Abstract
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PESTLE ANALYSIS OF ORGANIZED RETAILING IN INDIA
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ABSTRACT
The Indian retail industry is characterized by the fragmented industry and lead majorly by Unorganized sector. Retailing believed to be a traditional Business sector has started gaining entry into modern retailing sector in India where it requires managerial skill and understanding of the influence of Political, Economic, Socio Cultural, Technological, Legal and Environmental dimensions in the Retail industry to sustain the business. In retailing sector also many retailers and practitioners remain unaware of the influence of the PESTLE factors on the organized retailing business. This study contributes to assess the challenges of the
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KEYWORDS: Economical, Environmental, Legal, Organized Retail, Political, Social, Technological.

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INTRODUCTION

Retailing is the process of selling goods or services to end customers for personal or business consumption. Retailing can also be viewed as a process of breaking the bulk, inventory holding and providing easy access to the customers. The Indian Retail industry over the last decade has gone through an elaborate reform and is moving into organized retailing with faster and assured growth and influenced by various challenges from the external environment. IBEF (2017) finds India’s retailing as one of the pillars of the economy which accounts for 13% of GDP. In India Consumers purchase from more than one retail outlet despite of some preferred store or store format. This indicates that consumer’s perception about a store and preferences do not result in patronizing of retail outlets. The factors that influence the consumers to buy from a particular store are good discounts, easy replacement, courteous salesman rendering personal treatment, taking suggestions into account, selling on credit, special treatment for being loyal, better recommendation for products, free home delivery, adequate assortment and location of the store.

Retailing Sector Analysis Report (Equitymaster.com 2017) found that there is an upward trend seen in modern retailing due to urbanization, influence of western culture and changing life style. GST application has simplified the distribution structure and reduces the operational complexities of the supply chain in the retail business.

EVOLUTION OF RETAILING IN THE WORLD

The theories of evolution of Retailing (Anistal & Anistal, 2017) can be broadly classifies into four categories cyclical, conflict, combination and environmental theories. The Cyclic theory also known as the wheel of retailing theory proposed three stages of retail development, the entry of retail outlet, next stage is scaling up the business and last stage is dealing with the competition effectively. The conflict theory of retailing believes that the new retail formats are a result of the interaction between the old and new formats in retailing. The environmental theory based on the adaptive theory and further believes that retail formats which can adopt to the changing environmental factors alone can survive and grow in the business. The newly developed theory is the combination theory which believes that the advantages of the best practices used by competition retailers should be combined with the existing model of the business to gain and sustain in the retail business.

The environmental theorists believe that the transformation in retailing sector is in response to the changes in retailing industry attributed to the changes in the political, economic, technological, consumer behavior, competition and regulators changes (Davidson, W. R., 1976; Swinyard, 1997; Dunne & Kahn, 1997; Robison, 1998). Also, the economists caution that if the retail environment is left alone then the driving factors of retail environment would lead to reduction in the number of retail outlets due to reduction in the profit margins and will further lead to mergers and acquisitions attributed to low sales volume leading to low revenue. None of the above-mentioned retailing theories are able to explain the evolution of the retailing pattern and the developments in the retailing environment sufficiently. However, the environmental theory which focus on the changes in the external environment of the retailing business gives a better understanding and a framework to develop the retailing sector by analyzing the changes in the external environment of the retail business and foresee its implications on the operations of the retail formats.

MODERNIZATION OF RETAILING FORMATS ACROSS THE DEVELOPING NATIONS

Since 1990, Modernization of retailing formats has been evident in the developing nations (Reardon, T., & Gulati, A. 2008). Food retail formats out of the other retail segments was found to be growing with growing
number of supermarkets across the developing nations. According to the 2019 Global Retail Development Index by (Kearney, 2019) the regulatory policies of the government and the economic development of the nation are the driving factors of retailing in developing countries in consumer markets. The diffusion of modern retail formats in most of the developing countries can be attributed to the rapid urbanization, changing lifestyles, improved per capita income, development of infrastructure, increased female employment and national policies supporting the organized retail establishments. The revolution in the changing patterns of the shopping habits of people across the globe had brought the organized retail store to existence in the form of supermarkets and departmental store. Along with this revolution the evolution of distribution sector led to providing a variety of products in different stock keeping units at locations convenient to the customers access and eventually lead to the growth of hypermarkets and shopping centers. When compared to the organized retail penetration in the India with other developing nations of the world like China, Malaysia, Thailand and Indonesia, India is lagging far behind these nations. As per 2012 Global Retail Development Index , India was looked as 5th important destination for Foreign Direct investment (Kearney, 2019) ,this rank fell in 2013 due to the economic slowdown and government policies. Soon the retail sector in India started to grow due to changing demographics, increased per capita income, raising disposable income, expansion of organized retail from urban to rural areas providing greater opportunities in the organized retailing sector to national and international investors.

(Hiremath, n.d.) discussed that the retailing sector is opening up entrepreneurial opportunities to not only metropolitan cities but also major districts and talukas in the country.

EVOLUTION OF RETAILING IN INDIA

According to Global Market Index of 2019 (Kearney, 2019) the Indian retail development index has fallen down by one rank in the list as compared to 2017 index. This index is based on the parameters of Market Attractiveness, Country Risk, Market Saturation and time pressure. The other developing countries like China has gained one point increase in the ranking, Malaysia there is no change in the ranking and is at 3rd place, Indonesia has moved 3points above in the list, Thailand has gained 6 points increase in its ranking and Nigeria has moved down by 3 points in the 30 countries raking list of the Global Market Index 2019. The Global retail industry is affected by cost of goods, labor cost, regulations, taxation policies of the nation’s determine the ability of the countries to operate or close business in a specific market and even determines the quality and quantity of goods sold. As consumers change so should the retailing industry, with more innovations and integration of the technology to provide better response to the changing demands of the customers (Pattanaik & Mishra, 2017) . The process of opening up of FDI in organized retailing sector in India paced the growth of supermarket at a faster pace. According to (KPMG, 2014) the Indian retail sector from 1800 to 1900 was merely based on independent retailers which slowly moved into the organized retail sector characterized by strong brand name and better acceptability by the customers. Indian retailers provide a varied range of products and services at the convenience of the customers along with the good ambience and experience making shopping experience more exited and appealing than mere transaction. Now the Indian Retailing landscape has changed from the one dominated by the category specific retailers to the “one Stop” retailers who have integrated different categories to provide easy and convenient access and save time.

ORGANIZED RETAIL LANDSCAPE IN INDIA

The Indian retail sector is fragmented and highly unstructured posing challenges and opportunities in retail sector. The Indian retail sector grew at a CAGR of 15percent from 2010 to 2014 which was higher than the Indian GDP growth during the same period. In India 92percent of the retail business is from unorganized sector,still the organized sector offers a huge potential for growth of the revenue and is expected to reach a 5.5 trillion by 2019 (KPMG, 2014). The Table1. Shows the retail landscape of India.

Table1. Retail Landscape in India.

PESTLE ANALYSIS
When entering a new market, the retailers either in international market or domestic need to assess the local policies, culture, legal aspects, economic conditions and environmental factors before actually making a decision to establish a retail format. Research on modern retailing sector in India is limited to bigger and specific retail chains rather than focusing on the tool to analyze the external (Saha et al., 2019) environmental factors that are important for the development of organized retail in India. Tools like SWOT analysis is generally done to find the internal strengths, weakness, Opportunities and Threats of a particular industry. Another strategic tool which can be assessed to evaluated the effects of the external environment on retailing sector is PESTLE Analysis.

PESTLE is used as a technique to identify and analyze the macro forces that impact the performance of a firm. The acronym stands for Political, Economic, Societal, Technological, Legal and Environmental dimensions present in the external environment.

(Healey, 1994) applied the PESTLE analysis to Eastern European region and found that the consumer electronics and services industry had highest potential for growth. Applying PESTLE analysis to organized retailing helps to determine the effects of these parameters on the formation, performance and existence of organized retail formats.

**POLITICAL FACTORS**

Political conditions in most of the developing countries remains unstable and effects the long-term financing, expansion and performance of various industries. Taxation policies of a country determines the spending ability of its consumers across the globe. Too Many regulations impact the establishment of retail formats and foreign investments as well. (Kearney, 2019) The Political factors of a country identifies the impact of government policies on the formation and success of a new venture, in a particular industry. This consists of framing political policies that support trade and taxation for the creation of new ventures and their development also.

The Indian government has also taken many measures to develop the retail industry due to the robust demand which would add up to 39 million SQFT of space by 2022.

1. GST policy was introduced as a form of single unified tax system which is imposed on goods or services in India. It is considered as a major indirect tax structure reform in India which would not only simplify the administrative work but would mainly remove the multiple tax at every stage in the trade thus facilitating a common national market and supporting the ease of doing business. Tax revenues has also grown at the central.
2. Demonetization announced on 8th Nov.2016 showed a steep raise in the bank deposits across the banks, due to which rate of inflation came down and bank’s lending to small business increased.
3. 100% Foreign Direct investment is permitted in India by the Indian Government in online retail of goods and services only.
4. Financial institution is very important in the generic growth of a country. Efforts of banks and financial houses with retailers are enabling consumers to buy durables products with easy credit. The India’s financial institutions which consist of a strong public sector bank, private banks, foreign banks, urban and rural cooperative banks have traditionally been the root cause of providing funds on long term basis.
5. In the year 2014 the Pradhan Mantri Jan-Dhan Yojana (PMJDY)was started to encourage a country wide financial incorporation which led to an approximate 600 million new accounts been opened between the year 2013 and 2016. The priority of the government is to encourage financing as it supports the overall growth of the country by enabling all the people to use the banking services.
6. The enforcement of the GST scheme and the bill of Insolvency would help India to reach better position in trade and economy. But the need for a proper ecosystem exists that can solve any problems for implementation of GST and insolvency bill.

By 2021 it is projected that the traditional retail would hold 75percent, 18percent by organized retail and 7percent by E-commerce retail of the total retail market in India.
ECONOMIC FACTORS

Economic dimensions influence the economy that impacts the firm and also the profitability. The economic factors consist of the rate of interest, employment rates, unemployment rates, cost of raw material as well as foreign exchange rates. Developing nations generally try to reduce the inflation and increase economic growth.

Economic policies are affected by the jobs, income, employment and population both in urban and rural areas.

Tax Laws made simple: The Easwar committee recommended to simplify the policies and laws of taxes and provide exemption from PAN requirement for the nonresidents so as to decrease the tax.

Small Industries Development Bank of India (SIDBI) and India Aspiration Fund (IAF) made provisions to provide loans under Make in India scheme and small enterprises scheme.

SOCIAL CONDITIONS

The social factors consist of culture, education, attitudes, lifestyle changes and demographics of the family. The process of interaction and adoption of the organized retail format and its environment is a continuous process. India which is still considered as a developing nation has prevalent socio-economic condition which opens opportunities in organized retailing.

(Dr.Mary Suganthi Bai 2014) stated that the most important social determinant is age which shows the eagerness to learn, exposure, ability to take risk and adoptability. Generally, the elders have more experience than the youngster, and also low interest to take risk.

Education and academic qualification being one of the most important social factors determining the level of understanding, risk orientation, scientific orientation and innovativeness among the organized retail formats. In India generally there is a very little culture of taking risk and moderate to high resistance to change. And people are fascinated and adopting to the western culture more easily. Also, India has well educated and literate workforce who can serve in retailing sector more easily. Caste system analysis shows that the influences of few castes are high on the development of the certain sector.

The influence of Family Background in terms of father’s occupation and family’s occupation status determines the readiness to work in retailing sector. Location and place of business factor analysis readiness to move from place to place for the availability of resources like raw material, labor, transportation, communication and market and other facilities required for smooth functioning of the business.

TECHNOLOGICAL FACTORS

Technological factors look for the innovation in technology and development of technology that impacts the industry. It would also include digital technology, automation, distribution and manufacturing.

In Retailing information technology plays a very important role both at the point of sale and their point of supply. The spend on IT in retail sector has increased significantly to manage the complex retail operations. Modern Technological method at point of sale has enabled ease of making the payments by using the credit or debits cards or through other digital methods. Faster transactions lead to higher sales volume in retail.

The development of self-help kiosk helps customers to find what there are looking for as well as avoid waiting in queues or a store personals support to find the products they wish to purchase. Thus, technology has helped the organized retail store customers as well as volume of sales.

In organized retailing formats technology can be used to track the inventory through its purchase cycles and gives information on products and tracking of various items to the management at affordable prize. This gives managers a better understanding of the products that are to be purchased and the resources that is required to be ordered and the quantity to be ordered and stored.
(Bilal Ahmad Dar 2017) stated that technology helps organized retail development right from the beginning of the store format. The new firm can be an advertising company, marketing company, internet-based companies; they all use modern technology such as computer systems for financial transactions, providing detailed product information, for efficient stock maintenance, for ordering as well as for gathering customer satisfaction information.

LEGAL FACTORS

Legal factors are those actions that are permitted to be carried out in the geographical area where the any industry is expected to start its functioning. The organized retail outlets need to be updated on the amendments done in the law as well as its implications on the business. The legal aspects cover the safety of employees & consumers, health of employees, legal trade policies and regulations. Political and legal aspects overlap each other, in the sense the government frames the policies which should be within the legal boundaries.

The Legal factors defined under the Shops and Commercial Establishments Act 1961, the Government allows all Shops and Commercial Establishments employing ten or more persons to be open on 24 X 7 basis on all days of the year for a period of three years from 11-10-2019 in the Official Gazette with few provisions.

Retailers are dependent on law for entering a contract between parties, protection of property rights and bankruptcy.

ENVIRONMENTAL FACTORS

The environmental factors include the external environment along with the ecology. All the sectors are taking the responsibility of minimizing the harm they make to the environment due to the use of resources, as well as reducing, recycling and disposing of the wastes by activities of Corporate Social responsibility. This in turn takes care of the climatic changes, reduction in carbon and harmful gases emitted into the environment.

OPPORTUNITIES AND THREATS OF ORGANIZED RETAILING IN INDIA

After viewing the major Political, Economic, Social, Technological, Legal and Ecological factors influencing the business environment in India, it is clearly possible to identify the opportunities and Threats for Organized retailing in India. The Major opportunities for organized retailing in India include the following:

- Low cost and semi-skilled to skilled labors.
- Easy Capital and finance support available under government programs.
- Improved local infrastructure.
- Changing life style and increased per capita income.
- Rapid Urbanization and increased women employment.
- Supportive Political environment.
- Long term Growth opportunities.
- Large Potential Market
- Competitive advantage over unorganized retails.
- Customer acceptance.

The important risks in organized retailing in India include:

- Political Instability induced risk.
- Unstable economic conditions.
- Integration of resources and technology.
- Competition from unorganized sector.
- Problems from financial status of the country.
- International deregulation and liberalization of markets to foreign investments.
- Threats from entry of foreign retail outlets.
CONCLUSION

The Indian retail sector offers exciting possibilities for establishing the organized retail formats which is in its early stage and provides a promising growth opportunity in different categories of products. The PESTLE analysis shows the prospects of growth in the organized retailing sector for resources seekers and as well as market seekers also. Though India is an attractive market for foreign investments, the Indian government should frame policies to raise the barriers of foreign direct investment and encourage local youth to take up retail entrepreneurship and develop the business by becoming a bridge between the producers and the customers. The deficiencies in organized retail infrastructure and training the human resource in retailing is also an important barrier for international retailers to set up an organized retail formats in India.

PESTLE analysis provides inputs on the factors in the external environment which will influence the Organized retail format performance in the industry.

Finally additional research would be required to understand the drivers of economic growth in organized retailing sector so that it not only broadens the understanding of the organized retail sector but also highlights the political, economic, social, technological, legal and environmental benefits and challenges of the region.

Table

<table>
<thead>
<tr>
<th>Description</th>
<th>statistics</th>
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<tbody>
<tr>
<td>No. of retail outlets in India</td>
<td>14 Million (14000000)</td>
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<tr>
<td>No. of Retail outlets with more than 500sf.ft floor space</td>
<td>4% (4%of 14000000=560000)</td>
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<tr>
<td>No. of retail outlets per 1000 people</td>
<td>11</td>
</tr>
</tbody>
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Source: Manish Bapna - Images group

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