlets, India has the largest retail outlet density in the world. According to a survey, an overwhelming proportion of the $180 bn retail market is unorganized. In fact only a $5 bn segment of the market is organized. As much as 96% of the 11 mn plus outlets are smaller than 500 sq.ft. in the area. This means that India's per capita retailing space is about 2 square feet (compared to 12 square feet in the United States.) India's per capita retailing space is thus the lowest in the world. However, retail is amongst the fastest growing sectors in the country. India ranks first, ahead of Russia, in terms of emerging market potential in retail and is deemed as "Priority 1" market for international retail. In 2004, it was reckoned that about 3percent of India's retail was controlled by organized retailers. That has now risen to about 8percent. According to 'retail king' Kishore Biyani, by 2010, the organized retailers like his group, Reliance and the Tata's will have a share of about 25 percent in big cities. Organized retail in eastern parts of the country is projected to cross Rs.10,000 crores by 2010, according to a CII and Image study in 2005 on "East India Retail: 2010 and Beyond".

 RETAIL SALES in India will grow from the US$395.96 billion (Rs 17818.20 Billion) in 2011 to US$ 785.12 billion (Rs 35330.40 billion) by 2015. (Source: Business Monitor International).Sales through MGR outlets (Mass Grocery Retail) is expected to increase by 218% by 2015 to reach a level of US$ 27.67 billion(Rs1245.15 billion).Organized retail in India is expected to increase from 5 per cent of the total market in 2008 to 14-18 per cent and reach US$ 450 billion by 2015, according to a McKinsey & Company report titled 'The Great Indian Bazaar: Organized Retail Comes of Age in India'. By 2012, around 55 million square feet of retail space will be ready in the national capital region (NCR), Kolkata, Mumbai, Chennai, Bengalaru, Hyderabad and Pune. The organized retail real estate stock will therefore grow from the existing 41 million sq ft to 95 million square feet. (Source: India Organized Retail Market 2010 by Knight Frank India) According to the report 'Strong and Steady 2011' released by global consultancy and research firm PricewaterhouseCoopers (PwC), India's retail sector, which is currently estimated at about US$ 500 billion, is expected to grow to about US$ 900billionby2014. According to a report by KPMG, food retail sector in India is set to more than double to by 2025 to US$ 150 Billion (Rs 6750 billion). This would be driven by growth of organized report coupled with changing consumer habits.

Strategies Trends and Opportunities 2011

Retailing in India is gradually inching its way toward becoming the next boom industry. The whole concept of shopping has altered in terms of format and consumer buying behavior, ushering in a revolution in shopping in India. Modern retail has entered India as seen in sprawling shopping centers, multi-storied malls and huge complexes offer shopping, entertainment and food all under one roof. The Indian retailing sector is at an inflexion point where the growth of organized retailing and growth in the consumption by the Indian population is going to take a higher growth trajectory. The Indian population is witnessing a significant change in its demographics. A large young working population with median age of 24 years, nuclear families in urban areas, along with increasing workingwomen population and emerging opportunities in the services sector are going to be the key growth drivers of the organized retail sector in India. As the contemporary retail sector in India is reflected in sprawling shopping centers, multiplex- malls and huge complexes offer shopping, entertainment and food all under one roof, the concept of shopping has altered in terms of format and consumer buying behavior, ushering in a revolution in shopping in India. This has also contributed to large-scale investments in the real estate sector with major national and global players investing in developing the infrastructure and construction of the retailing business. The trends that are driving the growth of the retail sector in India are in peak

Major Findings

The individuals with whom salespeople interact (within and outside the organization) are likely to have different needs and problems that salespeople might satisfy or resolve. Because these individuals help foster their own interests served or problems solved. The demands communicated to salespeople by the individuals are likely to be diverse and often incompatible.
For retail salespeople, the key individuals who may engender ethical problems will be the sales peoples' customers, peers and management. Consequently, their problems have been classified.

Customer: Customer related situations encompass those situations that entail involvement with customers and have direct impact upon customers.

Peer: Peer related situations involve interactions with salespeople's non-work peers (friends and relatives) and fellow employees.

Work: Work related situations entail circumstances that may be precipitated by company operating procedures, practices or directives or are fostered by the work environment.

 What are ethical problems?

Of the thirty three situations administered to the respondents only 4 are seen by one-third or more of the retail salespeople as being ethical issues. Of these two (out of 17) are customer related situations, none (out of 8) is peer related situation and 2 (out of 8) are work related situation.

The customer related situations are:
Charge full price for a sale item without the customers' knowledge.
Don't tell the complete truth to a customer about the characteristics of a product.

The work related situations are:
Salespersons receive an unfair work load.
Perform your job with inadequate job information or training.

Where do policies exist?

Eight of the thirty three situations evaluated by sales personnel are believed to be addressed by policies in more than 33 percent of the respondent's' companies. Of these 5 (out of 17) are customer related situations; 1 (out of 8) is peer-related situation; and 2 (out of 8) are work related situations. The situations are:

Customer related situations:

Sell more expensive product when a less expensive product would be better for the customer.
Don't offer information to the customer about an upcoming sale.
Make excuses to customers about unavailable merchandise when merchandise is not in stock or is sold out.
Take return from customers when you believe the item should not be accepted.
Give preferential treatment to certain customers.

Peer related situation:
   i)   Pressure from a friend to give him/her your employee discount.
Work related situations:
Salesperson receives an unfair workload.
Sell merchandise that is not of good quality.
The 25 remaining situations however are not believed to be covered by policies in the majority of the sales peoples' companies. Out of the 4 ethically troublesome situations only in one situation (i.e. salespersons receiving an unfair workload) about one third of the respondents believe their companies have policies addressing .
 Where are policies needed?
This study also investigated which situations salespeople believe should be addressed by company policies, regardless of whether policy already exists. The retailers' salespeople want company guidelines on 15 of the 33 situations evaluated by the respondents.
What are the challenges?

15 of the 33 retailers responded and describe about their challenges which are following:
Real estates are very high
Huge amount need to start a retail business
Regulations restricting real estate purchases, and cumbersome local laws.
Absence of developed supply chain and integrated IT management.
Low skill level for retailing management.
Lack of trained work force.
Intrinsic complexity of retailing – rapid price changes, constant threat of product obsolescence and low margins.

Implications

This study has limitations. First, in terms of internal validity, the analysis actually relies in part on the discourse of the retailers and salespeople, which means that we can only formulate conjectures about what a retailer might consider as a conceivable ethical approach. Also as the field is still at an early exploratory stage, further studies need to be conducted. The external validity of the study could be challenged since it was conducted in Punjab, where organized retailing is at its nascent stage. Moreover, the sample used was narrow in geographic scope and broad generalizations from the results should be viewed cautiously. .

Conclusions

"As consumer behavior and lifestyles changed, people no longer buy the way they used to. Simply increasing 'width 'and 'depth 'of coverage no longer seems to produce the magical results it once used to."

'Marketing that Works,' Business Line, April 2003.

The retail sector has played a phenomenal role throughout the world in increasing productivity of consumer goods and services. It is also the second largest industry in US in terms of numbers of employees and establishments. There is no denying the fact that most of the developed economies are very much relying on their retail sector as a locomotive of growth. The Indian retail industry is going through a period of golden sunshine Retailers: The retailers' management does not have clear policies. They have not developed ethical code of practice. They are concerned with ethical behavior and doing the right thing. Since ethical conduct is largely an individual process, training and individual related factors are important .Retail salespeople need guidelines on ethical issues. This poses considerable challenges to retail managers. If we focus on problems of retail industry and solve them then Indian retail sector will boom

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