

THE IMPACT OF CHANGING CONSUMER TRENDS ON THE GROWTH OF MODERN RETAILING IN INDIA

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Abstract

The research investigates the influence that shifting consumer patterns have had, and continue to have, on the development of contemporary retailing in India. The fast tidal changes in domestic demography, urbanisation, increases in the level of living, lifestyle improvements, and advancements in information technology have given birth to a gigantic consumer market. Especially in the food and grocery, clothes, and entertainment industries, the increasing wealthy middle-class consumers have played a big influence in determining the patterns of consumerism. This is especially true in the United States. As a direct result of this, supermarkets, hypermarkets, and shopping malls have all evolved as destination centres to respond to the continuously shifting requirements of customers. It is essential, for the development of contemporary retail formats throughout the country, to have a solid understanding of the shifting consumerist tendencies and the impact these trends have on organised retailing. However, there has only been a very little amount of study done to investigate the real effect and contribution of consumerism on organised commerce. This research intends to shed light on the extraordinary changes and innovations happening in retailing as a reaction to India's rising consumption by

analysing data from a survey that was conducted in India. This research gives significant insights into the transformation of the retail industry in India by conducting an analysis of the dynamics of consumer trends and the influence those trends have had on the expansion of contemporary retailing.

Paper Identification



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INTRODUCTION

Because of liberalisation, globalisation, and shifting demographics, India has undergone substantial transformations in the patterns of consumption that people engage in. As a result, India is now emerging as one of the economies in the world that is expanding at the quickest rate. Consumption has been stimulated in India as a result of the country's shift from being a producer-oriented society to a consumerist culture. A healthy GDP growth rate of 7-9% is further fueling consumer spending, which is further supported by a growing middle class that now consists of around 300 million families. According to a report published by

the McKinsey Global Institute, India is well on its way to becoming one of the greatest consumer markets in the world. It is forecast to ascend to the fifth place, which would put it ahead of Germany but still behind the United States, Japan, China, and the United Kingdom. The analysis forecasts that by the year 2025, actual consumption would have increased from 17 trillion to 70 trillion Indian Rupees. The expansion of the consumer market may be attributed to a confluence of factors, including domestic demographic shifts, improvements in living standards, urbanisation, and technological breakthroughs in a variety of sectors. “According to the AT Kearney Retail Report (2005), the present value of the Indian consumer goods industry is roughly \$450 billion, and it is anticipated that this value would more than double to approximately \$800 billion during the next five years if the nation continues its 8% growth trajectory”. As a result of rising levels of consumption, the organised retail sector in India is on the verge of experiencing explosive growth. The retail industry is forecast to have strong growth in terms of sales according to the projection of a compound average growth rate (CAGR) of 8% for constant value. “According to the KSA Technopak retail study (2006), the current value of the retail industry is predicted to reach \$637 billion by the year 2015”. This compares to the current value of \$320 billion. It is essential to have a solid understanding of the shifting consumer patterns that have been a driving force behind the expansion of organised retailing in India. This study's primary objective is to provide an overview of a selection of organised retail formats, such as those seen in the food, fashion, and entertainment industries. In doing so, the authors want to shed light on the shifting trends in retailing and the accompanying opportunities.

SOCIO-CULTURAL IMPACT ON CONSUMERISM

There are various behavioural patterns that are associated with each socioeconomic class when it comes to consumerism. There are roughly 1.6 million homes in India that are considered to be upper-class households. These households have an annual income of Rs 45 lakh or more, which is equivalent to \$100,000, and spend around Rs 4 lakh, which is equivalent to \$9,000. According to an estimate made by KSA Technopak in 2006, this sector of the industry has the potential to generate revenues of over \$75,000 crore (\$750 billion) and is currently expanding at a healthy pace of 14% annually. In India, there are roughly 300 million people who fall into the economic bracket known as the middle class, which is also often referred to as the middle class. This represents approximately 25 percent of the overall population. Within this category, around 4% of the people may be classified as highly wealthy, while 10% of the people have just very recently entered the middle class. By the year 2025, it is anticipated that the number of members of the prosperous middle class would have increased to 400 million, engaging in ostentatious expenditure to the tune of \$2.8 trillion, and adopting an appealing way of life. The shifting tendencies of different consumer groups are shown in Table 1, which shows the percentage rise in the categories of the Rich (417%), the Consuming (183%), and the Climbers (38%), respectively, between 2009-2014 and 2019. On the other hand, there has been a reduction in the proportion of people belonging to the Aspirant (-63%) and Destitute (-59%), respectively. According to the findings that were published by Baja et al. in 2005, the total shift of 23% is a strong sign of the developing consumer market.

Table 1: The Shifting Consumer Market in India

Consumer Class (Annual	2009	2014	2019	Change

Income Rs)				
The Rich (Rs 220,000 and more)	1.3	2.1	6.3	417%
The Consuming Class (Rs 46,000 - 220,000)	32.8	54.4	91.9	183%
The Climbers (Rs 21,000 - 46,000)	54.3	71.5	74.8	38%
The Aspirants (Rs 15,000 - 21,000)	45	28.6	15.9	-63%
The Destitute (Rs below 15,000)	33.5	24	13.3	-59%
Total	166.9	180.6	202.2	23%

Source: NCAER – 2020

Fast food restaurants like Domino's pizza, burger chains, and coffee shops came into existence because of the dynamic nature of cultural values and cross-cultural influences, which had a considerable effect on consumer preferences, attitudes, and dietary habits (Swpna Pradhan, 2007). These factors contributed to the proliferation of fast food restaurants. In addition, as a result of the transition that has taken place in the culture around clothes, customers are becoming more predisposed to shop in contemporary retail formats for garments that correspond to Western trends. This has created an irresistible appeal.

Demographic and psycho graphic impact on consumerism

The ever-evolving patterns of consumption in India are heavily influenced by the country's changing demographic make-up. There are around 742 million people living in rural regions, whereas there are only 285 million people living in urban areas out of a total

population of 1 027 million. The substantial rise in population, which between 2001 and 2009 included 113 million people living in rural regions and 68 million people living in urban areas, is unmistakably indicative of a rising demand for consumer products. The rural sections of the nation, which account for 70 percent of the total population and include 600,000 communities, are the source of demand for a variety of consumer goods, including toothpaste, instant coffee, and deodorant, among other things. According to the Assocham Retail Report of 2020, it is anticipated that the level of demand would increase by sixty percent by the year 2012. Over the course of the last decade, the average family income in metropolitan regions has had a Compound Annual Growth Rate (CAGR) of 5%. From 2003 to 2009, the income profiles of Indian families shown substantial rise, and it is anticipated that this rising trend would continue until 2017, as seen in Table 2. These new innovations are very promising for the growth of consumption in India since they show that the country is on the right track.

Table 2: Distribution of Household Income in India

Income Profile	Million households		
	FY 09	FY 14	FY 19E
Income group in USD			
Low (<\$ 489)	86.1	59.3	39.9
Lower Middle (\$ 490-978)	44.9	72.2	78.5
Middle (\$ 978-1522)	18.0	23.5	36.6
Upper Middle (\$ 1523-2087)	7.0	13.6	21.4
High (> \$ 2087)	4.6	12.1	22.7
Total	160.6	180.7	199.1

Source: Tata Statistical Outline and Merrill Lynch Research – 2020

Table 3 Population by Age Group in India (Millions)

Year	Kids 0-4	Children 5-14	Adolescents 15-19	Adults 20-34	Midaged 35-54	Aged 55 and more	Total
2009	119.5	233.2	90.7	224.0	178.1	88.7	934.2
2014	108.5	239.1	109.09	246.8	207.3	101.7	1012.4
2019	113.5	221.2	122.4	279.1	239.2	118.7	1094.1

Source: NCAER-2020

Table 4: The Retail Industry in India: 2019 (at Current Prices) Structure and Share

The evolution of consumerism has been considerably aided by a number of factors, including the changing demographics of the labour force as well as the growing presence of women in both public and private organisations. “According to a study published by NCEAR in 2020, the percentage of women working in professional and technical fields in India is now 34% and 21% respectively”. These figures demonstrate the women's rising impact. In addition, the fast rise in employment, which has increased from 1.6% between the years 1993 and 2000 to 2.5% during the period between 2003 and 2019, has also played a part in helping the advancement of consumerism.

“A significant amount of impact is exerted on consumer behaviour by innate elements such as needs, motivations, perceptions, attitudes, interests, views, activities, and lifestyles”. This influence is exerted within an environment that is always changing. Consumption is fueled in large part by personal as well as societal motivations, which in turn create a desire for contemporary retail formats that are in line with consumers' ever-changing tastes. The joy and contentment that customers get from their shopping excursions at contemporary retail establishments are a significant driving force behind their purchasing decisions.

Retail Segments	India Retail Value (Rs. Crore)	Organised Retail (Rs. Crore)	%Organised in 2019
Clothing, textiles and fashion accessories	1,13,500	21,400	18.9
Jewellery	60,200	1,680	2.8
Watches	3,950	1,800	45.6
Footwear	13,750	5,200	37.8
Health and beauty care services	3,800	400	10.6
Pharmaceuticals	42,200	1,100	2.6
Consumer durables, home appliances and equipments	48,100	5,000	10.4
Mobile handsets, accessories and services	21,650	1,740	8.0

Furnishings, utensils, furniture home and office	40,650	3,700	9.1
Food and Grocery	7,43,900	5,800	0.8
Catering services (F &B)	57,000	3,940	6.9
Books, music and gifts	13,300	1,680	12.6
Entertainment	38,000	1,560	4.1
Total	Rs.12,00,000	Rs.55,000	4.6

Source: Images F&R research

Moving ahead, it is anticipated that the growth rate of organised retailing would be around 37% in 2012 and 42% in 2013. According to projections made in the India retail report of 2020, the organised retail business in the nation is expected to reach a value of around Rs 200,000 crore by the year 2017, which is comparable to \$45 billion when expressed in terms of the United States dollar.

Apparel Retail Sector

The consumerist movement in India has had a huge influence on the garment industry, which now finds itself at a crucial crossroads where it must balance possibilities and difficulties. Indian customers are becoming more aware of global fashion trends as a result of the expansion of information technology, satellite television, the internet, and other kinds of media. As a result, Indian consumers are asking that these trends be replicated in their own nation. This transition is especially visible in the wardrobes of young girls and boys, who are migrating towards western clothes and Indo-western trends. This shift is

particularly evident in the wardrobes of young girls and boys.

The growth of the market itself is a demonstration of the increasing purchasing power of consumers. With a population of 600 million individuals under the age of 25, more than a hundred thousand people earning annual incomes exceeding Rs 50 lakh, and more than seven lakh individuals earning over Rs 15 lakh annually, consumer spending is expanding across a variety of categories, including those that were previously driven by price considerations. In addition to this, India is now consistently ranked among the top 10 exporters of garments globally.

Over the next three years, it is anticipated that the organised apparel sector, which now has a value of \$1.8 billion, would see consistent growth of 9.5 percent on an annual basis. Customers have shown a growing preference for shopping at multi-brand stores, which are expected to soon outnumber manufacturer merchants in terms of revenue. "Shoppers Stop, the RPG group, Pantaloon retail, and Trent are some examples of well-established retailers who have strengthened their retail strategies and are now extending their store networks in order to enhance their market share".

The children's retailing sector is enjoying phenomenal development, and it is anticipated that it will witness annual growth rates of 30–35 percent over the next several years. In addition, men's fashion is becoming more popular, and it now accounts for one-sixth of India's domestic market for clothes, textiles, and fashion accessories, which is now valued at Rs 1,135,000 crore.

The prosperous middle class in India, who are not ashamed of their wealth and are aware of the buying power they possess, has a strong preference for branded fashion products. The Indian clothing industry has soared to a value that is now more than one million dollars due to the upbeat consumer attitude and increased demand.

The State of Retailing and Its Prospects for the Future

Here are some current tendencies in India's retail industry:

The rise of supermarkets, hypermarkets, and department shops

These trends are being driven by the consumer's demand for convenience as well as a one-of-a-kind shopping experience, which may be offered by retailers in the form of supplementary services provided in addition to the primary goods being sold as well as the ambiance that prevails throughout retail establishments. As a result of this, large box category killer shops have become more important in the realm of specialist retail categories. In the early phases of the growth of the retail industry, supermarkets may have a presence; nevertheless, in the long term, they have a difficult time competing with the customer value proposition that is supplied by convenience shops and hypermarkets.

There are around 1,300 supermarkets in India. "Big Bazaar, Ampa Skywalk, Subhiksha, Nilgiri's, Food world, Spencer's, Reliance Fresh, and Heritage Fresh are just a few of the significant players that can be found among these establishments. Big Bazaar is another name that deserves mention. The most successful retail firms in the hypermarket sector are Hyper city, Magnet, Jumbo, C3, Shop rite, Big Bazaar, and a great number of other names. The sector as a whole is comprised of a total of 70 hypermarkets".

Emergence of Mall culture

There has been a tremendous growth in the number of new shopping malls opening up in cities all throughout India. These malls are distinguished by their well-designed layouts, which adhere to international retailing models. These shopping centres not only concentrate on retail, but also include a variety of entertainment alternatives and dining

establishments, making for an enjoyable day for the whole family. According to a study report published by Deutsche Bank in 2005, it is anticipated that over the course of the following two years, more than 600 malls would be erected, bringing the idea of contemporary retailing to the majority of Indian cities with populations of over one million.

The culture of shopping malls has gained widespread popularity among Indian customers, who now prefer to spend their leisure time doing their shopping there. The introduction of "Concept Malls" as a new trend in this industry is a relatively recent phenomenon. Concept Malls are shopping centres that focus on showcasing a single brand or product across a number of different retail shops within a condensed geographical area. It is anticipated that the concept mall trend will continue to gain popularity, which will provide customers with an even more delightful shopping experience. The following are some types of shopping malls:

Jewelry Mall: Because Indian women have such a strong preference for shopping for jewellery, India has become one of their most popular shopping destinations. Tanishq, Nakshatra, Joy Alukkas, and NSC are some of the most well-known jewellery shopping malls in India, with NSC being India's first specialised mall and being located in Chennai. For those interested in purchasing gold, the Joy Alukkas Mall provides a variety of convenient amenities, such as a food court, children's play area, executive lounge, florist, and beauty salon. In addition, an entire floor is devoted to the display of branded jewellery goods from various companies.

Electronic Mall: Customers are able to satisfy their needs for a broad variety of consumer electronics, electrical products, and home goods all under one roof at the Electronic Mall. The shopping centre known as "CROMA" in Chennai is a great example of this kind

of shopping centre. This shopping centre has five levels and is home to roughly 500 stores selling a variety of consumer electronics, consumer durables, mobile phones, televisions, videocassettes, digital versatile disc players.

Future changes to the retail sector

The liberalisation of retail commerce for “Foreign Direct Investment (FDI) is expected to bring about revolutionary changes in the Indian consumer market”.

The Indian government has just taken a crucial step towards liberalising India's retail sector by declaring that it would allow foreign direct investment (FDI) of up to 51 percent in single-brand retailing. The automatic method as well as government laws currently permit one hundred percent foreign direct investment in cash and carry businesses. These regulations also permit one hundred percent foreign direct investment in franchises and strategic licences for multiple-brand stores. In addition, the government is considering permitting foreign direct investment (FDI) of up to 51 percent in consumer electronics and sports products (India retail report, 2020). This would be part of a further liberalisation of the retail industry.

The enormous size of India's middle class, combined with the country's relatively undeveloped retail sector, has piqued the interest of a great number of multinational retail giants interested in penetrating the Indian market. It is anticipated that the retail industry in India would expand at a pace of 25 percent per year as a result of shifting consumer preferences, robust income development, and favourable demographic trends. The United States, the European Union, and Australia are among the main global actors that have shown interest as a result of this rise. If the various plans for sector-specific retail trade were put into action, it is anticipated that the retail industry would be able to bring in investments worth a total of \$300 billion from foreign direct investors.

The Retail Industry's Bright Future

According to the current situation and several future estimates, the following is what is anticipated to be the future prospects of the retail sector in India..

- By the end of this decade, ten percent of all retailing will be comprised of organised retail. In the meanwhile, according to the India retail report-20, the organised sector would develop at a pace of almost 30 percent every year.
- According to a study report compiled by Deutsche Bank, India is expected to have close to 600 shopping malls by the year 2020, which would subsequently provide an abundance of chances in the real estate industry.
- When it comes to Indian youngsters, merchants are working hard to form bonds with them while also building their brands. The research company KSA Technopak estimates that the branded section of the kids' clothing industry is worth 701.7 million U.S. dollars out of the overall market size of more than 3 billion U.S. dollars. The garment sector, which is responsible for approximately 80 percentage of total income, is driving the change in the children's retail industry.
- There will be an increase of 83% in the turnover of the agricultural sector owing to the efficacy of modern logistic and supply chain management practises. This growth will occur in the United States.
- It is anticipated that the retail industry would generate 50,000 new employment annually during the next five years.
- There will be a yearly growth of \$2 billion in exports, and by 2011 they will have reached \$40 billion.
- The increasing tough rivalry shown by both local and international retail bigwigs would

result in India attracting \$150 billion of foreign direct investment by 2011 in the infrastructure sector alone.

CONCLUSION

The Indian consumer market and the retail business have grown intimately interwoven and are expanding in tandem as a result of the expansion of the Indian economy and the prevalent consumerism in the country. This new wave of consumerism is being propelled in part by a number of causes, including the development of a prosperous middle class, shifting patterns of spending, the expansion of nuclear families with two incomes, and the impact of youth culture. A growing understanding of information and technology has led to an increase in the dynamic Indian consumer's desire to actively seek out new and exciting shopping experiences. Both local and foreign retailers are now developing significant presences throughout the country, which positions India to enter the subsequent phase of the growth of its retail industry. As a result of the Indian consumer's undeniable preference for purchasing goods through organised retail establishments, many opportunities exist across a wide range of retail formats and product categories. The introduction of foreign brands and investments will, in the same way that it does in retail marketplaces all over the globe, transform the landscape of retail in India. Because of this inflow, domestic players will be forced to respond to the increased competition by expanding their operations and becoming more creative. The retail industry in India is now at a pivotal crossroads, and it is well positioned to see faster development in organised retail as well as greater consumption on the part of the Indian people.

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