

# Challenges faced by organized retail companies of Agro products in Haryana

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**Abstract - This paper intends the challenges faced by organized retailing companies of Agro products in Haryana (India). In the era of globalization economy changes rapidly in which retail sector also transforming from traditional to organized retailing. The Indian retail sector is witnessing tremendous growth with the changing demographics and an increase in the quality of life of rural people. Many companies are exclusively setting up new department with dedicated team to learn how to penetrate and capture this growing market. Market liberalization and changing consumer behaviour have sown the seeds of a retail transformation. The organized retail sector has been facing various issues and challenges which are proving to be a hurdle for its fast-paced growth. Even though the organized retail sector is in a very nascent stage in India, it provides ample opportunities for retailers, and mitigation of a few challenges will help the sector attain higher economies of scale and growth.**

**Keywords: Organised Retail, Demographic, liberalization**

## I. INTRODUCTION

Retailing has been defined as business activities involved in selling goods and services to consumers for their personal, family or household use (Berman and Evans, 2001).

Organized retail is nothing but a retail place all the items are segregated and brought under one roof, unlike the unorganized retail where there are different things are sold in different shops. It also aims to bring maximum of different brands making the same type of product together.

'**Agro Products**' embraces a broad all-inclusive category of products related to AGRICULTURE. It includes a comprehensive range of raw and finished goods under the classifications of plants, animals and other life forms. The term 'agro' has stemmed from the Greek word 'agros' meaning field, which has led to its current usage meaning anything that falls under the 'agricultural' category.

The Organised retail segment in India is expected to witness higher growth going forward due to the FDI clearances in retailing, the changing consumer needs, rise in young (15-49 years) and working women population, and increase in nuclear families among others. It is estimated that the young population is likely to constitute 53.0% of the total population in 2020 and 46.5% of the population in 2050 - much higher than countries like the US, the UK, Germany, China etc. Today retailing is largest contributing sector to country's GDP i.e. 10% as compared to 8% in China, 6% in Brazil.

### **Retail in India**

The Retail Sector is the largest sector in India after agriculture, accounting for over 10 per cent of the country's GDP and around 8 per cent of the employment. India has the most unorganized retail market in the world. The Indian

retail industry is divided into organized and unorganized sectors. Organized retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses. Unorganized retailing, on the other hand, refers to the traditional formats of low-cost retailing, such as the local kirana shops, owner manned general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors, etc. In the beginning there were only kirana stores called Mom and Pop Stores, the Friendly neighborhood stores selling every day needs. Most retailers of the market have their shop in the front and house at the back. All Indian households have traditionally enjoyed the convenience of calling up the corner grocery "kirana" store, which is all too familiar with their brand preferences, offers credit, and applies flexible conditions for product returns and exchange. And while mall based shopping formats are gaining popularity in most cities today, the price-sensitive Indian shopper has reached out to stores such as Big Bazaar mainly for the steep discounts and bulk prices. Retail chains such as Reliance Fresh and More have reportedly closed down operations in some of their locations, because after the initial novelty faded off, most shoppers preferred the convenience and access offered by the local kirana store. So how would these Western multi-brand stores such as Wal-Mart and Carrefour strategies their entry into the country and gain access to the average Indian household? Wal-Mart has already entered the market through its partnership with Bharti, and gained opportunity for some early observations. The company's entry into China will also have brought some understanding on catering to a large, diverse market, and perspectives on buying behaviour in Asian households. Carrefour on the other hand has launched its wholesale cash and carry operations in the country for professional businesses and retailers, and will now need to focus more on understanding the individual Indian customer.

### **Rural Retail Market**

The rural population dominates the Indian market with over 720 million consumers (70% of the total population). Mostly big brand like Coca Cola, Pepsi, ITC E- Chopal, Aditya Birla wants to capture rural indian market. In the 1980s manufacturers retail chains like DCM, Gwalior Suitings, Bombay Dying, Calico, Titan etc started making its appearance in metros and small towns. Multi brand retailers came into the picture in the 1990s. In the food and FMCG sectors retailers like Food world, Nilgris are some of the examples. In agriculture segment Tata Kisan Bazar. Shopping Centres began to be established from 1995 onwards. A unique example was the establishment of margin free markets in Kerala. The 21st century saw the emergence of super markets and hyper markets. Big players like Reliance, Bharti, Tata, HUL, ITC etc. are entering into the organized retail segment. The international retail bigwigs are also quickly interred into the wings as the present FDI guidelines 51 percent share allow them. The retail sector has gradually undergone considerable changes in its form since 1991. The major shift has been the emergence of an organized sector within the retail industry. Many Indian entrepreneurs have taken a keen interest in retailing over the last decade and have successfully established organized retail chains. Along with these domestic developments, there has been a simultaneous attention being given to the Indian retail market by international retail giants, mainly because of the sheer size of the market.

A number of experiments like Tata Kisan Kendra, Godrej's Aadhar, DSCL Hariyali, Mahindra's Subhlabh and ITC's Sagar Chaupal have suddenly emerged in the rural market of Haryana. These experiments have one common thread i.e. they are attempting to integrate the chain by removing the inefficiencies in the rural as well as agricultural supply chain. The key objective of these experiments is to provide one stop "Total Farm Solution" to the Indian (Haryana) farmers so that farm income as well as farm prosperity improves.

## **II. REVIEW OF LITERATURE**

Kaur and Sing (2007):- highlighting the prospects of retailing in India opined that 47% of India's population is under the age of 25 and this will further increase to 55% by 2015 and this young population will immensely contribute to the growth of the retail sector in the country.

M. Shahni (2010) highlighted that ITC has ventured in to the rural markets with its retailing project called "Choupal Sagar". The first initiative in this regard is a giant shopping mall near Sehar, a town in Madhya Pradesh. Chaupal Sagar is one stop physical Infrastructure for farmer to sell their produce to ITC , avail Banking & Insurance service, Medical facilities & soil testing services. The product-mix sold at these stores in sourced at competitive price from manufacturers & is priced on par with that in the hypermarkets in the Metros. ITC is the second player after DCM,Shri Ram consolidated to tap the retail opportunity in rural markets with large format retail store

Umashankar Venkatesh (2007):- As agree-marketing slowly gets more organized in terms of commodity exchanges, cooperative processing and marketing efforts; network of local wholesale markets; superior information dissemination systems etc., and as more and more of the farming community comes to understand the benefits therein find their way new initiatives like contract farming; dealing directly with retailers etc. the organized retail of agree items would certainly get an impetus.

Yuvarani (2010):- opines that according to a study the size of the Indian Retail market is currently estimated at Rs 704 corers which accounts for a meager 3% of the total retail market. As the market becomes more and more organized the Indian retail industry will gain greater worth. However, the future is promising, the market is growing, government policies are becoming more favorable and emerging technologies are facilitating operations.

Sahu (2010) Describes that a rise in consumer confidence, improvement in profitability and aggressive expansion plans signal better tidings for listed players in the organized retail space. Moreover, analysts believe listed retailers could attract foreign investments by spinning off their subsidiaries into separate companies which can provide a great opportunity for the improvement of this sector

The retail sector of India contributes about 15% to the national GDP. The retail sector of India handles about \$250 billion every year, and is expected by veteran economists to reach to \$660 billion by the year 2015. The business in the organized retail sector of India is expected to grow organized retail marketing companies of agro products on the uplifting of farmers in semi-urban and rural Haryana.at the rate of 15-20% every year, and can reach the level of \$100 billion by the year 2015.

### III. OBJECTIVE OF THE STUDY

1. To find out the prospects of organized retail marketing companies of agro products in Semi-urban and Rural Haryana.
2. To find the challenges faced by organized retail companies of agro products in Haryana.
3. To study the impacts of organized retail marketing companies of agro products on the uplifting of farmers in semi-urban and rural Haryana.

### IV. RESEARCH METHODOLOGY

The objective of this research is to find out the Challenges of Organised Retail Marketing in Semi-urban & Rural Haryana-A study of Agro Products. The study based on secondary data.

#### **Challenges faced by Organized Retail Sector in Haryana:-**

Basically Haryana economy is agro based economy. There are several obstacles in the way of organized retail market of agro products and some of them are as follow:-

- ❖ Use of technology in this sector is limited up to a certain extent.
- ❖ Shortage of skilled workforce in organized retail sector.
- ❖ The frequently changes in Government policies in India.
- ❖ Small number of players in the markets
- ❖ The retailers in India are paying very high cost for real estate. This increases the maintenance cost and reduce profit margins.
- ❖ Highly competition from unorganized sector is another challenge facing the organized retail industry of agro-product in India
- ❖ Supply chains are not yet so efficient and the kind of quality that customers demand is not being provided yet.
- ❖ Rigid government policies and regulations restrict the entry of new players.
- ❖ Organized retail outlets of agro-products use very large volumes of electricity for a variety of applications from lighting, air conditioning, escalators, cold storing, billing systems, lifts etc. As a result of insufficient and inefficient power supply, a huge amount of private investment goes into ensuring power backups. This makes it very difficult for organized retail to grow.

- ❖ Understanding customers in terms of customer behavior and loyalty is a difficult job. Retailers need to implement effective customer relation management and loyalty program.
- ❖ Credit scheme

## V. CONCLUSION

. Government of India has also opened the door for the retailing giants to enter into the markets. Many foreign investors are also showing keen interest to enter into the Indian market. If FDI in retail sector sees the light of the day it will see many changes in the coming years. As more and more organized retail outlets are dotting the Indian topography, competition is no more restricted between organized and unorganized retailing, it is now quite evident between organized retailers as well. There is need of balanced approach to retail & govt. has to play a very vital role in shaping the future course.

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