Chapter-5: Qualitative Analysis

This chapter presents comparative cases of supply chain strategies adopted by the different retailers in India and in developed countries. It is divided into two sections. The first section is based on the variables identified. There are eleven variables for the reason the first section is organized into eleven parts they being Sourcing and Procurement, Virtual store, Customer Relationship Management, Private Brands, Retail Formats, Logistics, Information Technology, Non-Food Merchandize, other services and Innovative supply chain management (SCM) techniques and other identified variables. Each part contains practices of the Indian retail players followed by foreign players, and the differences or similarities (if any) in their operations are highlighted at the end. The second section of the chapter is the analysis part wherein Political, Economic, Social, Technological, Environmental and Legislative (PESTEL) analysis, PORTER's five forces analysis of the Indian grocery sector and Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis of individual retailers has been presented.

5.1 Comparative Cases

The section highlights the supply chain practices of Indian players vis a vis foreign players on the identified variables.

5.1.1 Sourcing and Procurement

Big Bazaar

Big bazaar has employed a local sourcing strategy because central sourcing is not feasible for a diverse and large country like India. The clothing and apparel are sourced from Pantaloon's manufacturing units. Other products like plastic products; groceries etc are sourced from consolidator suppliers. Big bazaar primarily focuses on customer interface for the front end of the store while back end sourcing and supplies are managed by and large by consolidators or certain vendors (for example those who sell watches or spectacles) who have rented a small space inside the malls. Their sourcing strategy helps them attain benefits of stock management and discount price
benefits but it lacks in the aspects of ordering convenience and transport economy. Future Group’s Pantaloon Retail India has also set up global sourcing offices in Hong Kong and Mainland China – the first overseas sourcing operation by any domestic retail chain.

Reliance Fresh

Reliance Fresh uses the mandi system for its fresh products, though they also work directly with farmers. They have collection centers in Rajasthan for procurement purposes. Food items are sourced in three ways; Firstly, it sources directly at big farms making the transaction directly. Second, it sources from the local mandis with commission agents, which is the dominant method of procurement for the Reliance Fresh model as a whole. Third it also sources through several collection centers where smaller farmers bring their food and receive payment upfront. The stores directly procured vegetables, pulses and spices from the farmers of Andhra Pradesh, Karnataka and Tamil Nadu, which contribute to quality and pricing advantage. Reliance Retail has also entered into an exclusive pan India franchise arrangement with the UK-based Hamleys, the world’s most famous toy retailer, to bring the latter’s toys to India.

Spencer’s Fresh and Daily

Spencer’s believe in keeping a minimum number of suppliers with the objective of achieving economies of scale in both purchase and supply transportation as the firms do not have to spend in procuring and transporting from different locations and producers. Spencer’s have developed regional hubs at Bangalore, Chennai and Hyderabad, which facilitate central distribution to the state requirements and that up to 90% of the total business; it means a very efficient supply logistics. Spencer’s has reduced the number of intermediaries which means that the firm can achieve or procure at low prices and thus low cost leadership can be achieved in that segment. The company is responsible for the procurement from the wholesale markets, sorting, grading, transportation, pricing and in store merchandising of the food items. The company has decided to procure directly from the farmers. The farmers would benefit by getting 100% more prices of what the wholesalers used to pay. The firm has been able to reduce the cost by 150% without compromising on the quality and size of the
produce.

**Carrefour**

Carrefour sources its range of fruits and vegetables from local suppliers. Carrefour has entered into three-year contracts with agricultural producers, committing to purchasing specific volumes in advance of production. Carrefour Group has established a global acquisition web, from assorted countries and regions. Carrefour Global Sourcing China headquarters officially opened in Shanghai on September 1, 2002 and it set up local procurement centers in 10 cities for additional local procurement. These are at Beijing, Tianjin, Dalian, Qingdao, Wuhan, Ningbo, Xiamen, Guangzhou, Shenzhen, Kunming. These form the Carrefour team in China. The sourcing web is responsible for direct procurement operations in China to promote Chinese products into the Carrefour worldwide sales web.

**Tesco**

The group’s new fresh produce sourcing strategy is centered on a network of regional technical hubs responsible for sourcing. Tesco has nine regional hubs, sourcing from North, Central and South America, Western and Eastern Europe, the Middle East, Africa, Asia and Oceania. The company’s South Africa hub is its largest fresh produce sourcing operation worldwide. Tesco sells milk that is sourced in or near Local County, across England, Scotland and Wales. Local choice milk is sourced from smaller, family-run farms. The company had decided to set up Tesco Produce Group Sourcing, which will focus exclusively on fresh fruit and vegetable procurement for the group’s entire global operations. Tesco has recently increased outsourcing of garments along with other products from India to meet its global requirements. Of the total sourcing that they do from India, 70% is clothing and apparel but they are looking to grow other categories as well such as food. Tesco operates via the retailer’s global sourcing office in Hong Kong. Every day about 200 20ft containers full of clothing, TV sets, barbecues and shopping trolleys are placed on to cargo boats and shipped out of Kwai Chung Container Port known as the Port of Hong Kong - and other nearby harbours, all bound for Tesco stores around the world. This trading outpost is responsible for designing, sourcing, overseeing production, quality controlling, and sorting out the customs documentation for 50,000
Tesco product lines. Tesco International Sourcing (TIS), as the division is called, uses more than 800 suppliers across 1,200 factories. TIS employs 533 staff, 250 of whom are based in Hong Kong, the rest in eight satellite hubs in places such as Bangkok in Thailand and Colombo in Sri Lanka. All the activity is co-coordinated centrally, and TIS procures goods from 44 countries, although the vast majority comes from China and Hong Kong.

**Wal-Mart**

Wal-Mart follows a mix of local and global sourcing strategy. For the food products it adopts local sourcing. It sources food products from small and medium farmers. Wal-Mart has its distribution centers (DC) located in rural areas. It believes that the closer food grows to the DC’s, the fresher it is when it reaches the stores and the company is in a better position from an efficiency perspective.

Wal-Mart has a consolidated global sourcing structure centered around new Global Merchandising Centers (GMCs). This structure leverages the company’s global scale in both general merchandise categories and global food sourcing. The core of the company’s overall global sourcing strategy is to continue to increase direct sourcing for the company’s private brands as the private brand merchandise represents more than $100 billion in purchases annually. Wal-Mart’s procurement team has a dedicated team of more than 1,600 associates who source products from more than 70 countries around the world, which is operated from 27 offices located in 23 countries. The retailing giant began sourcing from India nearly a decade back through sourcing agents and it set up an office at Bangalore to directly liaison with Indian vendors a couple of years back. Though it has been sourcing a variety of products from suppliers in India for more than 20 years product categories that the retailer is currently sourcing from India, include linen products, apparel (including wovens, knitwear and leather footwear), fine jewellery and house wares (including fine dining ware, home decor and tabletops). Over the next three years, the volume of sourcing from India and the range of product categories is set to treble. Wal-Mart’s Global Sourcing division based in Bentonville concentrates on interaction with the top fifty global suppliers. The aim is to facilitate the exchange of best practices, and tactical procurement of private label and “non-food” items. This office can assist in
connecting with local buyers who are ultimately responsible for purchasing and merchandising the brands.

Analysis and Comparison

International players use a mix of local and global sourcing strategy. They focus on local sourcing for food product and adopt a global strategy for clothing, garments and other non-food items. Low cost sourcing countries are identified for non-food items. They have set up regional distribution centers for distributing goods within the country following a hub and spoke model. Indian players are adopting a similar strategy wherein they source food items locally and use the reasonable overseas options for non-food items.

5.1.2 Virtual Store

Futurebazaar.com

Big Bazaar is amongst the first Indian retailers to go online. Their online portal is known as FutureBazaar.com and is slowly becoming India’s favorite online shopping site. This online venture of the Future Group promised to make each and every need available online—from fashion apparels to mobile accessories to electronic items to all kinds of home needs. Movies, gold jewelry, diamond jewelry, books, car accessories are all offered online. Future Group expects 10 per cent of the group’s total retail revenues to come from digital platforms in the next three years. Future Group is targeting daily sales of at least Rs 1 crore from its online portal FutureBazaar by the end of the current fiscal. In the past, the portal had reached the Rs 1 crore sales mark in a day on some occasions.

A customer can buy an array of products from its online stores that sells huge collection of designer Salwar Kameez, Saree, Lehenga Choli, Indian Dolls and Tunic from futurebazaar.com. One can also find online products like unstitched salwar kameez in wholesale and retail. Thus it can get you the best deals ever in the online stores of Big Bazaar as well. The future bazaar has a hybrid fulfillment model.

Futurebazaar.com provides the benefit of enhancing relationship with customers by providing increased accessibility and providing information on the new products and promotions within stores. It helps the store gather market information, maintain
shoppers profile and hence increase chances of sale.

Reliance Fresh online store

Reliance Fresh has not set up a virtual store to sell its products online. It has not taken the benefit of this channel yet. However it may do so in the future.

Spencer’s online store

Spencer’s Fresh and Daily unlike most of the prominent foreign players has not ventured into online retailing as yet.

Carrefour Online Arm

Carrefour online store is gaining prominence and an increasing number of Carrefour Customers have started purchasing a range of non-food items from the store online. The initiative gives customers access to items at the touch of a button, which also include many items that may not be available in the physical store. Online shoppers can browse through thousands of products, while comparing different brands and features at the same time. Items available online include cameras, mobiles, printers, gaming products, TVs, home appliances, garden furniture, home ware, cosmetics and toiletries. Carrefour stores a range of goods from multi-media, clothing, electrical goods and household goods and also food. Carrefour has various kinds of management modes in e-commerce. For example, Ooshop was built to enable Carrefour to sell food products online from 1999. Customers could shop online to choose many goods with home delivery. CarrefourOnline.com also sells non-food online in France from 2006 such as DVDs, games, software and many more products. Carrefour has benefitted a lot from e-commerce. This comes as another channel to market in today’s advanced competitive scenario. Secondly, with advance communication, Carrefour emails requirements, brochures, quotations, purchase orders to partners, supplier and customers all over the world with seconds that is much more efficient and responsive. Thirdly, Carrefour has also reduced the cost of order processing. Through online sale, the cost of sale is lower than traditional sale. Fourthly, it has also improve company management and staff work efficiency.

Tesco.com

Tesco’s online shopping service was one of the dotcom success stories of the late 90s.
It discovered a market that had gone untapped, and since 2001 it has been in profit, with more than one million registered users, and 75,000 orders a week. The key to its success was two-fold. First was the mover advantage, which helped it to rapidly increase its operation to cover 95% of the population. Secondly it had used a delivery model, which was much derided at the time, but which later proved to be successful. Instead of building large warehouses to service its online arm, it employed pickers to go around local stores picking goods off the shelves. Thus, it was able to get the operation off the ground quickly and cheaply. The retailer said Tesco Direct, its non-food catalogue and online arm did well in growing average order value. Tesco's fulfillment model is based on store staff picking orders from the nearest store. The first dot-com-only store situated in Croydon South London is laid out in the same manner as a normal store and run by store staff but there are no tills and the building is not open to walk-in customers.

Wal-Mart.com

Wal-Mart.com, Wal-Mart's online arm, was founded in January 2000 and is a subsidiary of Wal-Mart stores Inc. The site provides more than half a million items. The assortment of products on its online arm complements Wal-Mart stores merchandise, particularly in the areas of electronics, home, media (video games, movies and music), sporting goods and toys. Through this channel it also offers many items which are not available in stores such as hot tubs, mattresses and fully assembled bedroom furniture. It also provides savings for customers with convenient and affordable home shipping options and allows customers to purchase online and have their product shipped to a Wal-Mart store for free. Customers can visit the site to view products they shop for most frequently in stores such as Food & Grocery, Health & Beauty, and Pets and check store availability and product details, like ingredients and nutritional content. Wal-Mart.com provides helpful tools that allow customers to make informed purchase decisions, including Customer Reviews & Ratings, Customer Q&A, Buying Guides, and Community features that help customers better connect with one another to share ideas, tips and experiences about Wal-Mart products and services. New MP3 Downloads Store features more than 3 million digital tracks and their exclusive Soundcheck program with intimate studio performances and in-depth interviews with customers' favorite artists. In addition,
Wal-Mart provides customers the convenience of ordering products online and picking them up at a local Wal-Mart store. It continues to develop progressive online shopping and encourages creative thinkers to join it on its journey.

Wal-Mart has also tested an online grocery-delivery service, called Wal-Mart ToGo, which is already delivering groceries within the Silicon Valley. The Wal-Mart To Go which is also live on the Web, promises customers the same low prices as if they shopped inside an actual physical store. Also in-store discounts would automatically be applied to their online order. However this facility is only extended to those customers who meet a minimum order threshold. The Wal-Mart ToGo store offers a wide range of products and categories including seafood, dairy and eggs; bakery items, frozen-foods and baby items.

Analysis and Comparison

The international retailers have adopted the online method of sale very early and have benefitted from low cost of operations, efficiency in operations, ease of ordering and accessibility by customers to name a few. The online arms offer food (Grocery) as well as non-food items. However the Indian players are yet to adopt the concept of virtual store (except Big Bazaar) and taste the benefits. Only Big Bazaar has done so; maybe on an experimental basis as in India there still exist problems of accessibility and security. Also acceptance of the online store vis-à-vis a brick and mortar store is still very low. India is different, its constitution of population is different a large percentage of the Indian population lives in villages also and a large percentage is below the poverty line; therefore, all that works in developed countries may not be appropriate here. Therefore strategies may be devised keeping in mind the uniqueness of the Indian society.

5.1.3 Customer Relationship Management (CRM) Strategy

Big Bazaar

Big Bazaar has a CRM strategy in place through loyalty cards. The Loyalty card offered by Pantaloon is known as Green Card and it is divided hierarchically into One star, Three star and Five star. Every point generated at all the levels is equivalent to rupee one. The criteria for points generation with loyalty card is up to 399 points; One
Star - 1 point for Rs.50, 400 or more additional points - Three star - 1 point for Rs.40 and 800 or more additional points - Five star - 1 point for Rs.25. Big Bazaar stays in touch with its loyal customers through Mailers, SMSes, E-mails and Telephone informing them about the developments and promotions. The loyalty card provides the loyal customers with exclusive shopping days to get hold of latest merchandise, special invites to the most happening events, extended exchange periods and complimentary drops for alterations, exclusive billing counters to list a few.

Pantaloon also offers loyalty programs with two ICICI Bank cards which are ICICI Bank Big Bazaar Silver and Gold Credit Card. It gives benefits of regular cards and additional features to make shopping not only enjoyable but also a way to save more with Big Bazaar. The group, through its financial services arm, Future Capital Holdings Limited, has announced the launch of a unique loyalty cum credit card called the Future Card, with customer benefits across more than 30 different group formats and investee companies. This card provides customers with monthly assured gifts and attractive offers across all participating outlets, in addition to redeemable reward points on purchases across all outlets.

Reliance Fresh

Reliance Fresh CRM strategy is a Loyalty program called 'Reliance One'. Under this customers can avail this loyalty card for free and can earn 1 reward point for every purchase of rupees hundred. In return Customer can then get a voucher for his reward points accumulated from the Customer Service Desk in the store and get any item worth that voucher for free. Reliance's customer loyalty program, Reliance One has touched a membership base of three million customers. It accounts for an average of one loyal customer per square foot of retail space and is considered the highest and fastest loyalty program amongst the retail companies in India. Reliance aims at making the program one of the top 10-loyalty card base in the worldwide retail sector by 2012. Reliance One is valid across all the nine different formats of Reliance Retail stores.

A Reliance One Account is maintained and every time the card is presented for purchases the Reliance One Points gets added to the customer's Reliance One Account and the Reliance One Points which can be redeemed for Reliance One
Discount.

**Spencer's Fresh and Daily**

Spencer's have a CRM exercise in place. The Spencer's Smart Rewards is a program designed to reward privileged customers of Spencer's. The members can earn reward points when they shop at Spencer's. Spencer's also launched exclusive promotions and benefits for program members from time to time. Under the loyalty program customers earn reward points for every purchase they make at Spencer. For every Rs.100 spent at Spencer's, they earn 10 points. Whenever special offers are launched customers are communicated either in Spencer's stores or through the contact information which the customers submit at the time of registration. Points get transferred to the account within 7 working days of billing. Points are earned if the purchase is in multiples of Rs.100 only. For instance if the bill is Rs.175 then the customer gets 10 points for the first Rs.100 they have spend. Points are earned on the net invoice amount. Customers can use the points to pay for the purchases one makes at Spencer's stores. This scheme is similar to getting cash-off on ones purchases. This gets executed by handing over the card to the cashier at the time of billing, and confirming with the cashier the number of points that one would like to redeem. The cashier then redeems points and hands over a charge slip as a confirmation of points redemption. One point is equal to five paise. Spencer's sends to the customer a monthly SMS informing him of his points balance. The balance could also be accessed from the website or from the customer service desk over the phone.

**Tesco**

Tesco for a CRM program introduced a Club Card way back in mid 1990's. This has grown in popularity over the years. Over the years it has developed into a vital tool in the companies drive to create a loyalty culture with its customers. Tesco's Club card program boasts of 10 million active households and captures 85% of weekly sales. The club card was developed to know and understand the customers on an individual basis, communicate with them in a relevant way and to manage offerings so that the customer's shopping experience would be enhanced compared to what they have ever had before. Through the data captured in the use of the Club Card, Tesco's has been able to personalize the reward coupons. Tesco uses customer insight to evaluate the
effectiveness of, and reduce overall cost of, their promotions. Armed with this information, they can find out which shoppers use them, which shoppers like them and if there is a way to focus promotions on best customers. Tesco’s major consumer packaged good suppliers, media companies, researchers, and space planners, and more, are given access to the customer information that is gained from the Club Card program.

Carrefour

As part of its CRM strategy, Carrefour sought to enable smarter, more effective and more personalized promotions and campaigns that would span across all the Carrefour formats, thus enhancing loyalty to the Carrefour brand across all formats. The solution Carrefour conceived was based on the idea that loyalty sales and profitability could be enhanced by compelling promotional offers that reflect each consumers individual purchasing patterns.

IBM Global Business Services and IBM Business Partner Mapping designed an end-to-end solution, which was the first of its kind in the retail grocery business. It integrates all the key components of Carrefour’s core retail systems, from point-of-sale terminals to back-office systems and all points between. The solution makes it possible for Carrefour to develop a deeper understanding of relationship with its customer base. By tracking transaction history, Carrefour can leverage its in-house analytics capability to determine not only which products customers buy, but which promotions they are most likely to respond to. From this information, Carrefour’s marketers can further glean such insights as to who are its most profitable customers, what products they buy now, and most importantly what products they would be willing to buy if the incentive was right.

Carrefour, unveiled its innovative Loyalty Program in collaboration with RealRewards of Malaysia for local customers which will offer a mix of flexibility and higher rewards to allow customers more control over what, where and how they are rewarded for choosing to shop at Carrefour. The point-based shop, swipe and redeem program offer rewards that are easily achievable and accessible to promote smarter shopping choices among consumers.
Wal-Mart

Wal-Mart also has a CRM exercise in place to woo customers. Wal-Mart, as part of its licensed bank, has introduced a loyalty program tied to a MasterCard. Its objective was to gain an edge by offering a simple and straightforward rewards program. Most other programs are confusing to. Wal-Mart Rewards is a no-fee program that allows members to accumulate dollar equivalents, rather than points. Under the scheme, members earn 1.25 per cent of their purchases in rewards for almost every dollar spent at Wal-Mart. Further, they earn one per cent of their purchases when they use it virtually anywhere else where MasterCard is accepted. The rewards can be redeemed immediately on future purchases in five-dollar increments. Five Wal-Mart rewards equal five dollars in redemption value.

Analysis and Comparison

It is observed that all the Indian retailers have also introduced loyalty programs like the International players as a part of their CRM initiative. It has also been noted that like their foreign counterparts, they too have been able to increase sale and taste success. Though known by different names, the motive has been same that is to reward customers for their loyalty and learn about the buying patterns and consumption habits of the different mix of population and provide them with tailored information about the different schemes and promotions in store.

5.1.4 Private Brands

Big Bazaar

Future Group uses private brands for its stores and it has been expanding its private label portfolio. Future Group’s trademark brands include twelve apparel, four FMCG and two household products labels. Private labels contribute around 30 per cent of its sales in FMCG and 25 per cent in personal care in the group’s major formats, including Pantaloons and Big Bazaar. It has plans to enhance its basket of private label products. Its ethnic wear brand is called Srishti. This is part of its private labels business. It also has plans of adding a new private label every quarter.

The Future Group is reinventing fifteen private labels of its retail arm Big Bazaar. Big Bazaar, the hypermarket, has come out with a breakfast cereal range under its private
label, Tasty Treat. Big Bazaar was already selling noodles, pasta, vermicelli, soups, namkeens, chips, toast, khari, papads, jams, pickles, carbonated drinks, ketchup and fruit beverages under their brand. It has now added breakfast cereals to the range. There are two reasons for launching their product. They were first-higher margin and second-cornflakes as a category is under-penetrated and has a lot of scope to grow.

PRIL plans to tie up with big branded firms to exclusively launch some of their new offerings through its outlets. It also has plans of coming out with new product of its own private label brands to keep customers excited.

Big Bazaar also has a private label DreamLine which aims providing shoppers the entire gamut of home improvement solutions under one brand. DreamLine and apparel brand Buffalo are the two labels it introduced at national level. Private label brands of Pantaloon Retail (India) has helped start growth in categories such as breakfast cereal, soups and toothbrushes. Private brands help save 15 per cent in retailer margin, 7 per cent in distributor margin, and close to 5 per cent in marketing fees since costly media is not used to advertise. This 27 per cent saving is passed on to consumers, which helps grow even stagnant categories. This further boast sale of its private brands.

Reliance Fresh

Reliance Fresh has also introduced private labels and brands. Reliance Fresh sells grocery such as pulses, rice, tea, noodles under the brand name Reliance Food while the dairy products are sold under the brand name Dairy Life. Private brands become the differentiating factor for a retailer, as these brands are exclusively available at that retail outlet only. So a customer, for example, may want to revisit the store if they find the quality comparable to others at a more affordable price point.

The company’s products, those under the Reliance brand and those that are not, are sold nationally through other retail chains. Reliance Retail uses two brand names for its food products - Reliance Select and Reliance Value, as well as Reliance Tea and Reliance Honey for specific products. The company formed a separate division for its private-label business, headed by former CEO of convenience store chain Reliance Fresh. The company is understood to be considering developing a private-label business by branding and selling through other retail stores, as well as entering into
the outsourcing business by offering to create private labels for other retailers. Reliance has launched its private label "Reliance Select" with the promise of high Quality and Tasty Food at Affordable Price to all Indian Consumers. Although, staple food items like Atta, Rice, Pulses have initially been put under the "Select" label, more categories like FMCG and, perhaps, Colas will be added later on.

Reliance Fresh also has plans to introduce private labels with a new brand name for non-food products like soaps, detergents, cosmetics and non-FMCG products.

Spencer's Fresh and Daily

Spencer's also introduced private labels and store brand. It uses this for a wide range of products from food, personal care, fashion and home utility items. Spencer's brand names are Smart Choice, Tasty Wonders, Clean Home and Maroon. The food range includes rice, pulses, whole spices, dry fruits and nuts, sauces, instant noodles, breakfast cereals, honey, breads, beverage, waters, pickles, jams and cookies. The personal care range covers face wipes, tissues, baby needs, hand wash etc. Detergents, dish wash, toilet cleaners, floor cleaners are from the home needs section. Maroon is a brand used for premium home care solutions comprising items that cater from cooking to serving. Other items include a range of premium storage and kitchen utensils, beautifully designed melamine ware and foil wraps, smart backpacks and convenient travel accessories. Nature's best is the brand name for fruits and veggies. This offers freshly packed greens which include some select exotic herbs and aromatic ingredients. For fashion items choice of both contemporary and classic is provided. Their popular labels are Island Monks and Mark Nicolas for both for men and women, Asankhya for women's ethnic wear, Scorez for sportswear, La Bonita for footwear. Spencer's Retail Limited has plans to increase the share of private labels on its shelves. Private labels constitute around 15 per cent of their annual sales but it has plans to increase the share of private labels to 30 per cent and for this purpose they intend to launch new labels.

Tesco

Tesco has used private brands for almost all its products for years. Tesco's brands are Healthy Eating, Organic and Kids, Finest and ProFlex. Tesco has plans to extend its own-label to include a range of home ware including crockery, cutlery, bed linen,
towels and glassware.

Tesco has also introduced an initial batch of its own label products into the Indian market, through its tie-up with the Tata Group's Trent retailing subsidiary. Under this Tesco was able to sell about 50 of the own label brands it sells at its UK stores, including Tesco Value, Daisy and All About Men. The brands, which are mostly in the health and beauty category, are being sold at Trent's Star Bazaar hypermarket chain.

**Carrefour**

Carrefour also has private-label lines in daily necessities, such as toilet paper and cleaning products.

Carrefour's private label line "Produits Libres" is a pioneer program and that has put many "unbranded" products on the map. Carrefour has dramatically changed its strategy. All its private label products are now under the umbrella brand "Carrefour." The other names of sub-brands have all disappeared. It has developed Carrefour exclusive brands, without the Carrefour name for specific markets. Further it has given a customer goal to each sub-brand. These customer goals for sub-brands are tied in three different levels: The medium range is called "Carrefour", the second level is under the name "AGIR" (ACT), and the latest premium range is named "selection Carrefour". These products are of very high standard of quality and they compete with the best national brands. They are priced much higher than the Carrefour medium range but still a little lower than the National Brands.

Carrefour's brands Health include skin care, hair care, cosmetics and bath and shower products. Carrefour also has a webpage dedicated to its private label (http://www1.carrefour.fr/marquesCarrefour), which is accessible from a special section of its general website. In this site one can find descriptions of its four private labels: Carrefour, Agir Carrefour (including organic and equitable trade items), Reflets de France (traditional foods), and Selection Carrefour (its highest quality and most innovative items). Carrefour private label revenues are beyond 20bn $, which affords access to R&D and innovation resources, some even provided by their exclusive mega-suppliers.
Wal-Mart

Wal-Mart uses a wide range of private label products for almost all products that it sells. Wal-Mart’s major Private Label Products include Sam’s Choice beverage products is a brand which includes cookies, snack items and frozen meals. Great Value is another private label, which includes sliced bread, frozen vegetables, frozen dinners, canned foods, light bulbs, trash bags, buttermilk biscuits, cinnamon rolls, pies and many other traditional grocery store products. Equate is yet another Wal-Mart brand which it uses for consumable pharmacy and health and beauty items, such as shaving cream, skin lotion, over the counter medications, and pregnancy tests. _Ol’ Roy is the store brand for dog food; Parent’s Choice is the store brand for baby products, including food, diapers, formula, and accessories; White Stag is a brand for women’s clothing, footwear, and basic jewelry; "OP" or "Ocean Pacific" is a brand and George is a brand of more formal clothing for men, women and children including dress shoes, wallets, belts, and neckties. The other brands are Faded Glory, Jesse James Industrial Workwear, No Boundaries, Simply Basic in the apparel category and Better Homes and Gardens, Canopy, Hometrends, Mainstays, Your Zone in the Homelines category.

Wal-Mart has numerous store brands, each catering to a different consumer need or desire. Private-label products generally cost 5 percent to 20 percent less than name-brand products depending on the category. Almost all products offered under Wal-Mart brands are private label products, and can be found in almost every category at Wal-Mart.

Analysis and Comparison

According to a FICCI-Ernst & Young 2007 report, as quoted in The Marketing Whitebook 2009-10, the retail sector in India was worth $280 billion, of which organized retail comprised 5% at $14 billion. According to Images Retail Report 2009, as quoted in "Indian Retail: Time to Change Lanes" by KPMG; private label brands constitute 10-12% of organized retail in India. Of this, the highest penetration of private label brands is by Trent at 90%, followed by Reliance at 80% and Pantaloons at 75%. Big retailers such as Shoppers Stop and Spencer’s have a penetration of 20% and 10% respectively. Globally, store brands constitute nearly
17% of retail sales. In fact, international retailers such as Wal-Mart and Tesco have 40% and 50% of in-house brands in their stores. In the short span of time retailing has taken a strong foothold in India, the share of private brands is found to be satisfactory (10-12%) Retailers are gradually increasing the portfolio of products under store brands. Though they dominate in the categories like food and apparel (garments), of late it is also penetrating categories like personal care, jewellery and footwear. The assurance of quality at low price (in comparison to national brands) has made the private brands more acceptable. Also because of their availability in specific stores retailers in India like their foreign counterparts are increasing number of products in store brands to increase footfall. Many of these retailers are also creating sub categories to cater to different income groups of customers. Indian retailers have learnt from the experiences of foreign retailers rather than re-inventing the wheel.

5.1.5 Retail Formats

Big Bazaar

Big Bazaar operates in over thirty four cities and towns across India with 116 stores. The stores are operated across three formats which are hypermarkets, the Express format and the Super Centers.

The Hypermarkets are spread over 40,000-45,000 sq ft. Presently, Big Bazaar has 103 hypermarkets in 62 cities across the country, which include 23 only in Maharashtra.

The Express format is spread over 15,000-20,000 sq ft. The group launched its first "Big Bazaar Express" store in Tarapur, Maharashtra. The first of its kind store offer a range of fresh food and grocery products, accessories, health and personal care products and others. The Big Bazaar Express includes Food Bazaar, a fresh fruits and vegetables outlet and Café Bollywood, a multi cuisine food court for the customers.

The third format is called Super Center which is set up over 1 lakh sq ft. The supercentre offers great options to consumers across categories such as Food Bazaar, Fashion@Big Bazaar, utensils, plastics, crockery and luggage. Depot for, Furniture Bazaar, Electronics Bazaar, HomeBazaar and One Mobile. Big Bazaar Supercentre also includes retail formats from the Future Group such as beauty salon, wellness and beauty products, a multi-cuisine food court Chowpatty and also a dedicated gaming
zone. The new Big Bazaar Supercentre store is a one stop shopping destination for the entire family, catering to all their shopping, leisure and entertainment needs.

Reliance

Reliance Retail has introduced eight different formats and is still growing. Reliance retail currently operates the following formats:

Reliance Fresh – This format deals in grocery with the focus on Fresh fruits and vegetables, staples, fresh juice bars and dairy products.

Reliance Footprint – Reliance Footprint is a footwear and handbag store.

Reliance Digital - The store deals in Consumer Electronics

Reliance Trendz - This store deals in Apparel.

Reliance Wellness – This format deals in Wellness products.

Reliance Jewel – This specializes in Jewellery and related products.

Reliance Mart – This adopts a Hypermarket format.

Reliance has also launched a specialty store called Reliance TimeOut which stocks books, music, stationery, toys and gifts. Reliance Retail has introduced another of its retail format under the brandname “Reliance Living Homeware” which stocks household utilities for daily needs including kitchen, dining and bathroom accessories. Other formats being operated by RRL include Reliance Autozone, Delight, iStore, Reliance Mart, Reliance Super, Reliance TimeOut.

Reliance also deals in Apple products and services. iStore by Reliance Digital is a one-stop-shop for all Apple products and services.

Reliance Retail has launched a new format for Lifestyle shopping and the first outlet would open in Bangalore or Gurgaon. The first lifestyle format will have stores close to 30,000 sq ft in size and will stock products across categories such as books, music, toys, stationery, fragrances, sporting goods, jewellery and watches. The supermarket and the hypermarkets are positioned as a ‘value for money’ (VFM) experience while the specialty stores are targeted at the upper middle and upper segments of the market. Reliance Retail is also expected to soon launch its apparel stores.
Spencer’s Fresh

Spencer's currently offers its customers only two retail formats; they being:

Convenience stores, called Spencer’s

Hypermarkets, called Spencer’s hyper

Spencer's are neighborhood stores that cater to the daily and weekly shopping needs of consumers. These stores range from 1,500 to 15,000 sq. ft. in size and they stock an assortment of fruits and vegetables, food and non-food products as well as Fast Moving Consumer Goods (FMCG), staples and frozen foods. The larger of these stores, which have a floor area of more than 10,000 sq ft, sometimes offer a selected range of baked, chilled and frozen foods; personal and home care products; baby care; basic apparels and electronics and electricals.

Spencer's hyper are megastores, which combine a supermarket with a department store. At least 15,000 sq. ft in size these stock on an average, 70,000 items, giving shoppers fantastic deals across food, fashion, home and entertainment, all provisions under one roof. Spencer's hyper are destinations which provide for more than just shopping. In such stores Country and theme festivals, the Spencer’s Chef Corner with master chefs showing one how to prepare exotic dishes, Modern Menu—in-store food court, wine or cheese tasting sessions are organized. It is noted that there is always something extra and interesting happening at a Spencer’s hyper.

Tesco

The different Tesco store formats are designed to suit the varied shopping patterns of customers. There are five different formats that Tesco has adopted. The different retail formats being operated by Tesco are:

1. Express which have up to 3,000 sq ft of covered area, over 960 Express stores are being operated. They sell a range of up to 7,000 products including fresh produce, wines and spirits and in-store bakery.

II. Metro are stores with approx. 7,000-15,000 sq ft covered area the first of these stores was opened in the year 1992, bringing the convenience of Tesco to town and city centre locations, its number has gone up to over 170 stores. Metros cater for thousands of busy customers and offer a tailored range of mainly
food products, including ready-meals and sandwiches.

III. Superstore are another kind of stores with covered area of approx. 20,000-50,000 sq ft. In recent years a number of new non-food ranges have been added into superstores such as DVDs and books.

IV. Extra are stores with covered area of approx. 60,000 sq ft and above, first of these stores were opened in 1997. This serves as a one-stop destination and has proved extremely popular. Their number has gone up to 175. Extra stores offer the widest range of food and non-food lines, ranging from electrical equipment to home wares, clothing, health and beauty and seasonal items such as garden furniture.

V. Homeplus are stores with an area of approx. 35,000 sq ft to 50,000 sq ft, they are dedicated to non food items, including clothing. They are 10 in number and offer widest range of non-food products in store. The latest, largest stores have Tesco Direct catalogue ranges on display, with most products available to take home today.

Carrefour

The Carrefour group currently has over 9,500 stores, which are either company-operated, or franchises. These are Hypermarkets, Carrefour market, Convenience stores, Cash and Carry and E-Commerce which is its online retailing arm.

I. Hypermarkets: In 1963, Carrefour was the first banner to open a hypermarket based on an innovative idea: everything consumers needed could be found under one roof, displayed on self-service shelves that allowed them to compare products and prices. Carrefour has more than 1,400 such stores across the world.

II. Carrefour market: There are approximately 2,900 such stores in 19 countries. Carrefour Market makes day-to-day shopping for the consumers easier by offering a wide range of food products adapted to local needs at very competitive prices. It offers a wide range of products, bright colours, a clear shopping path, and shelf-end of the Carrefour brand products in order to optimize their basket. In short Carrefour market supermarkets have everything
III. Convenience stores: Out of a total of 9,000 stores, Carrefour had more than 5,000 convenience stores, mainly held by franchisees. The franchisees benefit from everything the banner has to offer, including customer-targeted concepts, products providing the best value for the money, and services and operating staff dedicated to sharing their expertise.

IV. Cash and Carry: The cash and carry stores are called Promocash. Under the Promocash banner, where the stores are managed under franchise, a key factor in the success of the banner is its network of coverage. Particular attention has been given to the development of the three means of supply, which are the store, the drive-in and the delivery.

V. E-Commerce: Carrefour offers shopping online in several countries (like France, Spain, Belgium, Turkey). A wide selection of services - such as home delivery and in-store or in-warehouse collection - are available to customers which varies from country to country.

Wal-Mart

Wal-Mart's operations are organized into three divisions: Wal-Mart Stores U.S., Sam's Club and Wal-Mart International. The company does business in nine different retail formats: supercenters, food and drugs, general merchandise stores, bodegas (small markets), cash and carry stores, membership warehouse clubs, apparel stores, soft discount stores and restaurants.

Wal-Mart Stores U.S.

Wal-Mart Stores U.S. is the company's largest division, accounting for 63.8% of total sales for the financial year 2010. It consists of three retail formats that have become commonplace in the United States: Discount Stores, Supercenters and Neighborhood Markets. This division also includes Wal-Mart's online retailer, Wal-Mart.com.

Sam's Club

Sam's Club is a chain of warehouse clubs which sell groceries and general merchandise, often in large quantities. Sam's Club stores are "membership" stores and most customers buy annual memberships. However, non-members can make
purchases either by buying a one-day membership or paying a surcharge based on the price of the purchase. In some locations Sam's Club also sell gasoline. Wal-Mart also operates more than 100 international Sam's Clubs in Brazil, China, Mexico and Puerto Rico.

**Wal-Mart International**

Wal-Mart's international operations currently comprise 4,263 stores and 660,000 workers in 15 countries outside the United States. There are wholly owned operations in Argentina, Brazil, Canada and the UK. With 2.1 million employees worldwide, the company is the largest private employer in the US and Mexico, and one of the largest in Canada. In the financial year 2010, Wal-Mart's international division sales were 24.7% of total sales.

**Analysis and Comparison**

It is difficult to identify and fit a successful international format directly and expect the format to yield a similar performance in India. Local conditions and insights into the local buying behavior should be analyzed before shaping the format choice. The Indian retail sector is going through a transformation and the Indian players are experimenting with different retail formats. Reliance for instance has (specialized) exclusive outlets for different product categories and has depicted acceptance by customers, while Big Bazaar's success can be attributed to the hypermarket format. Currently two popular formats hypermarkets and supermarkets are growing at a rapid pace. Apart from the brick-mortar formats, online sale is also becoming increasingly functional on the Indian retail landscape. Hypermarkets have emerged as the most popular and biggest crowd puller, the reason being regular repeat purchases at such outlets. With product categories on offer ranging from fresh produce and FMCG products to electronics, value apparels, household ware, do it yourself (DIY) and outdoor products Hypermarkets offer an extensive mix of merchandise and product and brand choices, creating superior value for money.

**5.1.6 Logistics**

**Big Bazaar**

Future Group has a specialized subsidiary called the Future Supply Chains which
offers a strategic, focused and consolidated approach to meet the group's large supply chain requirements and also those of select suppliers and business partners. This provides integrated end-to-end supply chain management, warehousing and distribution, multi-modal transportation and container freight stations. It operates five major verticals; they being Warehousing, Transportation, International Logistics, Brand Distribution and Reverse Logistics. It has a dedicated fleet of over 400 vehicles and an outsourced fleet of 400 trucks to move goods across India in the most efficient and cost-effective manner. Future Logistics now handles two-and-a-half million SKUs (or stock keeping units) a day across the Future Group's various retail formats around the country. This number is expected to increase to more than 30 million SKUs a day. The practice is to pack and transfer goods to one of 1,600 GPS-tracked trucks for delivery. Deliveries are made by the company 2-3 times a day to the same store, instead of the once or twice a week delivery mechanism offered by a regular distribution system.

Reliance Fresh Logistics

Reliance Logistics Ltd, a part of Reliance Industries Ltd. It currently handles Reliance Retail's logistics services. Reliance Logistics is a logistics service provider based in Mumbai, India. It provides transportation, distribution, warehousing, logistics and supply chain services. It offers logistics solutions through its Relogistics brand and is supported by its division Reliance Telematics which is engaged in automation support systems for moving assets in supply chain management. Reliance Logistics is an associate company of Reliance Industries Ltd (RIL) and has been operating since 2001. Reliance Logistics is an asset based company with its own fleet and infrastructure. RLPL has been established as an integrated logistics company that offers solutions for transportation, distribution, warehousing, logistics and supply chain needs.

It manages multi-user distribution centers that provide the benefits of a shared infrastructure. More than 2,00,000 tons of cargo flows through RLPL's distribution centers each month. The wide range of services provided under this division are warehousing services, secondary transportation, invoicing, in plant logistics, distribution solutions and value added services.
Retogistics has its own fleet that consists of a range of vehicles in order to provide complete logistics solutions. The fleet centers are operational at GTI, JNPT, Delhi, Surat, Vizag and Indore.

Spencer's Fresh and Daily

Managing the logistics of the business is every retailer's immediate problem. Large amount of stocks have to be moved on a regular basis from the DC or the warehouse to the store. Most of the time, the goods have to travel across states as one warehouse caters to several neighboring states. Spencer like most of the Indian retailers is looking at ways to streamline logistics as one of the measures to remain profitable. It is reworking transport routes to bring down freight costs helps rationalise fuel costs and reduce overheads, input costs and wastage. Spencer's is also redoing its freight mix and planning to bring down freight movement. Therefore a lesser number of trucks are used per day. For instance, while around six trucks are used in Chennai, Kolkata needs about three trucks as all Spencer's stores in Kolkata are large format (50,000 sq ft and above), which enables the company to supply directly.

The company has a strategy for movement of different kinds of products. For instance, at its Kolkata warehouse, based out in Dankuni (40 odd kilometers from the city), FMCG products and staples are moved from the DC to the store; while perishables and frozen items are routed through direct supply model. Garments follow hub-and-spoke and are directly moved from the mother DC to the store. Spencer's has tied up with several local logistics service providers (LSPs) and transporters to move its goods. Some well-known ones are L.G. Brothers, which manage the road transportation; Quick 'N' Safe which attends to the distribution network through hub and spoke and multimodal transportation; AFL which offers warehousing and logistics services; Spear Logistics, which offers warehousing services, to name a few.

Tesco

Tesco is among the leading international retailers and for the company, logistics has played a major strategic role in organizational operations as well as the environment of the business. Superior effectiveness of the computer-controlled logistics schemes is seen in the logistics operations of Tesco. In terms of its e-tailing activity, the process of placing grocery orders over the Internet that utilize highly automated centralized
warehouses and computerized logistics structures is more efficient as compared to groceries in the supermarket. It also demonstrates efficient logistical strategy and implementation by the introduction of a new Internet retailing arm, Tesco Direct, which required rapid transformation of a traditional warehouse operation to cater for the very different demands of multi-channel retailing. This meant transforming the operation in a very short space of time.

It also takes services of 3PL. It has awarded TNT Logistics UK a five-year contract to operate home delivery services for the newly-launched Tesco Direct. The nationwide service will utilise dedicated Tesco Direct vehicles as well as TNT Logistics’ multi-user TNT Home fleet, which already delivers furniture and larger goods for other retailers.

The Logistics Business became an integral part of the Tesco Direct development team. The process began with defining the operating processes that would be required and then specifying and selecting the key warehouse management system to run the operation efficiently and accurately. Then followed the redevelopment of a 23,000 square metre (250,000 sq ft) distribution centre on the edge of Daventry in the Midlands into the first national fulfilment centre supporting the Tesco Direct website.

Carrefour

Carrefour has set up many consolidation centers (CC) to bring efficiency in its logistics operations. The retailer currently has eight centers operating in France and twelve more being developed. Individual centers receive goods from about 100 manufacturers. Consolidation Centers are designed for smaller suppliers. These suppliers ship their goods to a consolidation center run by one of Carrefour’s third party logistic (3PL) partners instead of directly to a Carrefour distribution center (DC). The consolidation center receives full truckload shipments. On the outbound side, the 3PL takes orders from the retailer, that is Carrefour in this case. The truck is loaded with individual pallets from different manufacturers, the correct value-added services for the retailer are performed (e.g., retail specific labels, pallets, and electronic commerce), and the goods are then shipped to the retail DC at truckload rates. The Group has developed a national logistics network in every country where volumes were big. It streamlines flows and transport trips by pooling logistics.
Carrefour also tries to find alternative means of transport for deliveries to Group warehouses with the objective of increasing the number of containers delivered by barge and by rail. Carrefour France for example, achieved its goal to ship more than 40% of its merchandise by river and rail. In Spain, Carrefour dispatches 100% of its import containers from the port of Barcelona by rail and 67% from Valencia. The latest innovation that Carrefour made was to have trucks that collect goods ordered from suppliers and deliver them to the warehouses after completing their store deliveries.

Carrefour owns many huge logistics platforms (distribution warehouses), which are used to gather products from different manufacturers, and redistribute these products to the different stores whenever they need them.

Technological tools have also been introduced to prepare orders for example a vocal recognition tool (pick by voice) are used to avoid any mistakes.

**Wal-Mart**

Wal-Mart has a large fleet of 6,500 tractors and 55,000 trailers in operation to meet its logistic need. Also they have more than 12 miles of conveyor belts which move over 5.5 billion cases of merchandise inside each distribution center. Distribution centers also operate for Sam's Club and for specific product categories such as grocery, jewelry, pharmacy and apparel/shoes. The DotCom Distribution Centers support the Wal-Mart.com online operation as well as the Site to Store program which is the fastest growing segment of their distribution network.

Wal-Mart sources products from different places throughout the world, as such they can use bigger trucks and use less fuel to go back and forth. Also if by chance they have to use shipping services to transport material from one location to another, Wal-Mart gives them voluminous business on which they get huge discounts.

The logistical system that Wal-Mart uses is very effective because it is very flexible. This is why Wal-Mart was able to offer products much cheaper than other companies can.

**Comparison and Analysis**

The retail boom in India promises to give an impetus to host of allied sectors and the
logistics industry, as the back bone of the retail sector, stands to gain the most. The success in this very competitive and dynamic retail sector depends on achieving an efficient logistics and supply chain.

In India the logistics market is mainly thought to mean transportation. But the major elements of logistics cost for industries include transportation, warehousing, and also other value added services such as packaging. International retailers have dedicated fleets for managing their logistics needs. The Indian players also depict the same pattern for distribution. The International retailers have however set up different logistics systems to manage the needs of its online arms; like the international retailers the Indian retailers too have their own infrastructure laid out to take care of transportation, distribution, warehousing, logistics and supply chain. Efficient distribution has been a critical success factor for many international retailers and the Indian retailers need to emulate their method.

5.1.7 Information Technology

**Big Bazaar**

Big Bazaar has made various use of technology to bring efficiency to its operations. The technologies, which include applications for of analysis, planning and also various management systems have been discussed below.

Future group was amongst the first companies to test and implement RFID at Pantaloon and Big Bazaar. The RFID application employed was developed by Wipro Infotech and is integrated with Oracle database. RFID tag is a plastic flying saucer shaped knob like structure on dresses while on display at the store which are removed when they are billed. The tag helps in tracking of goods and provides security from pilferage as it lets out an alarm at the exit door if it is being taken out without being billed. At Big Bazaar almost one million Stock Keeping Units (SKUs) out of a total of 3 million are to be tagged with RFID chips. The company has fixed a price band of Rs.400 and above for all commodities which will be tagged over a period of one year.

Pantaloon Retail implemented SAP to keep itself competitive in the rapidly growing Indian retail market. Pantaloon was regularly opening stores in the metros and there was an urgent need for a reliable enterprise wide application to help run its business effectively. Retail solutions from SAP supports product development, which includes
Ideation, trend analysis, and collaboration with partners in the supply chain and sourcing and procurement, which involves working with manufacturers to fulfill orders according to strategic merchandising plans and optimise cost, quality, and speed—variables that must be weighted differently as business needs, buying plans, and market demand patterns change. It also helps in managing the supply chain, which involves handling the logistics of moving finished goods from the source into stores and overseeing global trade and procurement requirements and selling goods across a variety of channels to customers, which requires marketing and brand management. It further helps in managing markdowns and capturing customer reactions, analyzing data, and using it to optimize the next phase of the design process.

An efficient warehouse management helps a retailer to reduce logistic cost, save the inventory size and increase shelf availability. Future groups supply chain has eight integrated distribution centers across the country with 2,00,000 sq ft area each. Future Group implemented a Warehouse Management System (WMS) that helped it derive many benefits like increasing the order filling rate from 70% to 90%, thereby increasing the throughput and reducing the revenue loss. At Pantaloon each employee has a WMS Device. This device is an end-to-end enabler of tasks for workers as it provides them list of tasks to be completed, guides them to storage location of products, and has a bar code scanner in-built in it which helps them verify and reconcile goods being picked and stored at each step. Another Technological aspect of the Pantaloon Warehouses is Put to Light (PTL) collection and sorting technology. PTL is a technology essential to maintain the high throughput required in these locations as it automates the sorting of goods for each store as per the store requirements.

Future Group also has installed the latest point-of-sale (POS) technology and retail software from Germany-based Wincor Nixdorf, a leading provider of IT solutions to retailers. It helps the retailer to streamline the retail store processes and improve the customer experience across its outlets.

Reliance Fresh

Information Technology has also been deployed by Reliance Fresh to smoothen its
operations. Reliance Retail tied up with IBM to provide end-to-end IT solutions for its retail business. The solutions include programs for managing the delivery roll out, and implementation of reliable solutions for the retail company. IBM provided systems for Reliance Retail stores, processing, distribution and collection centers, primary and secondary transportation along with IT systems for the national and state headquarters.

Reliance Retail, has been testing RFID technology and is preparing applications for use at a large number of its hypermarkets and supermarkets, as well as its electronics and convenience stores. The stores have been equipped with data ports and wireless computer networks which are able to support RFID systems. Reliance Retail has drawn up plans for using RFID to support its operations. The company has developed five RFID-deployment scenarios, including the tracking of reusable crates of fresh food; item- and case-level tracking of high-value goods; and pallet and case tagging of various goods.

Reliance Industries has recently installed more than 900 units of DS-series check out scales for its Reliance Fresh outlets. The scale supports popular OPOS protocols, which makes it easy to connect to all popular POS systems. Other critical factors was its large sales/service network of 61 branches and 200 dealers, which is very important in the retail business

Spencer's Fresh and Daily

Spencer's Fresh and Daily has used Information Technology extensively for its day to day operations.

Spencer's Retail installed the RFID technology for strengthening their supply chain operation. They planned to implement it in a phased manner starting with products, which are of high value and prone to shrinkage. RFID would bring down lead time in monitoring material movement, bring down shrinkage and, therefore, result in a lot of saving, part of which it plans to transfer to the consumer.

In 2006, Spencer's Retail felt the acute need for a centralized IT system to support its rapid business growth and chose SAP ERP as they found that SAP came closest to fulfilling its needs. They decided to install a storage area network (SAN) to
consolidate its data storage for a SAP ERP implementation.

Spencer's Retail has implemented this in majority of its stores and expects to gradually cover all stores. They are using the latest MySAP ERP IS Retail ECC 6.0 for their operations in Books & Beyond, and are gradually migrating the rest to SAP. They are also using MySAP Business Warehousing BW 7.0 for analytics. Spencer's Retail implemented SAP in 2006 and rolled out its first Fibre-Channel-based SAN alongside it. The SAN implementation is used for SAP applications (which have an Oracle database as the back end). Raid 0 and RAID 5 have been used to configure the SAN.

The criticality of a point of sale (POS) operations for a retailer cannot be overemphasized. Spencer's had been hard at work refining POS transaction process. The retailer runs an indigenously designed POS application across all its stores. The system used offers a web-enabled enterprise administration and alerting interface, that allowed users to create custom dashboards and reports as well as to automate and track performance-tuning and problem-resolution initiatives. It also provides information through context-sensitive advisories and detailed wait-event analysis at a fraction of the impact of conventional collection methods. The solution allows DBAs to establish critical system benchmarks such as load capacity and throughput levels. The system enables to audit their code in an efficient manner, serve the customers with fast transactions, and keep better control of the inventory.

Tesco

At Tesco stores throughout the globe, technology helps streamline the total floor operation. It helps facilitate quicker and cheaper shopping, fresher stocks and speedy replenishments. A committed team of IT professionals working round-the-clock at Tesco HSC enables this. IT at Tesco HSC contributes to the success of Tesco PLC in two ways, firstly providing enabling solutions secondly bringing in transformation through continuous innovation. IT systems have been instrumental in helping Tesco deliver strong profits. Advanced in-store queuing systems had improved shopping for millions of its customers by reducing checkout lines. The supermarket chain is using heat-sensing technology to monitor lines at tills, improved scanners, better self service tills, and checkout cameras were helping it reduce queues. Self-service checkouts now
account for a fifth of all of Tesco transactions. Tesco has an ongoing efficiency program, known as Step Change and involving IT improvements as well as general process efficiencies. The supermarket has 3,000 staff working at its site in India, providing IT and administrative support around the world, including the recently launched US operation Fresh n' Easy.

Tesco stores utilize the following technologies:

- Wireless devices
- Intelligent scale
- Electronic shelf labeling
- Self check-out machine
- Radio Frequency Identification (RFID).
- Electronic Point of Sale (EPos).
- Electronic Funds Transfer Systems (EFTPoS)
- Electronic scanners

Tesco has installed RFID tags and readers in its shops and distribution centers. Instead of tagging individual products, it permanently tags transport items such as cages and trolleys. The initial implementation was within their own units and suppliers were involved later as they had struggled with radio frequency standards, a high concentration of readers in the warehouse that affect performance, slow read speeds and low tag quality.

Tesco.com the online arm of the supermarket giant is the world’s largest online grocery store with several million customers and more than 4,000 orders processed an hour. It is trialing a handheld device that combines satellite navigation, order processing and mobile phone capability. According to Tesco the integrated device ensures a more efficient delivery of online orders and delivers cost savings by reducing the number of hardware. It is now trialing the addition of mobile phone functionality. The devices ensure drivers find the most efficient delivery route and deliver orders within the two hours of customer service delivery target. Tesco manages the information about its grocery and non-food suppliers via a new
electronic data interchange (EDI) system that ensures better collaboration between the retailer and its suppliers and also cuts down time spent on inputting and updating data. Their objective is to on-board the supplies as smoothly as possible and streamline the day to day EDI traffic benefitting both customers and suppliers. Tesco believes in an open and constructive relationship with suppliers and have used EDI for many years.

As part of Tesco’s electronic trading operations, suppliers are expected to meet the company’s labelling requirements, while also providing the retailer with Advanced Shipment Notifications (ASN’s). Suppliers also need to take receipt of an Electronic Proof of Delivery (EPOD) from Tesco.

Tesco’s POS was implemented to help the organization gather, use, store, protect and keep track of its sales and financial records. All the members of staff on the till use the information system which has all the products incorporated in it. Whenever a product is scanned, all the relevant information is returned immediately for the staff member to use and also speed floor retailing. All records of sales are kept in the system. Managerial members of staff can look at the data that the information system gathers with each sale and can determine if a product is successful in producing income for the organization. The information can also be used to produce regular reports on the financial stability of the store.

Tesco’s mechanized logistics system is being supplied by Dematic which is a leading player of the field. It is capable of supporting a distribution center as big as approx 900,000 sq ft. The system aims at providing Tesco with a highly efficient pallet storage solution, incorporating a fully mechanized high bay warehouse, monorail and conveyor networks, and distribution center’s Warehouse Control System (WCS). The mechanized logistics system provides high-density storage and efficient handling of products within the DC and the software is integrated with Tesco’s own IT systems. The WCS will interface with Tesco’s existing, company-wide Warehouse Management System (WMS) and as a result, Tesco realizes significant cost savings on its inbound logistics operations.

Tesco has deployed Oracle Retail Warehouse Management System within distribution centers across Europe and Southeast Asia. Oracle Retail Warehouse Management System supports a standardization of supply chain practices across the international
business and has enabled a steep rise in distribution center productivity and capability. Tesco created a set of centralized processes to automate, manage and integrate replenishment and distribution and worked with Oracle Retail to integrate these into the new warehouse management system. The Retail Warehouse Management System was instrumental both financially and functionally for developments in Tesco international business. The automation and centralization of many supply chain processes has achieved key operational and financial improvements, and is expected to continue to generate value with further deployments. The system provides Tesco with multi-faceted and cross-channel information at all points of service, enabling it to make precise decisions and also focus on the customer.

Tesco has deployed a global sourcing platform as the annual amount of goods it sources from overseas markets has risen sharply. The retailer has replaced manual processes with systems from Eqos. At present it is using Eqos Global Sourcing, Supplier Quality Management and Critical Path Management applications. The systems has integrated with Tesco’s enterprise resource planning applications and retail management software. Global Sourcing enables Tesco’s buyers to manage the supply of goods, and Supplier Quality Management and Critical Path Management and also enable them to check product quality and receive alerts when delays occur.

Carrefour

Carrefour utilizes various information technology (IT) applications to streamline its business process and add value to them. Carrefour is in agreement with Checkpoint Systems, which is a product identification and shrink management products company to implement a source-tagging program with the objective of reducing losses including customer and staff theft. This move would help it to create a controlled and consistent environment for Carrefour’s product protection worldwide.

Carrefour has implemented Re-Vision’s MyScan software solution. It implemented this self-scan POS to their stores across Belgium. This move has resulted in increased the supermarket’s popularity with the customers, because this option offers them more control over the time spent in the store.

Carrefour has standardized business systems and processes worldwide with the help of consultant and systems integrator Accenture. It adopted a single finance and
accounting platform, drawing on enterprise resource planning (ERP) modules of PeopleSoft Inc. Part of the project involved the creation of shared service centers (SSCs) within each country to centralize purchasing and supplier management. Carrefour implemented an enterprise resource planning (ERP) system from Oracle, based on its PeopleSoft JD Edwards solution, to run its financials for the new stores. Carrefour is a global user of PeopleSoft ERP software. The retailer has implemented category six structured cabling systems, a level of standard which future proofs the installation so that if new applications come out in the future the cabling system should support them. All the points of sale will be linked together on the structured cabling system.

Carrefour introduced an Inventory management system, which is responsible for maintaining their inventory of goods. This system monitors the number of inventory in a store and automatically sends purchase orders to suppliers when an item runs out of stock. In addition a supplier only needs to send their goods to a distribution center, where items from all other suppliers is consolidated to specifically meet the needs (purchase orders) of certain stores. This centralized supply chain model is mutually beneficial for Carrefour and their suppliers. For Carrefour, the main advantage is the improvement of stock availability in their stores and for suppliers it eliminates the loss of sales caused by items that are out of stock. Suppliers also benefit by a reduction in shipment expenses because they only need to ship their goods to a distribution center instead of going to every store that ordered their goods.

Wal-Mart

The use of information technology in every facet of its operations has been an essential part of Wal-Mart’s growth strategy. It uses telecommunications to link directly from its stores to its central computer system and from that system to its supplier's computers. This allows for automatic reordering and better coordination. It also enables the retailer to know what is selling and what is not selling and coordinating closely with suppliers enables less chances of capital blockade in form of inventory. This saving is passed on to its customers. The warehouses work more like cross docking centers as goods arrive and leave without ever sitting on a shelf. 3,800 plus vendors get daily sales data directly from Wal-Mart stores, and 1,500 have the
same decision and analysis software that Wal-Mart's own buyers use. This helps them check how a product performs in various markets.

It is a requisite for most of Wal-Mart's top suppliers to have RFID tags on every pallet and case coming to its distribution centers and stores. This technology enabled Wal-Mart to achieve incremental gains in supply chain efficiency. RFID uses an Electronic Product Code (EPC) recorded in a microchip which can be read remotely, unlike barcodes which are printed labels and require line of sight to be read. The EPC uniquely identifies the tagged item rather than merely providing its UPC product code, and is tied to data stored in corporate databases.

RFID initiative would provide major benefits like a reduction in inventory, a reduction in the rate of stock-outs with a corresponding increase in sales, and reduced store and warehouse labor. An internal analysis of Wal-Mart's efforts reinforce the value of this technology for Wal-Mart, their suppliers and ultimately the customers.

Wal-Mart Stores, Inc. enhanced its financial information systems using SAP. The retailer conducted a thorough evaluation of its financial information systems to determine what was needed to support the company's business as well as help in its next stage of growth. They chose SAP® ERP Financials. This was because of its ability to support the retailer's global expansion and its need to efficiently respond to changes in the business and regulatory landscape. The global implementation was done in phases replacing some legacy systems while integrating with other internal Wal-Mart systems.

SAP deal is also considered a good move because SAP Financials can easily handle all of Wal-Mart's financial needs, and the software is not too big a deal to integrate with its existing systems.

Wal-Mart has EDI documents to support the business areas of Supply Chain Management, Global Indirect Sourcing, Accounting, Inventory Management and Logistics. The retailer has improved its functionality through the usage of this systematic process of electronically exchanging key information with its business partners. This allowed it to improve customer service, lower expenses, and increase productivity by real-time delivery of EDI documents. Wal-Mart initiated the practice of sharing sales data via computer with its major suppliers. Wal-Mart also pioneered
the concept of VMI, Vendor Managed Inventory. Through the use of sale information, called Point of Sale or POS, Wal-Mart’s suppliers actually analyzes sales trends and recommends orders to Wal-Mart.

EDI has proved to be one of the most efficient and effective ways for Wal-Mart to conduct business with its suppliers. Applying EDI processes to its business practices allowed Wal-Mart to operate very efficiently and further to improve customer services, lower expenses and increase productivity.

Point of Sale system (POS) has enabled Wal-Mart to derive competitive edge over others. Apart from handling information efficiently, this system helped Wal-Mart avoid overstocking by learning what merchandise is selling slowly.

The system makes it possible to record the sale of each item and make that information available immediately for both reordering and sales analysis. The POS helps Wal-Mart reduce its inventory costs, which is vital for every retail business. It makes re-ordering easier for the retailer which means that replenishment can be done in smaller quantities and more frequently, reducing stock holding and exposure to risk. The system keeps tabs on all products sold and when they were sold, allow the owner to identify trends easily and stock up or down accordingly. Both Wal-Mart and their suppliers benefit by POS by knowing exactly what was selling and what is not selling so the right products were know exactly what’s selling and what’s not so the right products were in the shops at the right time.

Analysis and Comparison

The IT solutions support planning collaboration, and improved agility of the supply network and are being used extensively by both Indian and foreign retailers alike. Benefits of IT in SCM are multitude and vary in the context of their implementation. Implementation of various technology including RFID, EDI, electronic scales various management systems like point of sale system, warehouse management systems. These have provided retailers with increased possibilities to network with supply chain partners and an improvement in information quality. Other benefits being attained by retailers include lower operational expenses with timelier planning for procurement, manufacturing and transportation; improvement in performance, quality, product tracking, execution tracking and lower costs. Margins are also being
increased through better coordination with business partners.

5.1.8 Green Logistics

**Big Bazaar, Reliance Fresh and Spencer’s fresh and Daily**

For all the Indian Retailers survey, not much awareness exists of the concept of going green in its operations. Awareness exists for some, but none of them have implemented green practices be it in packaging, warehouse needs or transportation or design of buildings of zero carbon stores.

**Tesco**

Tesco introduced environmentally friendly distribution center which employed an energy-efficient design and an extensive range of green technologies, such as ground-source heat pumps for central heating and solar water heating. The center uses 45 percent less energy, 40 percent less water and generate 35 percent less carbon emissions than traditional logistics warehouses. Tesco has plans of opening many more zero carbon stores as part of its long-term goal to be a zero-carbon business by 2050. The Tesco Samsung Leadership Academy, due to open in the summer, will also be zero carbon. It plans to have 24,000 trainees annually and without the environmental features, the building would have produced over 1,000 tons of CO2 per year. They were the first to carbon label their own-brand products. Since then, they have labelled hundreds of products; thus helping customers to make greener purchasing choices. Tesco’s has also employed automated recycling machines, which will help recycle cans, glass and plastic bottles. These state-of-the-art recycling machines not only make recycling simple, but they’re also easy to use. Also customers receive one green Clubcard point for every two aluminum cans they recycle. Tesco also recognizes and shares global concerns about the sustainable sourcing of fish, and are committed to taking fish only from responsibly managed sources.

**Tesco** is committed to reviewing all their packaging and taking steps to see how can they reduce it further. They have also revolutionized the way they build stores, so they are as green and as sustainable as possible.

**Carrefour**

Carrefour focuses on optimization of transport and logistics activities of the group as
the volume of products delivered to the group's stores is phenomenally high. As a part of the initiative reducing the number of kilometers by road is one of them. This saves CO2 emissions. A partnership policy was also initiated in 2001 in order to discuss the issue with all players in the supply chain. Carrefour is looking for alternative means of transport for deliveries to Group warehouses. In 2009, 45% of imported products destined for hypermarkets in France were transported by river and rail, which meant a substantial reduction in transport vehicles and reduction in distance travelled. Also all containers from Asia arriving at the port of Barcelona and 76% of containers arriving at Valencia were sent by rail to Madrid.

The Group has set up consolidation platforms with the objective of reducing mileage on the road. These platforms enable suppliers to reduce their mileage and Carrefour to send full trucks containing products from several suppliers to the warehouses. Substantial savings were made in CO2 emissions per pallet transported. Other initiatives to reduce kilometers travelled were load optimization, smoothed delivery times, synergies between deliveries to hypermarkets and stores of other formats and synergies with upstream transport via the development of return rounds policy, which allowed trucks that have already made their store deliveries to reload at nearby suppliers in order to take goods back to Carrefour warehouses instead of returning empty. To increase level of amongst employees a training module has been developed for all Supply Chain teams in France. The training course, aimed to help employees integrate sustainable-development considerations into their working environment.

Wal-Mart

Wal-Mart as a company is committed to three ambitious goals: to be supplied 100 percent by renewable energy, to create zero waste; and to sell products that sustain Wal-Mart’s resources and the environment. Wal-Mart laid out its sustainability initiative, which emphasizes on making a positive impact and reducing the impact of Wal-Mart on the environment in order to become the most competitive and innovative company in the world.

Analysis and Comparison

Green logistics services are not only beneficial for the planet, but also offer major cost savings to retailers and their customers. All international retailers are aware of
concept of green logistics and are practicing it in some form or other. For some of these it is a part of their organizational strategy. However none of the Indian retailers have adopted green logistics practices in their day-to-day operations. Indian retailers should take initiatives towards going green as reducing emissions is crucial to the industry’s long-term development in today’s age of environmental sustainability. Simple measures such as better route planning to reduce vehicle miles, less empty vehicle running, driver training and more efficient vehicles and fuels can be implemented to start with.

5.1.9 Non-Food Merchandise

Big Bazaar

The Big Bazaar design resembles a combination of Indian bazaars or markets offering a broad range of items ranging from food products, furniture, books, fashion and apparels, general merchandise, electronics, fast food and leisure and entertainment sections.

Initially Big Bazaar was started as a fashion hypermarket, which had Apparels, Accessories, Cosmetics and General Merchandise on sale. Later a wide range of other products were added to the list which includes FMCG products, Electronics, furniture, Stationery, etc. Big Bazaar stores are usually established on big areas having huge displays and providing cool and comfortable shopping experience to consumers and are said to be based on the concept of Wal-Mart USA.

Reliance

Reliance as a player in the Indian retail sector has had a robust growth due to its in-store initiatives, wider product choice and value merchandising. At Reliance stores shoppers have an option to choose from a wide array of products in categories like fresh produce, food & grocery, home care products, apparel and accessories, non-food FMCG products, consumer durables and IT, automotive accessories, lifestyle product, footwear and health and wellness products. Reliance is a formidable player even in the optics business; it has a partnership with Grand Vision. The retail chain offers single brand optical products including Vision Express frames, lenses, contact lenses, sunglasses, solutions and accessories. Reliance’s partnership with Hamleys gave the Indian consumers the opportunity to experience world’s most wonderful toys. iStore
by Reliance Digital is a one-stop-shop for all Apple products and services. Reliance Brands have also announced exclusive licensing arrangement with two leading international brands: Steve Madden, a retailer of fashion-forward footwear and accessories for women, men and children. Quiksilver, a leading outdoor sports Lifestyle Company.

Spencer’s Retail
Spencer’s Retail Limited is a multi-format retailer offering 15000 quality products in the categories of food, fashion, staples, FMCG, personal care and electronics at affordable prices. Their hyper store format offer a wide range and assortment of merchandise in grocery, fruits and vegetables, home and office essentials, electronics and electrical, garments and fashion accessories, toys and personal care, all available at affordable prices. The Spencer’s Hyper stores offer merchandise ranging from fruits & vegetables, processed foods, groceries, garments and fashion accessories, consumer electronics & electrical products, home decor and needs, office stationeries, soft toys. Spencer’s Retail has tied up with the apparel brand Beverly Hills Polo Club. It presents product categories including T-Shirts, polo’s, sweat shirt & sweat pants, casual shirt & trousers, formal shirts denims, winter wear, eyewear and watches for men and women.

Wal-Mart
Wal-Mart sells everything from pharmaceuticals to guns they even sell petrol as a loss leader to attract people to other products. About 60% of sales are non-grocery items of which 30% of Wal-Mart’s total US sales come from its 'Specialty' division, which includes vacations; car rentals; hotel discounts; jewellery units; and photo, optical and pharmacy services. The non-food items include pet food, air fresheners, insecticides, charcoal, health and beauty supplies, hair accessories, and medicines. Wal-Mart has also initiated a pilot program to sell generic drugs at very low price. Wal-Mart discount stores have a garden center, a pharmacy, Tire & Lube Express, optical center, one hour photo processing lab, portrait studio, a bank branch, a cell phone store and a fast food outlet. Some also have gasoline. Wal-Mart Supercenters also have a garden center, pet shop, pharmacy, Tire & Lube Express, optical center, one-hour photo processing lab, portrait studio, and numerous alcove shops, such as cellular phone stores, hair and nail salons, video rental stores, local bank branches.
Wal-Mart neighborhood Market offer a variety of products, which include a full lines of groceries, pharmaceuticals, health and beauty aids, photo developing services, and a limited selection of general merchandise.

**Carrefour**

The retail distribution in France in 1960 was highly fragmented in and product lines in individual stores were also very narrow. Carrefour facilitated the process of buying food items by creating a store where the consumer could find almost every food product a consumer needs. Nonfood products were later added to Carrefour line of products. Carrefour introduced hypermarket to sell food and nonfood products at discount prices. The hypermarket was very successful.

Carrefour merchandize ranges from footwear, professional and electrical appliances, bed linen, lighting solutions, hygiene products laundry accessories, footwear etc. Carrefour hypermarkets offer about 40% non-food items. Carrefour intends to cut selling space in categories such as phones and jewellery, areas not considered profitable enough, where competition is intense, and which are hit hardest by tight discretionary spending power.

**Tesco**

Tesco has the highest non-food mix of the U.K. supermarkets, representing 20 percent of revenue. The company is also into non-food merchandise. Its non-food business offers home entertainment, electrical, cookshop, homeshop, white goods and furniture. Some of these non-food items are found only in large stores but Tesco is developing a brand that would carry all these non-food items in all Tesco stores.

The retailer aims to be as strong in non-food as it is in food as part of its ongoing strategy. Tesco currently operates Homeplus stores, which sell a vast range of non-food merchandise, including home wares, bikes and computers. **Analysis and Comparison**

Globally the retailers have been applying various strategies to increase their margins and excel in serving the customer better. Both Indian and retailers from developed countries have been mixing non-food merchandise with grocery to attain benefits. The major reasons for a mix of food and non-food merchandise is to be a one stop shop for all needs; it serves to increase the footfall in the store, (which is a customer may
visit the same place for both grocery and non-food needs; it helps the retailer do
better customer service as all the customer requirement are fulfilled under one roof; it
helps the retailer increase its sale volume by exploiting the aspect of impulsive buying
in a customer.

5.1.10. Other Services

Big Bazaar/Future Group

Financial Services:
Future Group’s financial arm is called Future Capital Holdings Limited (FCH). It is
the provider of financial services across consumer and wholesale businesses, with the
goal of growing into a major financial conglomerate.

Future Capital is conceptualized around a unique positioning of a financial services
business and is integrated with a retail chain, Future Capital is establishing financial
superstores within the Retail stores of Future Group such as Big Bazaar, E-zone and
Home Town to create India’s first ‘consumer-centric’ retailer of financial products
and services. It aims at providing holistic financial solutions by being a one stop shop
for all retail financial products ranging from loans, payment solutions, wealth
management and equity broking solutions, insurance offerings, real estate broking and
money changing.

Insurance

Future Generali is the Future Group’s arm working for it in the insurance sector; it
deals in life and non-life insurance services and products. This venture is in
partnership with Italy’s Generali Group that is amongst the three largest insurance
companies in Europe and is ranked amongst the Top 50 on the Fortune 500 list.

Mobile Telephony

Future Group has a partnership with Tata Teleservices Limited, the group provides
mobile telephony services under the brand name T24 on the GSM platform to the
customers of Future Group’s retail stores.

Future Supply Chain Solutions

Future Supply Chain Solutions Ltd, the logistics and supply chain vertical of Future
Reliance Industries Limited

The company operates through three business segments: petrochemicals, refining, and oil and gas, other segment of the company includes textile, retail business, special economic zone (SEZ) development and telecom/broadband business.

It has many subsidiaries and associates, which are:

**Reliance Life Sciences:** This is in the area of medical, plant and industrial biotechnology opportunities. Specifically, these relate to biopharmaceuticals, pharmaceuticals, clinical research services, regenerative medicine, molecular medicine, novel therapeutics, biofuels, plant biotechnology, and industrial biotechnology.

**Reliance Institute of Life Sciences (RILS)** is an institution of higher education in various fields of life sciences and related technologies.

**Reliance Logistics (P) Limited** is an end to end provider for transportation, distribution, warehousing, logistics, and supply chain needs, supported by in-house state of the art telematics and telemetry solutions.

**Reliance Clinical Research Services (RCRS)**, is a contract research organization (CRO) and wholly owned subsidiary of Reliance Life Sciences, has been set up to provide clinical research services to pharmaceutical, biotechnology, and medical device companies.

**Reliance Solar** is the solar energy arm of Reliance. It aims to bring solar energy systems and solutions.

**Relicord** is a stem-cell banking service controlled by Reliance Industries.

**Infotel Broadband** is a broadband service provider which gained 4G licensees for operating across India.

**Reliance Tech Services**

It is the IT wing of Reliance Anil Dhirubhai Ambani group and provides IT consultancy, business process outsourcing and software development and also provides services to industry sectors such as telecommunications, financial services,
utilities, entertainment, infrastructure, BPO operations and health care.

*Reliance Globalcom*

It owns the world's largest private undersea cable system, spanning 65,000 km seamlessly integrated with Reliance Communications and over 110,000 km of domestic optic fiber which provides a robust Global Service Delivery Platform which connecting 40 key business markets in India, the Middle East, Asia, Europe, and the U.S.

*Reliance Internet Data Center (RIDC)*

RIDC provides Internet Data Center (IDC). It is spread across 650,000 sq ft (60,000 m²) of hosting space, it offers IT infrastructure management services to large, medium and small enterprises

*Reliance Digital TV*

Reliance launched Big TV in August 2008. It offers its 1.7 million customers DVD-quality pictures on over 200 channels using MPEG-4 technology.

*Spencer's retail / RPG Group*

*Ceat Tyres*

Ceat Tyres is an arm of the RPG Group with its manufacturing plants are located in Mumbai, Nasik and Halol. It has a wide distribution network of over 3700 dealers, 38 regional offices and more than 120 C&F agents. It manufactures the largest range of tyres in the industry which incorporate both cross-ply and radial technology. The range of tyres cover virtually all user segments – from giant earthmovers to speciality tyres and 2/3 wheeler tyres.

*KEC*

KEC deals in Design, Manufacture, Supply and Construction of Turnkey Projects in the areas of Power Transmission lines up to 1200 kV, Power Distribution networks, Substations, Telecom, Railways, Cabling & Engineering Services.

*Zensar technology*
It is the IT division on RPG Group. It provided end-to-end services from IT development to Business Process Outsourcing, from consulting to implementation. The Company has built and consolidated a comprehensive portfolio of services in IT and BPO. It offers a range of benefits along the value chain, from cost to value arbitrage from efficiency gains to lasting business impacts.

**RPG Life Sciences**

The company manufactures and markets a range of bulk drugs, formulations and biotechnology products. It also has research and development facilities that conform to international standards.

**Raychem RPG**

The company's manufacturing plants are located at Vasai, Kaman and Chakan in State of Maharashtra; Halol near Vadodara in State of Gujarat; and Nalagarh near Chandigarh in State of Himachal Pradesh. Raychem RPG is involved in technologies serving the infrastructure segment of economy.

The RPG Group also has interest in Power sector, Telecommunication Electronics, Oil & Gas, Water Marine & Offshore Fire, Petrochemicals and Exports.

**Wal-Mart**

**Financial Services**

**Money transfer**

Wal-Mart allows money to be transferred to another Wal-Mart store in the U.S. and Puerto Rico or internationally to MoneyGram agent locations in over 190 different countries. It also allows money to be transferred online from the convenience of home or office.

**Wal-Mart Money card**

The Wal-Mart MoneyCard is a reloadable Prepaid MasterCard or Visa Card initiated by Wal-Mart. The Card is issued by GE Capital Retail Bank, member FDIC, pursuant to a license from Visa, U.S.A. Additional services are also provided by Green Dot Corporation.
Wal-Mart Health Insurance

Wal-Mart covers customer's health with health care benefits. It includes insurance plans and savings programs which help save on prescriptions, premiums and other health care costs at Wal-Mart. They also have a And Medicare prescription drug plan that enables customer to save on monthly premiums.

Tesco

Tesco Bank

Tesco Bank is the trading name of Tesco Personal Finance plc, which is a telephone and internet based commercial Bank in the United Kingdom owned by Tesco. Tesco is able to use its large customer base to cross sell financial services products. Customers can accumulate Tesco Clubcard points when they purchase finance products.

Tesco Mobile

Tesco Mobile is a mobile virtual network operator (MVNO) in the United Kingdom, the Republic of Ireland and Slovakia. It is operated by Tesco, using the O2 network as its carrier. Tesco mobile has millions of customers in UK, and in Ireland. Tesco Mobile Hungary is a 50:50 joint venture which provides Tesco Mobile branded services in Hungary through Tesco stores and on-line, using Vodafone’s technology and network.

Tesco insurance

Tesco insurance services offered through Tesco Bank deal in home, pet travel and vehicle insurance.

Carrefour

Mobile services

Carrefour has a partnership with Mobile Virtual Network Enabler Effortel SA which provides platform-based transaction processing and management services for Mobile Virtual Network (MVNO).

The subsidiary Effortel Technologies provides MVNE services to Effortel subsidiaries and to other MVNOs. Effortel is operating its own MVNO in partnership
with an international retailer Carrefour in 4 countries. Projects sequence:

- Carrefour Mobile (Belgium), launched in February 2006.
- Uno Mobile (Italy), launched in June 2007.
- Carrefour Mova (Poland), launched in April 2008.
- Carrefour Telecom (Taiwan), launched in November 2008.

**Carrefour Financial Services**

**Payment Card**

Carrefour has an international payment card (Visa and Visa Premier). There are now more than 10 million holders of PASS cards (Visa included) throughout the world. These cards serve as an entry point to a full range of financial services. Customers can not only make their purchases on credit, but can also take out a loan to buy a car or remodel their homes.

**Insurance**

Carrefour offers Insurance products to its customers through the Canna insurance company. Customers have declared the Group as one of the least expensive insurers.

**Travel Services**

Carrefour customers can make travel arrangements for trips anywhere in the world at unbeatable prices at their hypermarket via an assisted self-service system. A wide choice of holidays is available at discount prices, selected by Carrefour staff from the catalogues of the best tour operators.

**Analysis and Comparison**

To diversify their operations and venture into more than one kind of businesses is seen as a common phenomena between the Indian and international retailers. Businesses are seen to diversify due to more than one reasons and common amongst them are firstly the diversification of a company in to similar kind of operations may allow a business to attain lower operating costs, efficiencies can also be gained through pooled financial resources or through pooled risk, large firms generate cash that can be invested in other ventures, diversification is simply a way to grow and last
but not the least it buffers a company from dramatic fluctuations in any one industry sector.

5.1.11. Innovative Techniques for Supply Chain Management.

Big Bazaar, Reliance Fresh and Spencer’s Retail

The Indian retailers surveyed demonstrate an awareness of techniques in supply chain management and claim to have been employing many of these to derive efficiency in their operations but are unable to state specifically which ones are being used and what benefits they bring to their operations. There seemed to be limited awareness on the topic at the operational levels.

Wal-Mart

The technique of vendor-managed inventory (VMI) was developed in the mid 1980’s where the buyer no longer places orders but instead shares information with the vendor. This information relates to the actual usage or sales of their product, their current on-hand inventory and details of any additional marketing activity such as promotions. On the basis of this information, the supplier takes responsibility for replenishment of customer’s inventory. Wal-Mart and Procter & Gamble in the USA first adopted VMI. Wal-Mart was also amongst the first players to activate Quick Response and name this channel replenishment system as named Efficient Consumer Response (ECR). Wal-Mart applied QR to the grocery business and achieved success.

Another technique named “Collaborative planning, forecasting and replenishment” (CPFR) emerged. The difference between CPFR and other business process tools, such as Efficient Consumer Response, is that the other models require critical mass before any benefits are realized. With CPFR, a customer can improve performance by just having a collaborative relationship with one vendor. Warner-Lambert, Wal-Mart, started the first CPFR project in 1995. This new business model, applied to Listerine products by Wal-Mart and Warner-Lambert, improved in stock availability from 87 per cent to 98 per cent, and reduced lead time from 21 to 11 days.

Tesco

VMI

VMI implementation is aimed at reducing buffer stock in the supply chain and helps
suppliers plan production more efficiently and optimizes their transport. Tesco has implemented projects for vendor-managed inventory with 15 suppliers across categories that range from home entertainment to soft drinks. Nestlé is one of the major players switching to a vendor managed inventory (VMI) relationship with Tesco. Successful VMI initiative requires business processes change or else an organization is only shifting responsibilities and costs on to the supplier rather than adding any value.

CPFR

CPFR has proven to be a global best practice in the Retail/FMCG industry and is being championed many global players including Tesco. Tesco’s supplier Procter & Gamble is among the companies that have seen tangible benefits from its initial CPFR tests, which rely in part on Syncera Systems Inc.’s This cover’s all product categories—including laundry, shampoo, beauty, and paper products. CPFR has generated sales increases while at the same time producing significant increases in inventory turns.

Collaborative planning, forecasting, and replenishment would seem to be a relatively straightforward process: Through an online system, a retailer and a supplier share sales forecasts to gauge demand for their products. Once both sides agree on these expectations, they begin to share sales data online.

ECR

ECR is the latest example of how extranet technology is re-defining business processes and making collaborative working a reality throughout Tesco's supply chain. Tesco Trading Information Exchange (TIE) applications, Promotions Management is based on the ECR principles of greater information sharing and collaboration which improves quality while increasing sales and cutting costs thereby increasing service to the customer. This addition to Tesco’s extranet is a collaborative workflow application, which allows Tesco and its suppliers to jointly plan, execute, track and evaluate promotions by sharing common data. Promotions management offers a robust, effective process to standardize and increase the efficiency of the promotions process. Nearly 400 suppliers, including L’Oreal, Procter & Gamble and Kraft Jacobs Suchard, are now using Tesco TIE.
Carrefour

VMI

Carrefour is looking for opportunities to improve operations and reduce costs by reducing cycle time and inventory. In one of Carrefour's VMI initiative Kimberly-Clark is responsible for maintaining inventory levels for both its own and Kellogg's products at Carrefour's distribution center. To handle the task of assembling full truckload shipments and running its vendor-managed inventory (VMI) program, Kimberly-Clark brought in a vendor-managed inventory system. This allows Kimberly-Clark to look into the customer's DCs and generate replenishment orders.

CPFR

Carrefour also uses CPFR. This enabled it to share promotional campaigns information all across the supply chain. CPFR approach at Carrefour helped it provide a savings of on the sales price of a product on promotion. CPFR allows Carrefour to share sales forecasts via two-way interactive communication links. The trading partners exchanged planning data of promotion-rich product categories, in order to reduce inventories and out-of-stocks, and increase sale

Analysis and Comparison

Retailers across boundaries have been using innovative supply chain techniques though there seems to be a lack of awareness of the initiatives amongst the Indian retailers at operational level. These techniques when employed enable managers of a supply chain to determine an appropriate level of collaboration according to their specific business conditions and make the supply chain efficient through increased information sharing and consensus building between the supplier and the customer demand, and supply to the inventory. A combined view of demand and a coordinated response for meeting that demand reduces the uncertainty that results in stock outs, high safety stocks and poor sales. These techniques help set target levels, which are managed by the supply chain partners and the home managers are made free to concentrate on the home business.
5.2 Analysis's of the Indian retailers and grocery sector (Retail Industry Analysis).

This section presents a Political, Economic, Social, Technological, Environmental and Legislative (PESTEL) analysis, PORTER's five forces analysis of the Indian grocery sector and Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis of individual retailers. The section starts with a PESTEL analysis followed by PORTER's five forces analysis of the grocery retail industry as a whole, wherein various aspects of the retailer's practices with respect to the frameworks have been stated. The last part is a SWOT analysis of the three players and also of the grocery sector as a whole.

5.2.1 PESTEL FRAMEWORK Grocery Retail Industry Analysis:

Political Environment

The political environment in India favors development of grocery retail. For employment legislations, the government encourages retailers to provide a mix of job opportunities from flexible, lower-paid and locally-based jobs to highly-skilled, higher-paid and centrally-located jobs. BB has an understanding that retailing has a great impact on jobs and is an employment generator, retailing being an inherently local and labour-intensive sector. Retailing is an industry with a typically high staff turnover, its workers offer a higher level of loyalty and therefore represent desirable employees.

Economic Environment: Economic factors are also of importance to grocery retail. This is because they are likely to influence demand, costs, prices and profits. One of the most influential factors on the economy is high unemployment levels, which decreases the effective demand for many goods, adversely affecting the demand required to produce such goods. These economic factors are largely outside the control of the company, yet they do influence performance of the company. The industry does get affected by any recession in the market.

Social Factors:

Current trends indicate that Indian customers have gradually graduated to a stage of preferring a 'one-stop-stop'. The major social changes influencing them is higher
disposable income, growth of Indian middle class, growing urbanization, more working women, less time for shopping, shopping an enjoyable experience, preference for ambience while shopping, and western influence, more variety for products to name a few. The grocery retailers, have as result, therefore, increased the amount of non-food items available for sale.

Further, other demographic changes like a young population (average age being 24 years), an increase in number of female workers and a decrease in home meal preparation result in Indian retailers keeping (stocking) and focusing on added-value products and services. Focus is now also on increasing the own-label share of the business mix, the supply chain and other operational improvements, which can result in lowering costs.

The type of goods and services demanded by consumers is a function of their social conditioning and their consequent attitudes and beliefs. The health and wellness plank taking an upswing also means that consumer's attitudes towards food are constantly changing. These retailers are also therefore adapting its product mix is to accommodate an increased demand for organic products.

Convenient payment method encouraged them also to allow customers to pay in cheques and cash at the checkout.

**Technological changes:**

Technology is an environmental variable, which has influenced the customer. The new technologies benefit both the customers and the company. On one hand, customer satisfaction rises because goods are readily available, services can become more personalized and shopping more convenient. Big Bazaar, outlets for instance, utilizes the following technologies:

- Wireless devices
- Intelligent scale
- Electronic shelf labelling
- Self check-out machine
- Radio Frequency Identification (RFID).
The adoption of Electronic Point of Sale (EPoS), Electronic Funds Transfer Systems (EFTPoS) and electronic scanners have greatly improved the efficiency and effectiveness of both stocking as well as distribution activities.

Environmental Factors:

In the west there has been increased pressure on many companies and managers to acknowledge their responsibility to society and behave in a socially responsible manner which were green issues, strategy for sustainable consumption and production to cut waste, reduce consumption of resources and minimize environmental damage, 'fat tax', to name a few. However, these issues have not been actively advocated in India and therefore have not largely affected retailers.

Legislative Factors:

Various government legislations and policies have a direct impact on the performance of the retailers. Organized retailing in India is yet to get an industry status. 100% Foreign Direct Investment (FDI) is not permitted in retailing in India. Ownership of retail chain is allowed only to the extent of 49% but without FDI, the sector is deprived of access to foreign technologies and hence a faster growth.

5.2.2 PORTER'S FIVE (5) FORCES MODEL:

Threat of New Entrants:

Organized retail in India is only 3%. Therefore, the Indian grocery market is primarily dominated by few competitors which include major brands like Big Bazaar, Reliance Fresh, Spencer's Fresh to name a few. Over the last few years, the grocery market has predominantly being of the supermarket or hypermarket dominated business. Majority of large chains have built their power due to operating efficiency, one-stop shopping and major marketing-mix expenditure. They have been able to do so because they have already operational multiple chains and a huge number and variety of products and services to offer. Though small in number they are powerful force and have had a great impact on the small traditional kirana shops. Also Reliance Fresh has been able to experiment with various formats which small players find difficult to emulate. Hence, nowadays it possesses a strong barrier for new companies who desire to enter the grocery market. For instance, it becomes rather difficult for new entrants to raise
sufficient capital because of large fixed costs of establishment (real estate costs escalating) and highly developed supply chains. Large capital investments are being undertaken by established chains, such as Big Bazaar, in advanced technology for checkouts and stock control systems and these impact new entrants and the existing ones. Other barriers include economies of scale, differentiation (in the provision of products or services with a higher perceived value than the competition), aggressive operational tactics in new product introductions, new promotional campaigns which has been achieved by names like Big Bazaar which is popular for initiating promotional schemes for every festival-religious or national; Reliance Fresh with weekend discount schemes which others find difficult to imitate.

**Bargaining Power of Suppliers:**

This force represents the power of suppliers that can be influenced by major grocery chains and that fear of losing their business to the large supermarkets. Therefore, this consolidates further leading positions of stores like Big Bazaar, Reliance Fresh and Spencers Fresh in negotiating better promotional prices from suppliers that small individual chains are unable to match. Also many like Reliance Fresh is vertically integrated (already into contract farming) further making their position stronger.

**Bargaining Power of Customers:**

The Indian retailers have increased their CRM exercises, use of loyalty cards, to hold the customer to itself. Big Bazaar introduced the loyalty cards, and Reliance Fresh introduced the Reliance One; which are said to be the most successful customer retention strategy that significantly increases the profitability of their business. They have further customized their service, offered low prices, more choices, constant flow of in-store promotions and these have enable brands like Big Bazaar and Reliance Fresh to further have control over and also retain their customer base. Of late a major change observed in grocery and food retailing has been an increased demand of non-food items as consumers see this as a ‘one-stop-shop’. Many like Big Bazaar have also ventured into other services like banking, insurance, to name a few which help customers in numerous other ways.
**Threat of Substitutes:**

Threat of substitute products is to a large extent reduced by introduction of private labels and brands, which give the element of differentiation along with quality and price that no other player can provide. This strategy helps keep the substitutes at bay.

**Bargaining Power of Competitors:**

The organized grocery sector in India has seen a very significant growth in the size and market dominance; with greater store size, increased retailer concentration, and the introduction of more than one formats, an online arm; are now prominent characteristics of the sector. The purchasing power of the food-retailing industry is concentrated in the hands of a relatively small number of retail buyers. Operating in a high growth market, competition can be intense. These retail chains are accruing large amounts of consumer information that can be used to communicate with the consumer. Each is innovating constantly to maintain and build market share. Such innovation can be seen in the development of a range of trading formats, introduction of discount schemes, introduction of private labels, introduction of virtual store, etc.

### 5.3 SWOT ANALYSIS OF Indian Retailers

#### 5.3.1 SWOT Analysis of Big Bazaar

**STRENGTHS:**

- **Biggest Value retail chain in India:** Big Bazaar is quoted to be the first and the biggest value retail chain in India, which provides the customer value (VFM-value for money) for its purchases.
- **High Brand Equity:** Big Bazaar is also known for its high brand equity.
- **EDLPs and discount schemes:** Through its numerous Every Day Low Pricing Schemes (EDLPs), it brings surprises for its customers which keep increasing the walk-ins and also sales.
- **Loyalty Program:** The company has introduced loyalty cards, ICICI Bank Card, etc. to ensure loyalty among its customers and retain them.
- **Online Arm:** It is the first Indian retailer to go online with FutureBazaar.com.
- **Private Brands:** It hosts a range of private brands for almost all its product offerings.

- **Non Food Merchandise:** To take benefit of one-stop-shopping preference of customers, they have introduced a wide range of non-food merchandise like apparel, furniture, books, electronic goods, general merchandise to name a few.

- **Different Formats:** It operates through three different formats the Hyper market, The Express (Food Bazaar), and Super Center to cater to different segment of customers.

- **Diversified Services:** It engages into various other kinds of services like financial services, insurance services and online booking, to keep its customers to itself.

- **Other Services:** It offers many other services like delivery of goods to home (home delivery) to tie its customers to itself.

- **Use of IT:** It makes extensive use of technology like POS, WMS, RFID, PTL (Put-To-Light) collection and sorting technology, ERP to bring efficiency in its operations.

**WEAKNESSES:**

- **Overcrowded during offers:** Big Bazaar is popular for the offers it announces on almost every special occasion; but these outlets become unmanageably crowded during these times and the outlets make no provision to ease the movement of traffic. Ultimately customer gets disgruntled.

- **Long Billing Counters (time consuming):** The billing counters always invariably have long queues; often customers have to wait for hours in these queue.

This presents a strength, weakness, opportunities and threats (SWOT) analysis of Reliance Fresh.
5.3.2 SWOT ANALYSIS OF Reliance Fresh

STRENGTHS:

- **Reliance is first**: Reliance is the first Indian retailer to venture into this unorganized sector of selling vegetables and fruits with the objective of having 100% farm fresh foods in their new retail stores. In fact, over 60 per cent of the floor space has been dedicated to fresh fruits and vegetables, the rest to other food products like staples, spices, bakery, etc. But reliance has decided not to add any bar soap or toothpaste and detergent in its shelves. So by using this strategy they are positioning themselves different from other players of the industries like Food world, or Big Bazaar and Nilgiris.

- **Private Labels**: To overcome the short comings of these specialized stores they are also introducing new Reliance full-fledged supermarket called Shakhari Bhandar which offers each and everything from the staple to soap. Most of the staples are under its own private label brand — ‘Reliance Select’ and Reliance Value. According to the company, private labels offer far better profit margin to the retailer than branded products of FMCG companies. Most of these outlets will need only 2,000-5,000 sq. ft. A supermarket may need as much as 8,000-10,000 sq. ft.

- **National Brands**: Reliance Fresh has provision for the national brands but it offers very less stocking and display space for them. It also has a small shelf dedicated to big brands like Nestle’s Maggi, or MTR’s masalas or Pepsi’s Lays chips.

- **Customization**: To cater to Indian religious sentiments of the Hindus most Reliance Fresh outlets have also added a large counter for puja flowers.

- **Contract Farming**: Contract Farming is a system for the production and supply of agricultural and horticultural produce by farmers (who are primary producers) under advance contracts. The essence of such arrangements is a commitment to provide an agricultural commodity of a type (quality/variety), at a specified time, price, and in specified quantity to a known buyer. In fact, CF can be described as a halfway house between independent farm production and corporate/captive farming and can be a case of a step towards complete
vertical integration. Reliance Fresh engages in contract farming for staples like potato, tomato, cauliflower, cabbage in different regions of India which gives it the benefit of assured quantity, quality and price.

- **Network:** 1600 channels in villages
- **Discount scheme days (Sat-Sunday):** Reliance Fresh has introduced various discount schemes; one such popular scheme is the Sat-Sunday discount offer for all weekends. This has helped to increase footfall and sale too.
- **Loyalty Program:** The company has introduced Membership cards to ensure loyalty among its customers which is popularly known as Reliance one. This helps a customer earn points which he may redeem later.
- **Multiple formats:** Reliance has adopted various formats for different categories of its products. This is a feature unique to the company and is gaining wide acceptance.
- **Non Food Merchandise:** To take benefit of one-stop-shopping preference of customers, they have introduced a wide range of non-food merchandise like apparel, furniture, books, electronic goods, general merchandise to name a few.
- **Reliance Logistics:** It has a logistic arm- Reliance Logistics which is efficiently managing all its logistic needs.
- **Use of IT:** The Company is making use of POS as well as RFID for managing stock and security of products.

**WEAKNESSES**

- **No online Arm:** The company has still not introduced online arm which would have enabled it to increase its sale.
- **No concept of Green Logistics:**

**5.3.3 SWOT ANALYSIS OF Spencer's Fresh:**

**STRENGTHS:**

- **Private Labels:** The company introduced private labels and store brands for almost all range of products like food, personal care, fashion, home utility and
decor. These constitute 15 percent of their annual sales and it plans to increase its share to 30 percent.

- **Direct Procurement:** The Company procures directly from farmers to keep the cost low. They also undertake responsibility of sorting, grading etc to maintain quality as well as price.

- **Non Food Merchandise:** To take benefit of one-stop-shopping preference of customers, they have introduced a wide range of non-food merchandise like apparel, furniture, books, electronic goods, general merchandise to name a few.

- **Loyalty Program:** The company has introduced Spencers Smart Reward with the objective of rewarding privileged customers.

- **Multiple formats:** It offers its customers a mix of convenience stores and hypermarket format; thereby combining the benefits of kirana (convenience store of size ranging from 1,500 to 15,000 feet) store and a mega store (hypermarket of size starting from 15,000 feet and stocking more than 70,000 items).

- **Third Party Logistics:** The company employs third party logistic providers to look into different logistics needs like transportation, warehousing etc needs.

- **Use of IT:** The Company is making use of POS as well as RFID and ERP for managing and controlling stock and security of products.

**WEAKNESSES**

- **No online Arm:** The company has still not introduced online arm which would have enabled it to increase its sale.

- **No concept of Green Logistics:**

**5.3.4 SWOT ANALYSIS OF THE GROCERY RETAIL SECTOR**

**Strength:**

- Growth Drivers: A large young working population with median age of 24 years, nuclear families in urban areas, along with increasing working women population and emerging opportunities in the service sector are going to be the key growth drivers of the organised retail sector in India.
• **High Employment opportunities:** Employment opportunities both direct and indirect have been increased.

• **Better realization for farmer-producers:** Farmers get better prices for their products through improvement of value added food chain.

• **Customer aspirations are high:** There is considerable increase in disposable income and customer aspirations are important factors. Customers demand variety of products.

• **Investment in Real Estate:** It has also contributed to large scale investments in the real estate sector with increased construction of the retailing business.

• **Market Expansion:** Large domestic market with an increasing middle class and potential customers with purchasing power. India was ranked second in Global Retail Development Index of 30 developing countries drawn up by AT Kearney.

• The annual growth of departmental stores is estimated at 24%.

• **Consumer get VFM:** The benefits of larger organized retail segments are several. Consumers get a better product at cheaper price. So consumers get value for their money.

• **The sachet revolution:** The growth of sachet revolution emerges for reaching to the bottom of the pyramid.

• The size of Indian organized retail industry reached at Rs. 1.30,000 crore in 2006. The trends that are driving the growth of the retail sector in India are low share of organized retailing and falling real estate prices.

**Weakness:**

• Will mainly cater to high-end consumers placed in metros and will not deliver mass consumption goods for customers in villages and small towns.

• **Merchandise Mix:** Retail chains have to settle down with proper merchandise mix for the mall outlets. This is because retailing is all about researching and surveying the market, offering choice, competitive prices and retailing consumers as well.

• **Size of outlets are small:** Small size outlets are also one of the weaknesses in the Indian retailing. 96% of the outlets are less than 500 sq.ft. The retail
chains are also smaller than those in the developed countries for instance, the
superstore food chain, food world is having only 52 outlets where as Carrefour
promotes has 8800 stores in 26 countries. Retail chains in India are smaller
than their international counterparts.
• High real estate costs: The high real estate costs and escalating retail real
estate rentals may render a few retailing business houses unavailable. Retail
companies have to pay high rentals which are blockage in the turn of profits.
• Volume of sale is low: The volume of sales in Indian retailing is also very low.
India has largest population in the world and a fast growing economy.

Opportunities:

• Demonstration Effect: Once the concept of retailing picks up, due to
demonstration effect, there will be an overall up-gradation of domestic retail
trade.
• Global retail giants take India as key market. It is rated fifth most attractive
retail market. The organized retail sector is expected to grow stronger than
GDP growth in the next five years driven by changing lifestyles, increase in
income and favorable demographic outline. Further, the major growth areas
are identified to be food and apparel retailing which will work as key drivers
of growth.
• Fast paced growth: Indian retail industry has come forth as one of the most
dynamic and fast paced industry with several players entering the market. It
can become one of the largest industries in terms of numbers of employees
and establishments with newer avenues as the rural retailing is still
unexploited Indian market.
• Growth of retail- With India fast emerging as a retail hub due to rapid
economic growth, abundant availibility of skilled labour and a low cost of
operation in Tier-1 and 2 cities and increasing acceptance of mall culture,
retailers could take advantage of this scenario.

Threats:

• Barrier to Growth: One of the greatest barriers to the growth of modern retail
formats are the supply chain management issues. No major changes are
needed in the supply chain for FMCG products; these are well developed and efficient. For perishables, the system is too complex. Government regulations, lack of adequate infrastructure and inadequate investment are the possible bottlenecks for retail companies. The supply chain for staples is less complicated than the net groceries. But staples have a unique problem of non-standardization.

- Which segment to focus on: It is increasingly difficult to target all segments of society. Therefore a retailer has to make a pilot study to understand and identify which segment it would focus on.

- Experiment with different formats: A retailer needs to experiment with different formats to identify the more successful format to provide customer with value, variety and volume.

- Initial Investment high: Heavy initial investment is required to break even with other companies and compete with them. This often acts as an entry barrier for new entrants and limits scope for expansion for the existing retailers.

- Government Regulations: Labour rules and regulations are also not followed in the organized retail. Further, the lack of uniform tax system for organized retailing is also acts as an obstacles.

- Not an industry status: Organized retailing in India is yet to get an industry status. 100% Foreign Direct Investment (FDI) is not permitted in retailing in India. Ownership of retail chain is allowed only to the extent of 49% but without FDI, the sector is deprived of access to foreign technologies and faster growth.

- Sector is unable to employ retail staff on contract basis.

- The unorganized sector has dominance over the organized sector in India because of low investment needs. The retailers in the organized sector face formidable threat from the unorganized retailers. It further faces competition from international players who are likely to enter.

- Changing government policies, and the existing tax structure favours small retailers