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Chapter – IV
Retail Industry – Worldwide and India

4.1 Worldwide Retail Business
Retail business is the largest private industry, ahead even of finance and engineering, contributing over 8% to the GDP in the West. Over 50 of the Fortune 500 and about 25 of the Asian Top 200 companies are retailers. Thailand and Indonesia, which were affected by the currency turmoil, pepped up the deregulatory measures to attract more FDI in retail business, Japan, under a prolonged recession and protracted downfall in domestic investment abolished its Large Scale-Retail Store Law to attract FDI.

Table 4.1: Share of Organised Retailing in Selected Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Total Retail Sales (US $ bn)</th>
<th>Share of organized retail (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>2983</td>
<td>85</td>
</tr>
<tr>
<td>Japan</td>
<td>1182</td>
<td>66</td>
</tr>
<tr>
<td>China</td>
<td>785</td>
<td>20</td>
</tr>
<tr>
<td>UK</td>
<td>475</td>
<td>80</td>
</tr>
<tr>
<td>France</td>
<td>436</td>
<td>80</td>
</tr>
<tr>
<td>Germany</td>
<td>421</td>
<td>80</td>
</tr>
<tr>
<td>India</td>
<td>322</td>
<td>4</td>
</tr>
<tr>
<td>Brazil</td>
<td>284</td>
<td>36</td>
</tr>
<tr>
<td>Russia</td>
<td>275</td>
<td>33</td>
</tr>
<tr>
<td>South Korea</td>
<td>201</td>
<td>15</td>
</tr>
<tr>
<td>Poland</td>
<td>120</td>
<td>20</td>
</tr>
<tr>
<td>Malaysia</td>
<td>34</td>
<td>55</td>
</tr>
<tr>
<td>Thailand</td>
<td>68</td>
<td>40</td>
</tr>
<tr>
<td>Philippines</td>
<td>51</td>
<td>35</td>
</tr>
<tr>
<td>Indonesia</td>
<td>150</td>
<td>30</td>
</tr>
<tr>
<td>Pakistan</td>
<td>67</td>
<td>1</td>
</tr>
<tr>
<td>Argentina</td>
<td>53</td>
<td>40</td>
</tr>
<tr>
<td>Vietnam</td>
<td>26</td>
<td>22</td>
</tr>
<tr>
<td>Hungary</td>
<td>24</td>
<td>30</td>
</tr>
<tr>
<td>Total</td>
<td>7957</td>
<td>772</td>
</tr>
</tbody>
</table>

(Source: Planet Retail and Technopak Advisers Pvt. Ltd. (2006))

81
In some developed countries, retail business houses have shares as large as 40% of the market. For instance, in Thailand and Brazil the organised retail business has been growing rapidly. In contrast the organised retail business in India is very small. This is despite the fact that India is one of the biggest markets in the world. Retail business contributes around 10-11% to the country’s GDP. It amounts to about $180 billion market and is six times bigger than that of Thailand and four to five times bigger than that of South Korea and Taiwan. India also has the largest number of retailers, about 12 million, though they are mostly small. The significance of the retail business has increased with the fast growth in the service sector. There has been a dramatic change in the economy’s structure post-liberalisation. While agriculture continues to be the main springboard for the economy, the manufacturing sector has slumped due to demand recession and liberalised imports. Much of the rapid growth in organised retail business in the developing countries is due to the entry of global retailers. In Thailand, seven of the world’s top 10 retailers have made significant investment Carrefour, Casino, Makro, Royal Ahold, Jusco have set up shop Thailand. In China, three of the top 10 global retailers have made investments, such as Carrefour, Wal Mart, 7-Eleven; and in Brazil, the top three global retailers share about 30% of the retail market.

Table 4.2 World Retail

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Retail Sales</td>
<td>7833</td>
<td>7987</td>
<td>8827</td>
<td>9833</td>
<td>10657</td>
<td>11375</td>
</tr>
<tr>
<td>( US$ Billion )</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Modern Retail Sales</td>
<td>3916</td>
<td>4149</td>
<td>4672</td>
<td>5246</td>
<td>5633</td>
<td>5969</td>
</tr>
<tr>
<td>( US$ Billion )</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

( Source : Planet Retail Database (2006) )

4.2 The Evolution of Retailing

Times have changed radically since the housewife slipped her shopping bag over her arm and set out for her daily food supply. Today the general store, stacked with barrels, bins and sacks filled with everything from soaps to pickles, has all
but disappeared almost throughout the world. And in its place we find the more refined self-service ‘cash-and-carry’ organised retail stores in the form of supermarkets, department stores, shopping malls and the like. These stores signified the beginning of ‘organised retailing’ and its evolution across the world. This new breed of organised retailers have their shelves neatly stacked with a huge variety of products which include anything from cans, packed food, bread, dairy products, fresh meat and fish, apparel, shoes, furniture or any conceivable item one can think of. This phenomenon of new found modern supermarkets, department stores is in sharp contrast to the old and orthodox grocery stores that had hitherto existed.

Thus, this is the story of a revolution - a revolution in the shopping habits of the people across the entire world, which has virtually brought the supermarket to the main street. This revolution is unparalleled in human history as it has engendered the development of a distribution system that delivers food and other products to the consumer in unprecedented abundance, variety and quality. Retailing was never as it is seen today. It has gone through its natural process of evolution in all areas from the initial concept of the supermarket and department store to the shopping mall as it exists today.

It is believed that the first true department store in the world was founded in Paris in 1852 by Aristide Boucicaut and was named Bori Marche. At that point of time, the department store business was a bare-bones operation. It was only after World War II that retailers in the West began to upgrade their services, facilities and merchandise selection to offer a fascinating array of additional benefits to consumers through organised retailing.

In the early part of the twentieth century, the American housewife, while shopping for her family’s dinner, bought meat at one store, groceries at another, and fruits and vegetables at still another. It was back then that chain stores which existed such as the Great Atlantic and Pacific Tea Company (now known as the ‘A&P’ chain of stores) started introducing new methods of food selling. Because
they did large volumes of business, these chain stores could stock larger quantities of a greater variety of products and afford to sell them at lower prices. Soon these chain stores too began to sell meat, fruits, vegetables and dairy products all under one roof and housewives liked this idea of one-stop shopping.

In order to reduce business expenses and compete with chain store prices, some of the smaller merchants too were compelled to open self-service stores of their own. Initially the emphasis in these stores was only on price competitiveness and little attention was given to making the stores attractive. Even empty garages or warehouses were often used for the purpose. The supermarket revolution was first sparked off in the 1920s, and by the 1950s it had won acclaim almost throughout America.

In the 1920s, one could not even dream of retailing as it exists today. One could never have imagined that from their humble beginnings, supermarkets in the West would evolve into their present form. Initially, many items used to come in bulk and were sold as it is at the retail outlets. Potatoes were sold from barrels and later from 100 pound sacks, while sugar was sold from 100-pound sacks and butter in tubs. The average grocery store was originally very small and expanded only with the passage of time. The retailers were keen to acquire the know-how to upgrade their quality and service for the consumers and to develop the best stores possible. They all learnt a little from each other - many retailers thus became business friends and some even became family friends. By the late 1950s, about 40 per cent of the American population was buying its groceries from these organised retail stores.4

In America, the owners of these stores finally got together to form an association which ultimately contributed a great deal in the development of modern retailing. There were, among them, men with vision and determination who spoke aggressively in seminars and conventions which were attended not only by retailers but also by wholesalers, suppliers and even manufacturers. They soon
realised that all of them had one common target - the consumer. It was out of this process of discussion, interaction and trial that the stores of today finally evolved in the West. Americans are today immensely thankful to some of their politicians of the 1930s as well others who encouraged the evolution of organised retailing. Sometimes they shudder to even think “what would have happened had the other half of the politicians then been successful in their anti retail-chain legislation, which was supposed to protect the small grocers.”

By the 1930s, the self-service supermarket concept had become quite popular with the housewives. It was sparked off by the success of Michael Cullen, an independent operator who opened the King Kullen supermarket in Jamaica, New York. The country was in the midst of a depression, and the housewives welcomed the opportunity to buy foodstuffs more cheaply. Store owners found that housewives enjoyed picking heir groceries from the shelves themselves, piling their purchase into shopping carts, and wheeling the carts through the check-out counters. It was in the mid-1930s, that A&P too opened its first supermarket in the mid-West. Very soon other chains followed, and large supermarkets started replacing groups of small stores everywhere.

As supermarkets grew, they extended the self-service concept to other foods besides groceries. In the 1940s, meats began to be pre-packaged. Customers liked the speed and convenience of picking up a package of meat that had already been weighed and priced. Over time, this pre-packaging method was extended to fruits and vegetables as well and soon the supermarket concept of self-service had become the rule rather than an exception all over America. It has, in fact, now spread to the entire globe and is seen in almost every country in the world, though the extent of its implementation varies from country to country.

Today when the Cold War has come to an end, the overwhelming success of the retail revolution has given rise to a new kind of wars—the relatively less grim and more pleasant ‘store wars’. However, the competition in these wars is so
fierce that it has not only precipitated dramatic changes in the international retailing industry, especially in the latter half of the twentieth century, but also promises to unleash more excitement in this new millennium. While many of the initial retailers have scripted great success stories for themselves, others have just vanished from the scene. Many of the old and informal store formats have been completely transformed into the scientifically designed new formats. In fact, it has been observed over the decades that only those retailers who kept changing with the times have been successful, while the others who could not keep pace with change have had to face the consequences of their rigidity.

4.3 Evolution of Modern Retail

Hudson’s Bay Company in Canada was the first store to include departments; however, by modern standards, it would not be considered a department store because of the size and range of items that were stocked. The same may be said about Gostiny Dvor in St. Petersburg, which opened in 1785 and should probably be regarded as one of the first purposely-built shopping malls in the world, as it consisted of more than 100 shops covering an area of over 53,000 sq.m. The first true department store was founded by Aristide Boucicaut in Paris. He founded Le Bon Marche in 1838, and by 1852 it offered a wide variety of goods in “departments” inside one building. Goods were sold at fixed prices, with guarantees allowing exchanges and refunds.

By the end of the 19th century, Georges Dufayel, a French credit merchant, had served up to three million customers and was affiliated with La Samaritaine, a large French department store established in 1870 by a former Bon Marche executive. The oldest independent department store in the world, is ‘Austin’s’ in Derry, Ireland, which has maintained its original position on The ‘Diamond’ in Derry’s city centre since 1830.

As Le Bon Marche evolved into a fully fledged department store in the early 1850s, Delany’s New Mart opened in 1853 in Dublin, Ireland on Sackville Street (now O’Connell Street). What made Delany’s different from most department stores of its time was its purpose-built nature; unlike others it had not evolved
gradually from a smaller shop on site. Constructed to a lavish standard on the city’s principal street, it was designed to rival the biggest and best in Europe.

Acquired by the Clery family in the late 19th century, both the store and Imperial Hotel located in its upper floors were completely destroyed in the 1916 Easter Rising. However the store reopened in 1922, this time across numerous floors, as the famous Clerys department store that stands today, housed in a striking modern neo-classical building based on Selfridges of London.

Another claimant to the title of World’s first department store is Bainbridges in Newcastle upon Tyne, founded in 1838 as a drapers and fashion shop but on record as collecting its takings by department as early as 1849. The ledger from that year still survives in the archives of the John Lewis Partnership who bought the store in 1952, and retained its original name until 2002 when the store was rebranded as John Lewis Newcastle.

In New York City in 1846, Alexander Turney Stewart established the “Marble Palace” on the east-Broadway, between Chambers and Reade streets. He offered European retail merchandise at fixed prices on a variety of dry goods, and advertised a policy of providing “free entrance” to all potential customers. Though it was clad in white marble to look like a Renaissance palazzo, the building’s cast iron construction permitted large plate glass windows.

In 1862 Stewart built a department store on a full city block at Broadway and 9th Street, opposite Grace Church, with eight floors and nineteen departments of dress goods and furnishing materials, carpets, glass and china, toys and sports equipment, ranged around a central glass-covered court. Within a couple of decades, New York’s retail centre had moved uptown, forming a stretch of retail shopping from “Marble Palace” that was called the “Ladies’ Mile”.

In 1858 Rowland Hussey Macy founded Macy’s as a dry goods store. Benjamin Altman and Lord and Taylor soon competed with Stewart as New York’s first department stores, later followed by McCreary’s and, in Brooklyn, Abraham and
Straus. Similar developments were under way in London (with Whiteleys), in Paris (with La Samaritaine) and in Chicago, where department stores sprang up along State Street, notably Marshall Field and Company, which remains the second-largest store in the world (after Macy’s). In 1877, Wanamaker’s opened in Philadelphia. Philadelphia’s John Wanamaker performed a 19th century redevelopment to the former Pennsylvania Railroad terminal in that city and eventually opened a modern day department store in the building.

On March 1, 1869 Zion’s Cooperative Mercantile Institution was opened in Salt Lake City as a new community store that became the first incorporated department store in America in 1870. A new 3-storey brick and iron store was built in 1876, noted for its unique architecture and striped awnings. This store was replaced by an enclosed shopping centre in 1973, and the new Zion department store preserved the gilt-edged ornate facade of the old store. In 1999 the May Department Stores bought a 14-store ZCMI chain and changed its name to “Meier and Frank”, a May property with eight stores in Oregon and Washington. Subsequently May Department Stores completed a merger with Federated Department Stores and the Meier and Frank brand ZCMI stores have become Mac/s stores, effective late 2006.

In 1881, Joseph Lowthian Hudson opened a small men’s clothing store in Detroit. After 10 years he had 8 stores in the midwest and was the most profitable clothing retailer in the country. In 1893 he began construction of the immense department store at Gratiot and Fanner streets in Detroit. The 25-storey tower was added in 1928, and a 12-storey addition in 1946, giving the entire complex 49 acres of floor space.

In 1954 the company became a suburban shopping centre pioneer when it built Northland 13 miles northwest of Detroit. In 1969 it merged with the Dayton Corporation to create Dayton-Hudson headquartered in Minneapolis. George Dayton had founded his Dayton’s Daylight store in Minneapolis in 1902 and the AMC cooperative in 1912, built the Southdale Shopping Centre in 1956, and started the Target discount store chain in 1962. The new corporation closed the
flagship Hudson department store in downtown Detroit in 1983, but expanded its other retail operations. It acquired Mervyn’s in 1978, Marshall Field’s in 1990, and renamed itself the Target Corporation in 2000.

By 1890 a new world of retailing had been created as department stores had a clear market position as universal providers. General stores eventually became department stores as small towns became cities. The most prominent department stores emerged from small shops. The department store created several of North America’s first large businesses. The department store is also largely responsible for the standard store design seen today; because of its size it required new building materials, glass technology and new heating, amongst other architectural innovations. The store layouts made shopping easier for consumers regardless of their social or economic background. The department store also offered new customer services never before seen such as restaurants, restrooms, reading rooms, home delivery, wrapping services, store hours, bridal registries, and new types of merchandise displays.

Some department stores leased space to individual merchants, similar to the changes in late 17th-century London, but by 1900 the smaller merchants were purchased or eventually replaced by the larger companies. In this way they were very similar to our modern malls, where the property owner has no direct interest in the actual department store itself, other than to collect rent and provide utilities. Today only the most specialised departments are leased out, such as photography, photo finishing, automotive services or financial services. However, today this is rare, as most departments - even a store’s restaurant - are usually run by the store itself.

Before the 1950s, the department store held an eminent place in both Canada and Australia, during both the Great Depression and World War II. Since then, they have suffered from strong competition from specialist stores. Most recently the competition has intensified with the advent of larger-scale superstores. Following World War II, a number of retail establishments in the United States began to
pursue a high-volume, low-profit strategy designed to attract price-conscious consumers.

During the period from the 1950s to the late 1980s, discount stores were more popular than the average supermarket or department store. There were hundreds of discount stores in operation, with their most successful period occurring during the mid-1960s in the United States with discount store chains such as K-Mart, Zayre, Kuhn’s-Big K (sold to Wal-Mart in 1981), GEM, TG and Y and Woolco (closed in 1983, part sold to Wal-Mart) amongst others. Currently, Wal-Mart, the largest retailer in the world, operates 1,353 discount stores in the United States; Target and K-Mart are Wal-Mart’s top competitors. Examples of discount retail chain stores include Wal-Mart, K-Mart and Target, all of which opened their first locations in 1962. Other retail companies branched out into the discount store business around this time as adjuncts to their older store concepts. As examples, Woolworth opened a Woolco chain; Montgomery Ward opened Jefferson Ward; Chicago-based Jewel launched Turn Style; and Central Indiana-based L.S. Ayres created Ayr-Way. These chains typically were either shut down or sold to a larger competitor during the late 70s and early 80s. K-Mart and Target themselves are examples of adjuncts, although their growth prompted their respective parent companies to abandon their older concepts (the S.S. Kresge five and dime store disappeared, while the Dayton-Hudson Corporation eventually divested itself of its department store holdings and renamed itself Target Corporation).

Many of the major discounters are now opening supercentres, which add a full-service grocery store to the traditional format. The Major Chain in the Midwest consists entirely of supercentres, while Wal-Mart and Target have focused on the format as of the 90s as a key to their continued growth. Although discount stores and department stores have different retailing goals and different markets, a recent development in retailing is the discount department store, such as Sears Essentials, which is a combination of the K-Mart and Sears formats, following the companies’ merger as Sears Holdings Corporation.
4.4 Evolution of Retail Formats in Various Countries

4.4.1 Argentina: In Buenos Aires, upscale department stores came during the early years of the 20th century, Gath and Chavez, founded in 1905 and Harrods Buenos Aires was established in 1922. Today, the Chilean department store Falabella is one of the most important in the city. It also has stores in Chile and Peru.

4.4.2 Australia: Although there were a number of department stores in Australia for much of the 20th Century, today Myer and David Jones, located nationally, is practically the national department stores duopoly in Australia. Other retail chain stores such as Target, K-Mart and Big W, also located nationally, are considered to be Australia’s discount department stores. Harris Scarfe, though only operating in four states and one territory, is a department store using both the large full-line and small discount department store formats. Most department stores in Australia have their own credit card companies, each having their own benefits while the discount department stores do not have their own credit card rights.

4.4.3 Canada: From its origins in the fur trade, the Hudson’s Bay Company is a now a major department store in Canada and the oldest corporation in North America, with locations across the country. It also owns Zellers, another major Canadian department store. Other department stores in Canada are: Sears Canada, Wal-Mart Canada, Canadian Tyer and Holt Renfrew. Historically, department stores were a significant component in Canadian economic life, and chain stores such as Baton’s, Spencer’s, and Woodward’s were staples in their respective communities.

4.4.4 China: Department stores first appeared in China at the beginning of the 20th Century, the concept said to be introduced by expatriate Chinese living in Australia. Before 1949, there were four main department stores in Shanghai: Wing On, Sincere, Sun Sun and Yat Sun; the first two still exist today. During World War II patriotic sentiment in China had led to the formation of a number of department stores specializing in locally-made merchandise. These types of stores became the mainstay in China after the formation of the Communist state in 1949. Both types of department stores have long had branches in Hong Kong; however Japanese department stores began to appear in the 1960s, and
within a generation’s time became the dominant force in the market. The Asian financial crisis of the late 1990s had resulted in the closures of some of these stores, but on the whole Hong Kong still has one of the world’s most competitive retail markets.

In the Chinese market, modern format stores such as hypermarkets and convenience stores have proved to be extremely successful. One of the key enablers for this popularity has been the high level of urbanization in the country. Another factor in these hypermarkets is that they predominantly stock food. They also stock fresh produce alongside groceries to cater to local consumer tastes. An AC Nielsen survey across seven leading Chinese cities in July 2005 pointed to the popularity of modern formats in China. Up to 46 percent of respondents stated that hypermarkets convenience stores made up a significant part of their overall grocery expenditure, and 66 percent stated that they often visited hypermarkets and convenience stores.

4.4.5 Finland: The most famous department store chains in Finland are Stockmann, a listed company, and Sokos, owned by a nationwide retailing cooperative. The Stockmann department store in central Helsinki is the biggest department store in the entire Nordic countries and a famous landmark of Helsinki.

4.4.6 France: France's major department stores are Galleries Lafayette and le Printemps, which both have flagship stores on Boulevard Haussmann in Paris and branches around the country. Part of the same group as Galleries Lafayette, the BHV (Bazar de Hotel de Ville) has a more mid-market clientele. The oldest department store in France (and maybe in the world) is still Le Bon Marche in Paris. La Samaritaine was bought by LVMH and closed in 2005.

4.4.7 Ireland: Originally the Republic of Ireland had two department stores, Clerys and Arnotts, the latter considered to be one of the five largest stores in Britain and Ireland. However several large retailers now own chains of department stores, such as:

• Dunnes Stores     • Roches Stores     • Marks and Spencer

The most supermarket chain is undoubtedly Brown Thomas, founded as a haberdasher's in 1849 on Dublin's Grafton Street. The company (which belongs to the same group as the UK’s Selfridges or Canada’s Holt Renfrew) bought its long time competitor across the street, Switzers, in 1995. It also acquired and re-
branded the former Switzer stores in Cork (formerly Cash’s), Limerick (formerly Todd’s) and Galway (formerly Moon’s). There are also many self-owned department stores around the country, especially in rural towns. The British department store, Debenhams, has a Dublin city centre site within the Jervis Centre. The opening of the Dundrum Shopping Centre in Dublin’s suburbs saw the arrival of two more British stores: House of Fraser and Harvey Nichols.

4.4.8 Japan: Some of the largest department stores in Japan include Daimaru, Hankyu, Hanshin, Isetan, Marui, Matsuzakaya, Matsumaya, Mitsukoshi, Printemps Ginza, Seibu, Sogo, Takashimaya, Tobu and Tokyu. Many are owned and operated in conjunction with private railway companies.

4.4.9 Germany: In Germany there are a number of department stores. There are two big department store companies, Karstadt Quelle (Karstadt and Hertie) and Kaufhof (part of the Metro AG). There are also some smaller independent department stores. Some department stores only sell clothing. The biggest clothing department store chain is C&A. Larger department stores in Germany usually contain a self-service restaurant, clothing departments, a toy department, a department for computer and electronics, a small book department (for bestsellers), a department for newspapers and magazines and a food department (like a supermarket). One of the most famous department stores in Germany is the Kaufhaus des Westens (German for department store of the west) which is located in Berlin.

4.4.10 Malaysia: Since the 1980s, Malaysia has opened its doors to many foreign chains, such as Tesco, Carrefour, Aeon (Jusco), Makro Sogo, Parkson, etc. All of these foreign stores must join venture; with local partners. Many of home grown department store chains include Giant, Metrojaya, Cold Storage, Sunshine (SuiWah), The Store, Kamdar, Mydin, etc.

4.4.11 Mexico: Mexico has a number of department stores, many coming from other countries, such as the United States. However, some Mexican department stores exist and serve different income levels. Examples include Sears Mexico, Liverpool and El Palacio de Hierro.

4.4.12 Panama: Panama's first department stores such as Bazaar Frances, La Dalia and La Villa de Paris started as textile retailers at the turn of the nineteenth century. Later on in the twentieth century these eventually gave
way to stores such as Felix B. Maduro, Sarah Panama, Figali, Dante, Sears, Gran Morrison and smaller ones such as Bon Bini, Cocos, El Lider, Piccolo and Clubman among others. Of these only Felix B. Maduro (usually referred to as Felix by locals) and Dante remain strong. All the others have either folded or declined although Cocos have managed to secure a good position in the market. Today major department stores aside from these two include Steven's and Collin’s. There are also many discount department stores such as Conway, La Onda, Dorian’s, Saks, Madison Store and El Titan among others.

4.4.13 Netherlands: The most well-known department stores in The Netherlands are Metz & Co, De Bijenkorf, Vroom and Dreesmann and HEMA.

4.4.14 Thailand: The most popular department stores in Thailand are Central Department Store which managed by Central Group. These are the list of department stores in Thailand

- Central Department Store - has 20 branches (2007)
- The Mall - has 6 branches (2007)
- Robinson Department Store has 19 branches (2007)
- Zen Department Store has 1 branches (2007)

4.4.15 Russia: Arguably the most famous Department store in Russia is the GUM in Moscow or the Petrovsky Passage. In Saint Petersburg there is The Passage extremely popular.

4.4.16 Singapore: Most department stores are clustered around Orchard Road in Singapore. The most well-known department stores in Singapore are BHG- Formally known as Seiyu, Isetan, John Little, Marks and Spencer, Metro, OG, Robinson and Co., Takashimaya, Tangs, etc. They can also be found in some sub-urbs shopping malls.

4.4.17 South Korea: Most famous department stores are Shinsegae, Hyundai, and Lotte. Shinsegae, which opened in 1930 as Mitsukoshi Gyeongseong store, is oldest department store chain. Shinsegae, Lotte Department Store, and GS Group has discount stores. Carrefour and Wal-Mart sells its all stores to E-Land and Shinsegae.
4.4.18 **Spain:** Spam is dominated by one department store chain, El Corte Ingles, founded in 1934. These stores tend to be vast buildings, selling a very broad range of products.

4.4.19 **Sweden:** The largest department store chain in Sweden is Ahlens, which operates stores throughout the country. Its flagship Stockholm store, Ahlens City, is the largest department store in Sweden. Other large stores are Nordiska Kompaniet in Stockholm and Goteborg, and PUB in Stockholm.

4.4.20 **United Kingdom:** Most of the early department stores in London started out as small drapery stores which bought up neighbouring stores and increased their range of products.

- Whiteleys in Westbourne Grove was first to grow to department store size. By 1867 it consisted of 17 departments and by 1890 it was operating in a purposely built department store and had over 6,000 staff employed in the business.
- Barkers in Kensington can be defined as a department store by 1880, when it encompassed 15 neighbouring stores, and in 1889 the company moved into a new, large building. This was eventually taken over by House of Fraser and closed for business in 2006.
- Peter Jones in Sloane Square had grown to department store size by 1890.
- Harrods was reborn as a proper department store in 1889, after a devastating fire in 1883. John Lewis in Oxford Street was a true department store by 1900.
- Selfridges was opened in 1909 by the American entrepreneur Harry Gordon Selfridge, and thus became London’s seventh department store.

In Edinburgh, Jenners saw a similar development. It was starting as a drapery store in 1838, which by 1890 had grown into Scotland’s largest retail store by gobbling up all the small stores in the neighbourhood. In 1895, after a devastating fire, a new ultramodern building opened, with lavish electrical lighting, hydraulic lifts and air conditioning. Four hours after the grand opening, 25,000 people had already visited the store.
In the UK the term “department store” still refers to the traditional, classic department store, which has a wide range of independent departments with their own staff and their own tills. Large discount stores with the tills located by the entrance are not regarded as department stores in the UK, although the owners may call them that.

4.4.21 United States: In the United States, companies such as Macy’s, Gottschalks, Dillard’s, Nordstrom, Sears, and J.C. Penney are considered department stores, while retail brands such as Toys “R” Us, Target, K-Mart, and Wal-Mart are discount department stores. TJ. Maxx, Marshalls, and Burlington Coat Factory are stores that sell designer goods for less. Stores that carry a general line of groceries and other product lines similar to those of department stores are considered warehouse clubs or super centers. Warehouse clubs require a nominal annual membership fee, while super centers do not. Costco, BJ’s Wholesale Club, and Sam’s Club are examples of warehouse clubs. In the 1920s the first supermarket opened in the United States, heralding in a new era of retail: self-service. Around the same time the first shopping mall was constructed which incorporated elements from both the arcade and the department store. A mall consists of several department stores linked by arcades (many of whose shops are owned by the same firm under different names). The design was perfected by the Austrian architect Victor Gruen. All the stores rent their space from the mall owner. By mid-century, most of these were being developed as single enclosed, climate-controlled, projects in suburban areas. The mall has had a considerable impact on the retail structure and urban development in the United States.

Since the early 1970s there has been dramatic change in the retail environment of Western economies. This is of critical importance to both economies and societies, given the growing significance of the retail sector associated with the shift from an industrial to a post-industrial stage. In the USA, even larger organizations are commonplace. Wal-Mart, a discount retail chain, was in 1992 reputed to be the largest retailer.

In modern retailing, a key strategic choice is the format. Innovations in formats can provide an edge to retailers. A study of evolution of the largest retail market in the world, the U.S.A., highlights how formats evolved there. Until the 1940s, American retail was primarily centered on the city ‘high street’ or downtown
areas, with an array of independent stores such as department stores, drugstores and coffee shops. After World War II, a key demographic trend was migration away from the city center towards the suburbs. This led to the emergence of the shopping center, a cluster of outlets in a location offering a range of merchandise catering to most needs of the immediate suburb, with a range of services from saloons to cafés, newsstands and grocery stores. The 1950s saw the emergence of the enclosed shopping mall, providing an end-to-end shopping and entertainment experience from food courts and theaters to shopping outlets. The last major development in the American retail landscape was the discount stores along the lines of Wal-Mart and Costco. Discount stores are large stores with more than 100,000 sq ft of space situated at a distance from the city center or suburb. Typically these discount chains gain significant market share in a relatively short span of time, and cater to the entire spectrum of household requirements such as groceries, apparel, household goods, do-it-yourself stores, books and even banking services.

4.5 Emerging Trends in Retail in Various Countries

4.5.1 Brazil:
The Brazilian retail market is considered a mature market since organized retail (top 500 players) constitutes almost 75 percent of Brazil’s retail sales. Carrefour was one of the first foreign players to enter the market in 1974, and has 12.7 percent market share. In 1994, Wal-Mart entered Brazil with plans to roll out 80 stores in the first two years. It started operations with five stores in the super center format (hypermarket) stocking 60,000 items in each store, with the store located at a distance from the city center. However, this did not factor the buying habits of Brazilians who traditionally shopped at medium-sized neighborhood stores for their regular groceries. Hence, they largely visited the super center once a month to purchase in bulk to make use of discounted pricing. However, with an energy crisis hitting Brazil in 2002, Brazilians were forced to switch off their freezers for long periods. This made the ‘monthly’ trip to the super center unviable as the quantity of food that could be stored at home was limited. This among other factors resulted in Wal-Mart being unable to meet its projected targets. There was a significant rethink in strategy with a slower rollout of stores
with just three stores opened by 1997. This probably had a role in Wal-Mart experimenting with a smaller format called ‘Todo Dia’, which stocked just 12,000 items. It was an attempt to cater to a completely different income segment. This is a strategy similar to the strategy it followed in Mexico, where it is the market leader and operates in six retail formats.

4.5.2 China:
China has gradually opened up retailing to 100 percent FDI in the last 10 years. Bailian is China’s biggest retailer and its largest domestic retail player. Created in April 2003 by merging the parent companies of Hualian Supermarket, Lianhua Supermarket, Hualian Department Store, and Shanghai No 1 Department Store, Bailian is now a veritable giant in China’s retailing landscape. Acquisitions have been Bailian’s strategy to gain a significant share of China’s chronically fragmented retail market. Even after the consolidation activities, Bailian’s 2004 sales of US$ 8.16 million represented just over one percent of national retail sales. Bailian has a major consolidation task on its hands – in store format, branding and management – in its plans to leverage its size effectively.

Hong Kong listed Gome Electrical Appliances Holdings Ltd is China’s largest retailer of consumer electronics, and was on the top ten listed private companies in China in 2005. Yet even Gome, the market leader has just a 5 percent market share in this segment. Aggressive expansion plans: In March 2005, the company announced plans to double its retail presence in China.

Tesco, the UK’s largest food retailer finally moved into China’s grocery market in 2004. Having evaluated the market for over three years, it finally entered China through the acquisition of a 50 percent stake in Hymall, owned by a Taiwanese food processor and retail, which owns 25 hypermarkets on the mainland in a US$ 260 million transaction. Tesco is entering the arena against global rivals such as Wal-Mart, Carrefour and Metro in addition to Bailian. Yet, for all the competition, Tesco’s timing may be just about right. For a start, the company can take advantage of the growing popularity among Chinese consumers for modern trading practices – particularly hypermarkets. More importantly, with China just having opened its retail market in December 2004 in line with its obligation as a member of the WTO, Tesco is now free to decide on its expansion unencumbered by restrictive regulations.
4.5.3 UK and Europe
A number of structural changes in the retail environment have become evident during the post-war era. These developments have occurred throughout Europe, although they are apparent to differing extents in different markets. Three fundamental related transitions have occurred in the European retail environment: first, the balance of power has shifted along the distribution channel from the manufacturers to the retailers; secondly, traditional independent retailers and co-operatives have lost market share to multiple chain organizations and thirdly, markets have become increasingly consolidated and concentrated. The second point above is reinforced by Hollinger (1998), who identified that the Co-op had fifty mutual retail societies, of which the fifteen largest accounted for more than 90 per cent of the movement’s trade. In fact in 1985 the Co-operative movement as a whole could boast that it was the UK’s leading grocery retailer, as well as a banker, insurance provider, funeral services group and agricultural operator. The Co-op business allowed its competitors such as Tesco, J. Sainsbury, ASDA and Safeway to invest heavily in store development, delivering a consistent product range to customers while the Co-op’s individual societies were left to languish.

It is believed that globally, retail management (in the initial period) followed a passive supply led approach, i.e., markets were assumed to exist and the retailer was only required to provide an acceptable outlet to enable the consumer to make purchases. In the initial stages of retailing, there was minimal branding and competitive advantage was obtained by creating efficiencies in operational costs. The changes occurring in the economic scenario helped in the inception of the Disneyland Theme park concept. Similarly, McDonald management was able to open their first fast food outlet in the USA in 1955. Subsequently, there were some important factors which prompted retailers and manufacturers to work closely in order to satisfy the needs of the consumers. These factors are:

(a) An increase in demand (or oversupply of retail outlets) to serve similar markets, coupled with the risks associated with the market place, has prompted retailers to make better use of marketing to survive at the market place.
(b) With the growing affluence of consumers, it was necessary for retailers to use marketing to focus on promotion, improve retail atmospherics and image of the retail outlet.

(c) The continuous increase in the number of customers—prompted retailers to feel the need to get closer to them by gathering more information on their needs and also take advantage of the economics of scale of central buying with the help of marketing research.

(d) The constant changes occurring as the society developed required retailers to go for market segmentation and formulate different marketing mix strategies and approaches on the basis of customer groups, product groups and shopping/usage occasions.

The above four factors have forced retailers and suppliers to work together in an effort towards identifying and satisfying the exact needs of the consumer.

4.6 Factors Attracting Global Retailers to India

As a part of research, AT Kearney conducted a Voice of the global retailer’ survey in order to understand what they consider as the key success factors while expanding outside their home markets. It was found that global retailers identify emerging (market) countries on the basis of:

- Country risk.
- Market attractiveness.
- Market saturation.

The research found that India was seen as an attractive emerging market, occupying second position, after Russia, offering similar potential to that revealed by China 15 years ago. As far as the retail industry is concerned, India is standing at the brink of a great economic opportunity. In the Goldman Sachs BRIC (Brazil, Russia, India and China) report India is predicted to be amongst the top three economies in the world by 2050, along with China and Brazil. While the Tata group economic survey predicts that there will be a total of 75
million households, under the ‘consuming classes’ category with an annual income level of $1,000-$4,800 by the year 2005-2006^8.

The organised retail sector in India is expected to grow from the existing 2 percent of the total retail industry to an impressive 20 percent by the end of the decade. In Asia, the retail market is evolving and India has moved up to the second place, just behind China which contrives to remain a powerhouse. It is this second place position which has made India an attractive retail market for global retailers. The other reasons behind India's attractiveness among global retailers can be:

- Country-risk score is higher due to improved living standards and continuing economic growth.
- Between the 1999-2003 periods, India's GDP has increased by 40 percent.
- The growth of the retailing industry at a lightening speed - KT Kearney reports that retail sales per capita have increase by one third between 1999 and 2003.
- Rise in consumer spending power and disposable incomes along with brand conscious customers aspiring to own quality and branded products.
- The sheer size and potential of India's consumer market with its huge population is prompting big international retailers/such as Wal-Mart, Carrefour etc.) to express interest in setting up outlets in the country destination.
- India is offering a friendly environment for third party manufacturing, mergers, acquisitions and also opportunities for huge investments in agrifood business. Such factors can attract established foreign retailers to view India as a favourable option for investment and growth.

The above factors help global retailers to perceive India as an attractive market, despite obstacles such as the stringent foreign direct investment (FDI) rules and regulations. Moreover, the government is also making efforts at widening the scope for global players. Unlike the past, when only Indian companies had an authorised distributorship of global brands, today, the principle company of the brand is deeply involved in the product right from the inception stage. Now the
foreign players are involved in the selection of adequate locations and finances involved while investing in property for retailing purpose. They also take a keen interest in the daily activities of the stores, the performance of the staff, presentation of the merchandise and the full set up including the legal structuring.

It is said the growth of the brand conscious urban population (this segment is estimated to have grown to 3.22 percent per annum during the last decade) is attracting foreign players such as Chanel, Louis Vuitton, Canali, GirrardPerragaux, Prada, Cartiereic. Initially, the global retailers are interested in launching their brands in Tier I cities such as Mumbai, Delhi, Bangalore and Chennai due to the following reasons:

- High disposable incomes among people.
- Good infrastructure.
- High level of awareness i.e., quality and brand conscious customer.
- Willingness and eagerness to spend.
- A growing urban youth population.

A number of global brands have sought success on Indian shores. These include - Mango, Hugo Boss and Tommy Hilfiger in the apparel segment, while in the footwear category the global brands include Pony, Nautica etc.

Besides the entry barrier restrictions (FDI), there are other limitations like:

- Want of sufficient and appropriate retail space.
- Small market size.
- High taxes and custom duty.
- Shortage of high quality malls and human resource capital.
- Lack of a proper judicial system to counter piracy and counterfeiting.
- Huge geographical and regional differences.

Inspite of the above limitations, global retailers are keen to tap the market demand of the Tier I cities and take advantage of the high spending capacity of the people and western tastes of the youth. Foreign brands make use of the standard product mix and prices which will take care of the higher taxes, import duties. Lacoste have designed a kurta, which is very much Indian and does not feature in their global markets. Sketchers have introduced 300-350 styles from their global design palette in India to suit the climatic conditions and preferences.
4.7 Successful Global Retailer ‘Wal-Mart’

Wal-Mart, a name we are all familiar with even in India, is not just a retailer but truly an institution of its own. The hitherto American retail giant is undoubtedly the largest and the most successful retail company the world has ever witnessed. In 2002 for the first time in its history it has been declared the largest organisation in the world according to Fortune with a turnover of US$ 220 billion beating Exxon Mobil and all other conglomerates globally. The company currently has over 1900 Wal-Mart stores and 565 Wal-Mart super centers apart from the over 450 Sam's Club Warehouse Stores and even this number has been rapidly increasing at the rate of almost one new store every day in some location of the world. Sam Walton, the founder of Wal-Mart was declared the richest man in America in 1985 and even to this day, long after his death, the rest of the Walton family are stated to be among the 10 wealthiest families in the world. It is believed that they have created over US$ 20 billion of family wealth within the last 40 years only since the inception of the company. In fact, according to some studies they are considered second only to Bill Gates, and their total accumulated wealth is believed to be much more than even what the Rockefellers and the Fords had during their times.

However, the real wealth that Sam Walton truly created was the wealth of his highly motivated workforce whom he termed as his associates. His commitment to providing his customers greater value for money and his philosophy of partnership still remain the cornerstones of the success of Wal-Mart even after his death. What is most intriguing is the fact that while there were many chain store retailers operating for much longer periods of time, Wal-Mart which started with only one store about 40 years ago, has now become the world’s largest retailer with over 3000 stores, and an annual sales of over US$ 137 billion and 900,000 employees who are treated as partners of the company.

Although the young Sam Walton did a brief stint as an army officer, his retailing career commenced only as a management trainee at J C Penny in 1940 where he started at a salary of US$ 45 per month. It was only in 1945 that Sam actually
ventured out on his own for the first time in his life by buying a ‘Ben Franklin’
variety store franchise in Newport, Arkansas. When his landlord refused to
renew his lease in 1950, Walton re-located to Bentonville, Arkansas and opened
a ‘Walton 5 & 10’. The location still remains the corporate headquarters of Wal-
Mart Inc, in spite of the company becoming the largest retailer in the world
today. By 1962, Walton’s business had grown to five stores, by which time Wal-
Mart had created a firm corporate strategy to offer branded merchandise at
discounted prices to small communities. Walton truly believed that the key to
success was people: his customers and his employees (called ‘associates,’ a term
adopted from his initial job at Penny).

Sam Walton died in 1992, but his spirit and ideas remain a driving force at Wal-
Mart even today. With annual sales of over US$ 200 billion, Wal-Mart is today
the largest retail merchant on the planet. The Company has always believed in
providing quality merchandise at the lowest possible retail prices and this
philosophy has till this day been the secret of its unprecedented success. In fact
Wal-Mart’s competitors have always been baffled by how the company is able to
maintain its high standards of service and facilities, and still be able to offer the
most competitive prices. The tremendous effect that this policy of Wal-Mart had
on the retail industry at large is evident from the now very famous lawsuit, which
was initiated against the retail giant. The suit was related to charges against Wal-
Mart for deliberately engaging in price-cutting to drive the smaller competitors
out of business. However, after a very long and tiring round of litigation which
lasted a couple of years, the Arkansas Supreme Court finally ruled in favour of
Wal-Mart. It held that the cost benefit to the public at large on account of
superior technology was in no way an indication of unfair trade practices.

However, despite its aggressiveness and phenomenal success in the domestic
market, Wal-Mart as a company had never been as aggressive as some of its
competitors in terms of overseas expansion. However, the company’s policy in
this regard has lately seen a drastic change and a far more aggressive approach in
this area in the more recent past. In fact so aggressive has been its entry into
some of the overseas markets that it has often given the impression of being a
company in a hurry...hurry to gobble up anything that it can lay its hands on. The company started its first international store in Mexico in the year 1991 and since then has developed a sizeable presence in many other countries like Canada, China, Puerto Rico, Brazil, Germany, Argentina and South Korea as well. In fact its recent takeover of Asda in Europe sent shock waves throughout the retail fraternity in Europe. The deal which was worth US$ 11 billion is stated to be the biggest takeover in the history of retailing and the effects of this were obvious so soon after the announcement was made, that the share prices of all the other major retailers throughout Europe took a terrible beating at the stock markets.

4.8 History of Retailing in India
Traditionally retailing in India can be traced to the emergence of the neighbourhood ‘Kirana’ stores catering to the convenience of the consumers. Era of government support for rural retail: Indigenous franchise model of stores run by Khadi and Village Industries Commission 1980s experienced slow change as India began to open up economy. Textile sector with companies like Bombay Dyeing, Raymonds, S Kumars and Grasim first saw the emergence of retail chains. Later Titan successfully created an organised retailing concept and established a series of showrooms for its premium watches. The latter half of the 1990s saw a fresh wave of entrants with a shift from Manufactures to Pure Retailers.

  e.g. Food World, Subhiksha and Nilgiris in food and FMCG; Planet M and Music World in music; Crossword and Fountainhead in books.

Post 1995 onwards saw an emergence of shopping centers, mainly in urban areas, with facilities like car parking, targeted to provide a complete destination experience for all segments of society. Emerging of hyper and super markets trying to provide customer with 3 V’s - Value, Variety and Volume, expanding target consumer segment., the Sachet revolution - example of reaching to the bottom of the pyramid.
4.9 Present Indian Retail Scenario

India is a huge country. In terms of area it is the seventh largest in the world and covers an area of 3,287,782 square kilometers, and in terms of population, it is the second largest. India's 25 states and 7 Union Territories have a population that has been officially assessed at over 1 billion and the country comprises over 5500 cities and towns and over 600,000 villages.\(^{10}\)

The traditional retailing business in India is dominated by family – run neighbourhood shops. According to the Economic Census carried out by the CSO in 1998, the country had a total of 10.69 million enterprises engaged in retail trade. Indian Retail is dominated by a large number of small retailers consisting of local grocery shops, general stores, medical shops, footwear shops, apparel shops, stationary shops etc. In addition to these hand cart hawkers and pavement vendors are also contributing to unorganized retail. Table gives, category wise growth of Indian Retail as total as well as organized retail from 2003-04 to 2006-07.

**Table 4.3: Growth of Indian Retail –Total vs. Organized**

<table>
<thead>
<tr>
<th>Sr. No</th>
<th>Category</th>
<th>Total Indian Retail (Rs. bn.)</th>
<th>Indian Organized Retail (Rs. bn.)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2003-04 2006-07 CAGR (%)</td>
<td>2003-04 2006-07 CAGR (%)</td>
</tr>
<tr>
<td>1</td>
<td>Food &amp; Grocery</td>
<td>7028 8680 7.3 39 61 16.5</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Beverages</td>
<td>212 518 34.7 11 16 14.7</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Clothing &amp; Footwear</td>
<td>777 1356 20.4 168 251 14.3</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Furniture &amp; Appliances</td>
<td>512 986 24.4 67 101 14.8</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Healthcare</td>
<td>950 1159 6.9 14 24 20.0</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Sports, books &amp; entertainment</td>
<td>212 395 23.0 25 63 37.0</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Personal Care</td>
<td>371 617 18.5 11 33 46.9</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Jewellery, watches etc.</td>
<td>30 863 17.7 18 49 40.5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>10591 14574 11.2 350 598 19.5</td>
<td></td>
</tr>
</tbody>
</table>

(Source: Indian Retail Sector Analysis (2008-09))
Food & Grocery constitutes bulk Indian retailing followed by clothing & footwear. It is clear that growth of organized retail is much more than overall retail growth but still share of organized retail in total retail is very less.

Table 4.4 : Average Size of Modern Retail Format

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Type of Modern Retail Format</th>
<th>Average Size (Sq.ft)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Hypermarket</td>
<td>40000</td>
</tr>
<tr>
<td>2</td>
<td>Department Stores</td>
<td>30000</td>
</tr>
<tr>
<td>3</td>
<td>Supermarket / Convenience Store</td>
<td>1000</td>
</tr>
<tr>
<td>4</td>
<td>Discount Store</td>
<td>1000</td>
</tr>
<tr>
<td>5</td>
<td>Specialty Store</td>
<td>800</td>
</tr>
</tbody>
</table>

(Source: ICRIER Retail Survey (2008))

As traditional retailers are operating in area less than 500 square feet, it does not offer any attractive shopping atmosphere. It can be seen that there had been rapid increase in the growth of malls. In 1999, India had just three shopping malls, by the end of 2005 country had 155 malls and surely it will be more than 600 by the end of 2010. At present most of the shopping malls are confined to metros but in coming years there would be set up in large non-metro cities.

Fig. No. 4.1 Growth of Shopping Malls in India

With these huge attractive infrastructures, organized retailers create environment which boosts shopping activity. Modern retail Business focuses on ‘One stop shopping model’ by expanding product assortment and enhancing store ambience. Share of organized retail to total market is given in following table.

**Table 4.5 : Share of Organized Retail to Total Market**

<table>
<thead>
<tr>
<th>Retail Segment</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clothing, Textiles &amp; Fashion</td>
<td>13.6%</td>
<td>15.8%</td>
<td>18.9%</td>
<td>22.7%</td>
</tr>
<tr>
<td>Accessories</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jewellery</td>
<td>2.0%</td>
<td>2.3%</td>
<td>2.8%</td>
<td>3.3%</td>
</tr>
<tr>
<td>Watches</td>
<td>39.6%</td>
<td>43.5%</td>
<td>45.6%</td>
<td>48.9%</td>
</tr>
<tr>
<td>Footwear</td>
<td>25.0%</td>
<td>30.3%</td>
<td>37.8%</td>
<td>48.4%</td>
</tr>
<tr>
<td>Health &amp; Beauty Care Services</td>
<td>6.0%</td>
<td>7.6%</td>
<td>10.6%</td>
<td>14.3%</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>1.8%</td>
<td>2.2%</td>
<td>2.6%</td>
<td>3.2%</td>
</tr>
<tr>
<td>Consumer Durables, Home Appliances</td>
<td>7.8%</td>
<td>8.8%</td>
<td>10.4%</td>
<td>12.3%</td>
</tr>
<tr>
<td>Mobile handsets. Accessories &amp; Services</td>
<td>6.5%</td>
<td>7.0%</td>
<td>8.0%</td>
<td>9.9%</td>
</tr>
<tr>
<td>Furnishings – Home &amp; Office</td>
<td>6.7%</td>
<td>7.6%</td>
<td>9.1%</td>
<td>11.0%</td>
</tr>
<tr>
<td>Food &amp; Grocery</td>
<td>0.5%</td>
<td>0.6%</td>
<td>0.8%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Out-of-Home Food (Catering) Services</td>
<td>5.7%</td>
<td>5.8%</td>
<td>6.9%</td>
<td>8.0%</td>
</tr>
<tr>
<td>Books, Music &amp; Gifts</td>
<td>9.8%</td>
<td>11.7%</td>
<td>12.6%</td>
<td>13.4%</td>
</tr>
<tr>
<td>Entertainment</td>
<td>2.6%</td>
<td>3.3%</td>
<td>4.1%</td>
<td>5.3%</td>
</tr>
</tbody>
</table>

(Source: Images F & R Research (2006))

### 4.10 Structure of the Indian Market

India's population of more than 1 billion may at first glance seem like a tremendous opportunity for retailers, but in reality, it has become their biggest nightmare. Not only does the uncontrollable population pose innumerable problems, its disproportionate density also aggravates the situation. The population of China, at approximately 1.2 billion, is only about 20 per cent higher than that of India while its size approximately 300 per cent more than that of India. Apart from its uncontrollable population, it is the high density of
population and the unplanned expansion of its important towns and cities that pose numerous problems in India today.

Table 4.6 Population and Proportion of Total Retail Market

<table>
<thead>
<tr>
<th>City Type</th>
<th>Population in crores</th>
<th>Population of total retail market ( % )</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metroes, Mini Metros and Cities</td>
<td>6.7</td>
<td>13 15 18 20 28</td>
</tr>
<tr>
<td>Top Cities, Population &gt; 1 million ( 27 cities )</td>
<td>3.7</td>
<td>7.2 6 6 7 10</td>
</tr>
<tr>
<td>Large Cities Population 0.5 to 1 million ( 32 cities )</td>
<td>2.4</td>
<td>4.5 2 3 3 4</td>
</tr>
<tr>
<td>Rest of India 5500 towns + 6 lakh Villages</td>
<td>87.4</td>
<td>115.3 77 73 69 57</td>
</tr>
</tbody>
</table>

(Source: NCAER, CSSO TSMG Analysis (2006))

The social infrastructure in the country too is deficient and has not been developed in an organised manner either. Since retailing is an integral part of the social infrastructure of any country, the haphazard growth of the social infrastructure in India has caused the Indian retail market to grow in a highly fragmented manner over the last five decades. There are presently over four million retail outlets in India's approximately 5500 urban markets and over 5,00,000 villages. While there has been virtually no development of organised retailing, the retailing scenario in the villages has been even more depressing due to various factors. The lack of proper roads, poor basic infrastructure and transport system have all contributed to this situation and very little effort is being made to improve matters in this area.
According to Indian National Census, conducted in 2001, India comprises of 5,161 cities and towns in 35 states and union territories and almost 600 districts across the country. These cities and towns can be grouped together on the basis of population. This classification is given below:

**Table No. 4.7 : Classification of Cities and Towns**

<table>
<thead>
<tr>
<th>Classification of cities and towns</th>
<th>Number of Cities</th>
<th>Population</th>
<th>Names of cities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1 : Major cities</td>
<td>8 cities</td>
<td>More than 4 million</td>
<td>Mumbai, Kolkata, Delhi, Chennai, Banglore, Hyderabad, Ahmedabad, Pune.</td>
</tr>
<tr>
<td>Tier 2 : Mainstream Cities</td>
<td>26 cities</td>
<td>More than 1 million</td>
<td>Surat, Kanpur, Nagpur, Lucknow, Jaipur, Kochi, Vadodra, Indore, Ludhiyana, Madurai, Bhopal, Patna, Nasik, Agra, Varanasi, Rajkot………</td>
</tr>
<tr>
<td>Tier 3 : Climbers</td>
<td>33 cities</td>
<td>More than 5,00,000</td>
<td>Tiruchirapalli, Amritsar, Faridabad, Aurangabad, Ahhahbad, Gwalior, Jodhpur, Raipur, Bhubaneshwar, Goa, Pondicherry, Aligarh, Moradabad, Manglore………</td>
</tr>
<tr>
<td>Tier 4 : Small Towns</td>
<td>5094 towns</td>
<td>Less than 5,00,000</td>
<td>Rohtank, Rourkela, Udaipur, Anand, Hassan, Shimla………</td>
</tr>
</tbody>
</table>

(Source: The Great Indian Middle Class, NCAER, MGI Analysis (2007))

The business of retailing is all about people and their spending power, and any discussion without alluding to this factor would be incomplete. It must be stated at the outset that though the population figure of India is extremely encouraging for retailers at first sight, this figure of 1 billion is also fairly deceptive, as a majority of the population even today lives below the poverty line and cannot afford even one square meal a day, leave alone spending on essential or luxury items. It is believed that almost half the Indian population is in the age group of
15 to 35 years. These youngsters are desperate to prove themselves in the world, which indeed is cause for optimism as it portends well for India’s future. Its vast pool of educated professionals has already put the country well on the path to becoming a technology superpower and a force to reckon with in the new millennium.

Table 4.8 Income profile of Indian Households

<table>
<thead>
<tr>
<th>Annual Income Profile</th>
<th>Million Households</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low ( &lt; $ 489 )</td>
<td>86.1</td>
</tr>
<tr>
<td>Lower Middle ( $ 490 – 978 )</td>
<td>44.9</td>
</tr>
<tr>
<td>Middle ( $ 978 – 1522 )</td>
<td>18.0</td>
</tr>
<tr>
<td>Upper Middle ( $ 1523 – 2087 )</td>
<td>7.0</td>
</tr>
<tr>
<td>High ( &gt; $ 2087 )</td>
<td>4.6</td>
</tr>
</tbody>
</table>

(Source: Tata Statistical Outline and Merrill Lynch Research- 2005)

Table helps in making a fair assessment of the present Indian retail scenario in relation to the country's population.

Table 4.9: Small Retail Shops Distribution by Town Class

<table>
<thead>
<tr>
<th>Town Class</th>
<th>Number of Retail Outlets</th>
<th>Total Population (‘000)</th>
<th>Outlets per thousand populations.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metro</td>
<td>537628</td>
<td>69093</td>
<td>7.78</td>
</tr>
<tr>
<td>Class 1A</td>
<td>186681</td>
<td>25086</td>
<td>7.44</td>
</tr>
<tr>
<td>Class 1B</td>
<td>527657</td>
<td>55096</td>
<td>9.58</td>
</tr>
<tr>
<td>Class 2</td>
<td>265166</td>
<td>23527</td>
<td>11.27</td>
</tr>
<tr>
<td>Class 3</td>
<td>306798</td>
<td>27110</td>
<td>11.32</td>
</tr>
<tr>
<td>Class 4</td>
<td>273311</td>
<td>22948</td>
<td>11.91</td>
</tr>
<tr>
<td>Total</td>
<td>2097241</td>
<td>222860</td>
<td>9.41</td>
</tr>
</tbody>
</table>

(Source: Business India Projections Based on NCAER Research Published in Nov. 1997)
Table 4.10: Small Retail Shops Distribution by Zones

<table>
<thead>
<tr>
<th>Zone</th>
<th>Number of Retail Outlets</th>
<th>Total Population (‘000)</th>
<th>Outlets per thousand populations.</th>
</tr>
</thead>
<tbody>
<tr>
<td>North</td>
<td>637905</td>
<td>58458</td>
<td>10.91</td>
</tr>
<tr>
<td>East</td>
<td>451592</td>
<td>41880</td>
<td>10.78</td>
</tr>
<tr>
<td>West</td>
<td>451443</td>
<td>59667</td>
<td>7.56</td>
</tr>
<tr>
<td>South</td>
<td>556301</td>
<td>62845</td>
<td>8.85</td>
</tr>
</tbody>
</table>

(Source: Business India Projections Based on NCAER Research Published in Nov. 1997)

Table 4.11: Small Retail Shops Distribution by Type and Zone

<table>
<thead>
<tr>
<th>Type of Store</th>
<th>All India ( % )</th>
<th>North Zone ( % )</th>
<th>East Zone ( % )</th>
<th>West Zone ( % )</th>
<th>South Zone ( % )</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grocery Store</td>
<td>32.40</td>
<td>34.70</td>
<td>32.00</td>
<td>32.20</td>
<td>30.20</td>
</tr>
<tr>
<td>Pan Shop</td>
<td>14.60</td>
<td>7.10</td>
<td>21.20</td>
<td>13.10</td>
<td>19.10</td>
</tr>
<tr>
<td>Food Shop</td>
<td>11.60</td>
<td>11.80</td>
<td>7.90</td>
<td>14.90</td>
<td>12.00</td>
</tr>
<tr>
<td>General Store</td>
<td>10.10</td>
<td>12.40</td>
<td>9.10</td>
<td>12.00</td>
<td>6.60</td>
</tr>
<tr>
<td>Electrical Store</td>
<td>6.70</td>
<td>8.30</td>
<td>5.60</td>
<td>7.60</td>
<td>5.00</td>
</tr>
<tr>
<td>Medical Shop</td>
<td>5.70</td>
<td>6.00</td>
<td>5.80</td>
<td>5.00</td>
<td>5.70</td>
</tr>
<tr>
<td>Cosmetic Shop</td>
<td>3.70</td>
<td>3.90</td>
<td>3.60</td>
<td>3.20</td>
<td>3.90</td>
</tr>
<tr>
<td>Others</td>
<td>15.20</td>
<td>15.70</td>
<td>14.70</td>
<td>11.90</td>
<td>17.40</td>
</tr>
</tbody>
</table>

(Source: AIMS Research, 1996 published in the Economic Times dated 5.03.1997)

It is also important to note that most of the large towns in India are really concentrated in the south and west zones. The larger the town, the lesser would be the density of retail outlets in it. It is because of this factor that the towns in the north and the east have a much higher density than those in the south and west. It has also been observed that a town with a very high population density will tend to have a lower number of outlets per capita. Mumbai and Hyderabad are prime examples of this trend. On the other hand, a horizontally expanding
city will reduce the catchments population of an outlet, thus increasing the density of occurrence. Delhi and Bangalore fall in the latter category.

Towns with lower income and higher unemployment trends would give rise to fragmentation of the retail universe resulting in a large number of small outlets. Calcutta, Howrah, Patna and Guwahati are some apt examples of such fragmentation. The composition of the retail universe in India is also quite diverse. As is evident from the tables given above, grocers account for the largest block of 32 per cent of the total retail outlets while the tiny paan stores have emerged as the second largest block accounting for about 15 %.

**Table 4.12: Structure of the Indian Market**

<table>
<thead>
<tr>
<th>Year</th>
<th>1994 - 95</th>
<th>2000 – 01</th>
<th>2005 – 06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Destitutes</td>
<td>35 %</td>
<td>24 %</td>
<td>17 %</td>
</tr>
<tr>
<td>Aspirants</td>
<td>48 %</td>
<td>32 %</td>
<td>33 %</td>
</tr>
<tr>
<td>Climbers</td>
<td>48 %</td>
<td>66 %</td>
<td>78 %</td>
</tr>
<tr>
<td>Consuming Class</td>
<td>29 %</td>
<td>55%</td>
<td>75 %</td>
</tr>
<tr>
<td>Very Rich</td>
<td>1 %</td>
<td>3 %</td>
<td>6 %</td>
</tr>
</tbody>
</table>

(Source: Business India Projections Based on NCAER Research Published in Nov. 1997)

**Table 4 13: Segregation of Income Groups**

<table>
<thead>
<tr>
<th>Monthly Household Income (‘000)</th>
<th>Number of individuals in Urban Area ( millions )</th>
<th>Number of individuals in Rural Area ( millions )</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 to 15</td>
<td>14</td>
<td>19</td>
</tr>
<tr>
<td>15 to 30</td>
<td>16.3</td>
<td>6.2</td>
</tr>
<tr>
<td>30 to 50</td>
<td>3.9</td>
<td>1.4</td>
</tr>
<tr>
<td>50 to 125</td>
<td>3.4</td>
<td>0.9</td>
</tr>
<tr>
<td>Above 125</td>
<td>1.7</td>
<td>0.2</td>
</tr>
</tbody>
</table>

(Source: Business India Projections Based on NCAER Research Published in Nov. 1997)
The future of the retail industry in India thus rests entirely in the hands of the retail community itself which should have no expectations from the government. While most retailers, especially supermarkets, around the world are considered to be a crucial part of the social infrastructure, India has still not woken up to this reality nor given the retail sector the importance and impetus it deserves.

Retailing in India remains just the same as it has been for several generations, with small, independent, owner-managed shops constituting a chunk of the total of 4 million retail outlets that are estimated to dot the country’s landscape. According to surveys conducted by AIMS (Asian Information Marketing and Social Research) in 1996-97, it is estimated that there are over 2.1 million retail outlets stocking FMCG items in urban India alone. This implies that there is one outlet for every 125 urban residents. From the tables given above, we have observed that the north and east zones have a significantly higher density of retail outlets as compared to the south and west zones.

The very concept of retailing, however, is still under developed in India, with emphasis only being laid on distribution. The Indian retail market is quite large but highly fragmented, comprising very few large retailers. It is estimated that there are approximately 1.8 million urban retail outlets in this unorganised sector, out of which only 7 per cent achieve sales of over Rs 8 lakh per annum. These traditional corner stores, at best, constitute nothing more than a cost and distribution overhead. At worst, they destroy the very concept of making shopping a pleasant experience. In fact, it is estimated that till date less than 2 per cent of the retailing business in India comes from organised retailing.

There are approximately only 100 odd credible organised retailers comprising supermarkets and department stores in the entire country, the majority of which too have only come up during the last five years or so. Most of these stores are owner-managed and are independent outlets, while only a handful of companies have actually got down to serious chain store retailing yet. While almost 85 per cent of the shopping in the US is done in organised stores, it is a very different
story in India. The percentage of food retailing from the organised retail sector in India is even lesser at only 1 per cent. However analysts are extremely optimistic about the growth of the organised retail sector in India and it is predicted that by the year 2005, at least 6 per cent of the retailing in India would take place in the organised sector which would be worth approximately Rs 30,000 crores. Of this, over 6,000 crores is expected to come from organised food retailing alone.

Apart from the various privately owned and operated stores, there is also a number of Government owned co-operative stores which operate on a no-profit no-loss basis. These co-operative stores primarily deal in essential items only as they have been set up with the prime objective of fulfilling the daily household needs of the average citizen at fairly cheap rates but with little or no service at all. Some of these stores are known as Super Bazaar, Apna Bazaar, Kendriya Bhandar, Sahakari Bhandar.

With the emerging Indian Marketplace is the beginning to see shifts in consumption habits, thanks to more purchase options, the advent of satellite television, a slightly more liberalised economy and more intelligent and demanding consumer, the retailing scenario is going through some very exciting changes. Over the past half century, Indian retailing has mostly developed in Indian cities in the form of strip or ribbon centers. These strip centers comprise a row of several small stores that develop adjacent to a couple of successful retail stores which already generate customer traffic.

However, all this is now gradually changing and India is now witnessing the advent of far better and more organised retail stores in almost every part of the country. In some of the major cities like Mumbai, Delhi, Chennai and Bangalore, one is also able to experience the thrill of shopping in large shopping malls, multi-storied department stores and even supermarkets. Many of these stores are of an international class and may be compared to some of the best in the world though their number is still miniscule. There has been a surge in the growth of
dual income families, which has brought about a greater level of consumer awareness and purchasing power than ever witnessed before.

The interesting fact that many of the western retailers tend to overlook in Asia, is that in almost all Asian communities, an economic transaction is also complemented with an emotional bond. Establishing a personal equation with the customer goes a long way in making a sale. A key factor in the success of many corporations in India is the close contact that they maintain with their customers, which includes their wholesalers and retailers. As discussed earlier in this chapter, India is most definitely poised to become a leading producer and consumer in this new millennium and retail and consumer companies around the world are well aware of this factor. Due to the rise in the per capita incomes, augmented product availability, exposure to international lifestyles and brands and most of all, the media explosion, the consumer industry in India is poised to enter the best period of its existence.

It is thus believed that now is an ideal time to woo the consumer and to lure him to one's store. Interestingly, various forecasts have predicted that over the next ten years, retailing would generate over US$ 2.5 billion of direct investment in the Indian economy, and generate direct employment for 70,000 people.\(^\text{12}\) The indirect effects of this will, of course, be even larger. Even McKinsey &. Co, one of the most reputed retail management consultants in the world, have taken a keen interest in monitoring the rapidly changing Indian retail scenario and have also predicted that India would soon become a very exciting destination for international retailers. It was predicted that by the year 2005, over 1000 large and small world class stores would crop up in India in various store formats. While some of these would be as large as over 100,000 sq ft, others would fall between areas of 2,000 sq ft to 25,000 sq ft.\(^\text{13}\) It was also believed that retailing in India will not have to pass through the full wheel of retailing as it has had to do so in most other countries.
4.11 Retailing Formats in India

There are popular retail store formats which form a part of the Retail Industry in India. Most of the organised retail formats have set up shop in India in the post liberalization era. Although different types of retailers or retailing have emerged, the successful ones are those who have been able to attract and maintain a significant customer base. The retailer must take care while developing a suitable retail strategy and have a suitable retail mix elements.

4.11.1) Malls: The largest form of organised retailing today, located mainly in metro cities, in proximity to urban outskirts. Ranges from 60,000 sq. ft. to 7,00,000 sq. ft. and above. They lend an ideal shopping experience with an amalgamation of product, service and entertainment, all under a common roof. A shopping mall is an arrangement of retail stores and providing the right mix of shopping, food courts and entertainment and parking facilities. The retail space is shared by anchor stores and other retailers (tenants), who will pay the developers of the mall—rent or lease payment for putting up the shop within the mall premises. Examples include Piramyd, Pantaloon, The Forum, Central, Sigma mall etc

4.11.2) Speciality Stores: Retail shops displaying merchandise which has narrow product lines, specializing in a particular type of merchandise and offering specialised services to customers. For Instance, Carpon from Peakok Jewellery has its own exclusive stores selling fashion accessories and jewellery. Or Park Avenue, from Raymonds is a men’s Speciality store. Chains such as the Bangalore based Kids Kemp, the Mumbai books retailer Crossword, RPG’s Music World and the Times Group’s music chain Planet M, are focusing on specific market segments and have established themselves strongly in their sectors.

4.11.3) Discount Stores: As the name suggests, discount stores or factory outlets, offer discounts on the MRP through selling in bulk reaching economies of scale or excess stock left over at the season. The product category can range from a variety of perishable/non-perishable goods. Discount stores retail a broad variety of
merchandise, offer limited services and at low prices. For instance, Subiksha and Margin Free Super Market.

4.11.4) Department Stores: Large stores ranging from 20000-50000 sq. ft., catering to a variety of consumer needs. Further classified into localised departments such as clothing, toys, home, groceries, etc. Departmental Stores are expected to take over the apparel business from exclusive brand showrooms. Among these, the biggest success is K Raheja’s Shoppers Stop, which started in Mumbai and now has more than seven large stores (over 30,000 sq. ft.) across India and even has its own in store brand for clothes called Stop. A store having several departments such as clothing, personal care and cosmetics, books and stationeries, house ware goods, electronics etc. all under a single roof, although individually functioning as a Strategic Business Unit (SBU). These stores are large in size (or area) more often owned by large or national chains. For instance, Life Style, Shoppers’ Stop, Pantaloone, Westside, Ebony.

4.11.5) Hypermarkets/Supermarkets: Large self service outlets, catering to varied shopper needs are termed as Supermarkets. These are located in or near residential high streets. These stores today contribute to 30 per cent of all food and grocery organised retail sales. Super Markets can further be classified in to mini supermarkets typically 1,000 sq. ft. to 2,000 sq. ft. and large supermarkets ranging from of 3,500 sq. ft. to 5,000 sq. ft. having a strong focus on food and grocery and personal sales. Hyper markets are very large in size, carry grocery, hardware, appliance and other general merchandise, with self service facilities, usually located in warehouse type structures with large parking facilities. For instance, Trent's (a Tata Enterprise) Star India Bazaar, Giant (RPG Group) and Big Bazaar (Pantaloon Retail India). Hyper markets are very large in size, carry grocery, hardware, appliance and other general merchandise, with self service facilities, usually located in warehouse type structures with large parking facilities. For instance, Trent's (a Tata Enterprise) Star India Bazaar, Giant (RPG Group) and Big Bazaar (Pantaloon Retail India).
4.11.6) Convenience Stores: Ideally located close to residential areas to enable target customers have easy accessibility and select convenient merchandise such as beverages, ready-to-eat snacks, grocery etc. For instance the friendly neighbourhood grocery stores. These are relatively small stores 400-2,000 sq. feet located near residential areas. They stock a limited range of high-turnover convenience products and are usually open for extended periods during the day, seven days a week. Prices are slightly higher due to the convenience premium.

4.11.7) MBO’s: Multi Brand outlets, also known as Category Killers, offer several brands across a single product category. These usually do well in busy market places and Metros.

4.11.8) Shopping Plaza: The shopping plaza will be a configuration of many tenants using space of 1,000 sq ft. or so for putting up stores within a single building. For instance, Fountain Plass (Chennai), Modi Arcade Plaza (Bangalore) etc.

4.11.9) Kiosk: Kiosk as a store often is a concession format store placed within a mall/shopping centre, a bus station, airport etc. It is a free standing pavilion open on one or more sides. For instance, in a bookstore kiosk, customers are provided with online catalogue service to help them to identify titles and read reviews before making a purchase decision.

4.11.10) Standalone Stores —the Oldest Retail Format

Standalone stores can be defined as single self service stores and are an important supermarket store type within the modern Indian retail environment. India has been witnessing a rise in various formats in the past few years. Although traditional retail formats such as ‘Kirana stores’, grocery stores and so on still exist in the market, modern retail formats are growing in importance for the FMCG marketer. This is because of the availability of a wide range of products and services and increase in awareness among the customers. In fact
today most of the shopping areas are central business locations and prime retail streets in suburbs.

The stand-alone retail format is amongst the oldest formats in the county and even today continues to be a dominant channel. As per the A.C. Nielsen research reports, standalone formats contribute to almost one fourth of FMCG sales from modern format stores.

4.11.11) Retail Chains: A single retailer establishes a chain of stores with its exclusive-store design, synergistic merchandising plan, and promotion and service strategy and so on. For instance - Raymond, Khazana Jewellery etc.

4.12 The Emergence of Organised Retail Format in India

In this scenario, customers are constantly looking out for convenience of one-stop shopping experience to make better utility of their time. Further, they are also seeking speed and efficiency in processing and hence on the lookout for additional information, better quality and value items, shorter queues and healthy and clear shopping environment. To meet these demands, there has been an evolution in the retailing industry also. On the one side there are the traditional Kirana stores which operate out of small outlets. These retailers have a better proximity to customers, are usually family run businesses with low overhead costs, follow a credit system and offer services such as home delivery and so on. On the other side there is the organised retail industry comprising of the supermarkets, hypermarket, convenience stores, Speciality stores, malls, discount stores etc. which are seeking to satisfy the needs of consumers preferring to shop in an ambience which is attractive, hygienic, offering convenience in addition to a wide range of products at a competitive price, etc.

The analysis of estimates made by different research agencies is that the Indian retail sector is poised for huge growth in the coming years to approximately US$427 billion by 2010 and US$637 billion by 2015. The organized retail is also
going to account for 22% of the total retail industry by 2010 from the current 3-4\%\(^{15}\). Therefore, the efficiency of the operations in retailing is of prime concern.

**TABLE 4.14: FACTS OF INDIAN RETAIL**

<table>
<thead>
<tr>
<th>Market size (total) 2006</th>
<th>US$ 322 bn/annum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market size (total) 2015</td>
<td>US$ 637 bn/annum</td>
</tr>
<tr>
<td>Market size (modern retail) 2006</td>
<td>US$9-12 bn/annum</td>
</tr>
<tr>
<td>Market size (modern retail) 2011</td>
<td>US$ 60 bn/annum</td>
</tr>
<tr>
<td>Annual rate of growth (modern retail):</td>
<td>35%</td>
</tr>
<tr>
<td>Penetration (modern retail) 2006</td>
<td>3 to 4%</td>
</tr>
<tr>
<td>Penetration (modern retail) 2010</td>
<td>10%</td>
</tr>
<tr>
<td>Number of retail outlets (total):</td>
<td>12 million</td>
</tr>
<tr>
<td>New Investment by 2011</td>
<td>US$ 30 bn</td>
</tr>
<tr>
<td>Employment</td>
<td></td>
</tr>
<tr>
<td>No. of persons employed (total)</td>
<td>21 mn</td>
</tr>
<tr>
<td>No. of new jobs in next two years</td>
<td>2mn.</td>
</tr>
<tr>
<td>Wealth</td>
<td></td>
</tr>
<tr>
<td>No. of dollar designated millionaires in</td>
<td>100,015</td>
</tr>
<tr>
<td>Retail Space</td>
<td></td>
</tr>
<tr>
<td>Typical space per outlet</td>
<td>100 to 500 sq.ft.</td>
</tr>
<tr>
<td>Space occupied (modern retail)</td>
<td>35 mn sq.ft.</td>
</tr>
<tr>
<td>Operating Malls 2007</td>
<td>114 (35 mn sq.ft.)</td>
</tr>
<tr>
<td>New Malls under construction</td>
<td>361 (117 mn sq.ft.)</td>
</tr>
<tr>
<td>New space distribution</td>
<td>65% (top 7 cities), 35% (tier n &amp; III cities)</td>
</tr>
</tbody>
</table>

(Source: http://www.indiaretailbiz.com/blog/2007/04/ll/bharti-plans-3-tier-retail-modeV)

India is likely to have over 220 shopping malls by 2010, up from 25 operational malls in 2003, as developers are rushing to encash the booming retail business that is transforming the way Indians have been shopping so far\(^{16}\). The shopping mall phenomenon, however, is not likely to be restricted only to metros as malls are also coming up in non-metro cities and larger towns across the country. Nearly a decade after the first signs of organised retail format evolution, India expected to develop over 40 million square feet of quality retail real estate space by 2006. The total mall space in six A-Grade cities-Delhi (including Gurgaon, Ghaziabad and Noida), Mumbai, Bangalore, Hyderabad, Chennai, and Kolkata-is expected to increase to over 21.1 million square feet. It is also expected to increase in seven non-metro cities-Pune,
Ahmedabad, Lucknow, Ludhiana, Jaipur, Chandigarh, and Indore—in the same duration, and the grand total comes to about 26.2 million square feet\(^{17}\).

According to a leading retail magazine, Images, the national capital region will account for over 40\% of the 26.2 million square feet of the total mall space expected to come up in six metros and seven non-metros. While Gurgaon currently dominates the organised retail real estate segment in the city, localisation of the mall segment with all prominent locations in Delhi slated to have at least one major mall. The financial capital of the country, Mumbai, is also expected to offer the second highest quantum of mall space to 4.8 million square feet scheduled. Ahmedabad and Lucknow are expected, to have over one million square feet of retail space. Cities like Jaipur, Chandigarh, and Ludhiana are also attracting attention from developers and retailers. The growth factors in Indian organized sector are various but it is mainly due to the fact that India’s economy is booming. Also, the rise in the working population which is young, pay-packages which are hefty, more nuclear families in urban areas, rise in the number of women working, more disposable income and customer aspiration, western influences and growth in expenditure for luxury items. All these are the factors for the growth in Indian organized retail sector.

<table>
<thead>
<tr>
<th>Retailer</th>
<th>Turnover ( Rs. Crores )</th>
<th>Total floor space (lakh sq. ft.)</th>
<th>Total Number of outlets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pantaloon</td>
<td>650</td>
<td>1300</td>
<td>11</td>
</tr>
<tr>
<td>RPG</td>
<td>545</td>
<td>800</td>
<td>502</td>
</tr>
<tr>
<td>Shopper’s Stop</td>
<td>404</td>
<td>545</td>
<td>6.3</td>
</tr>
<tr>
<td>Lifestyle</td>
<td>250</td>
<td>340</td>
<td>3.2</td>
</tr>
<tr>
<td>Westside</td>
<td>120</td>
<td>NA</td>
<td>2.3</td>
</tr>
<tr>
<td>Ebony</td>
<td>85</td>
<td>100</td>
<td>1.7</td>
</tr>
<tr>
<td>Piramyd</td>
<td>72</td>
<td>140</td>
<td>1.3</td>
</tr>
<tr>
<td>Globus</td>
<td>NA</td>
<td>NA</td>
<td>1.5</td>
</tr>
</tbody>
</table>

( Source: 2005 BW Marketing Whitebook )

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It can be observed that Pantaloon has the highest estimated sales. The second largest retailer was RPG, followed by Shopper’s stop. In terms of floor space, Pantaloon was again at the top having 30 lakh sq.ft. in 2004-05. A recent 2008 report on India’s organized retail sector predicts that the existing players in this sector such as Bharati, RPG, Pantaloons, Reliance, Birla’s and so on are going to witness a multifold growth in the coming 5-10 years. This dynamic sector will also witness the debut of other major Indian business players such as Mahindra, Parsavnath, DLF, Hero Honda and India bulls. These players are making it happen big in a short span because they are keeping the important factors such as operational efficiency as their prime concern. This is also supported by extremely high concern for customer satisfaction and extravagant experience for the customers while consuming products and services at organized retail stores. India has a highly competitive retail industry; therefore, it is very essential to have know-how of all those factors which will help retailers to sustain in the long run.

4.13 Region-wise Analysis of Indian Retailing

The existence of major hindrances in the development of organised retailing in India, does not, however, imply that supermarkets and department stores are entirely non-viable in India. All problems notwithstanding, the first signs of a retail revolution are already visible in the country and this is so in spite of the immense diversity between regions within the country. It is usually felt that extending retail operations from one region to another within India is like travelling from one country to another. The tastes, habits, consumption and buying patterns are vastly different between various regions making it imperative for a retailer to possess a very sound knowledge of each region that he operates in. Diversity of the country in relation to the growth of retail operations and the present Indian retail scenario can be examined. It must also be mentioned here that some extremely interesting and very large retail chains are also expected to come up in the near future in the country.
4.13.1 Northern India

The northern part of India comprises some of the largest states in India but has seen very little development in terms of organised retailing, except in places like Delhi, Faridabad, Jaipur, Lucknow and Allahabad among other cities. Some of the important cities and towns in the various states of northern India which may be termed as attractive retail destinations are:

- Delhi - New Delhi
- Haryana - Faridabad, Gurgaon, Rohtak
- Himachal Pradesh - Shimla
- Jammu & Kashmir - Srinagar, Jammu, Gulmarg
- Punjab - Chandigarh, Amritsar, Ludhiana, Jalandhar, Patiala
- Rajasthan - Jaipur, Jodhpur
- Uttar Pradesh - Dehra Dun, Noida, Nainital, Meerut, Agra, Lucknow, Kanpur, Allahabad, Moradabad

It has been observed that whatever little growth has taken place in the organised retail sector of late, has taken place primarily in the apparel and fast food sectors. Many international readymade garment brands have discovered that franchising is the most successful method of branching out into India and many of them have opened their exclusive outlets by giving franchisees throughout various parts of the country. Companies like Benetton, Arrow, La Coste, Van Heusen, Weekender, Raymonds, Lee, Adidas and Reebok have taken the lead in this regard and have opened many such stores all over the country, especially in northern India, with a fair degree of success. However, apart from these relatively small franchised stores, there is also the emergence of larger stores and multi-storeyed department stores especially in the major cities of northern India like Delhi, Chandigarh and Jaipur.

Large multi-storeyed department stores like Ebony, Snowhite, Big Jo’s, Jainsons, Landmark and the latest edition of Shoppers Stop have also become quite popular within their respective regions. These relatively large department stores usually
cover areas of around 10,000 to 30,000 sq ft and are multi-level. Most of these stores stock a variety of luxury goods ranging from garments for the young and old, male and female, to shoes and other garment accessories, books, stationery and electronic items, among other things. While they do sell a variety of well-known national and inter-national brands, they also lay great emphasis on marketing their own private labels for various product categories. The tremendous variety and convenience that these stores offer make them far more popular especially within their target clientele than their much smaller competitors. On account of their large volumes and better economies of scale, some of these stores have proved to be extremely successful stories and have chalked out major expansion plans for the future.

Some of the successful retail stores of north India are as follows:

**Morning Stores**

What started as a small time grocery shop in the Greater Kailash market of South Delhi, has now turned out to be one of Delhi's best known supermarkets. This company is over 40-years old but it was only in the 1980s that the store was renovated to convert it into a self-service supermarket. The company's first supermarket is a rather small two level store having an area of approximately 1500 square feet or each floor but from which the company sells a very large range of food and other essential items. The company's biggest competitive advantage is that it has been able to understand the specific tastes and needs of its target clientele extremely well. In fact after several years, the company has also recently opened its second store on the outskirts of Delhi.

**Modern Bazaar**

This store, situated in the posh Vasant Vihar area of New Delhi, also has a similar product mix as that of Morning Stores except that the target clientele of the store also includes a large segment of foreigners who reside in the neighbourhood. Apart from stocking most essential items, the store also specializes in fresh meat products, a fact that is well appreciated by its target clientele.
**Ebony**

Apart from the food supermarkets, a few good attempts have also been made at establishing good department stores focusing primarily on garments. This large department store set up by a group of non-resident Indians was established in the early 1990s to fill the tremendous vacuum that existed for a good quality store with a large choice. This store is multi-level and stocks a large variety of garments for men, women and children. The success of its first store had encouraged the promoters to open more branches in Noida (Near Delhi) and in Chandigarh (Punjab) and the latter are now also proposing to expand into other regions of the country.

**Snowhite**

This company has been in the retail sector for a fairly long period and has continued an ongoing exercise of restructuring depending on the rapid changes taking place in the retail environment. The company which was originally a garment retailer specializing in winter wear has recently also pioneered the concept of self-service office stores, a limited version of the international ‘office depot’ stores. The company has a chain of stores of both formats spread all across Delhi and its surrounding regions.

**Nirula’s**

Apart from the tremendous growth that has taken place in the supermarket and apparel sectors of organised retailing, substantial development has also taken place in the fast food sector of retailing. The most popular fast food chain in Delhi has been that of the Nirula’s which has grown rapidly in the last two decades. So successful has been the format as well as the recipe of this retailer that even multinational fast food chains like McDonald's, Wimpy’s and Dominos are struggling to compete with them. As regards both McDonald's and Wimpy’s, though they have achieved a fair amount of success in and around Delhi, neither of them has been very aggressive in terms of expansion plans in other parts of the country. Both companies have in fact been moving ahead rather slowly and cautiously unlike their aggressive counterparts in the developed countries. The
high cost of real estate makes most such operations unfeasible and in fact even those that are currently operating are struggling against this major cost component.

It is in fact primarily due to this factor that most prospective retailing projects all across the country do not go beyond the blackboard stage. It is a well-known fact that all retailing projects require ideal locations which are either not available or are far too expensive for the expected returns from the location. This situation is further aggravated by the obsolete rental laws which make it almost mandatory for retail companies to buy real estate instead of leasing them which they usually do not prefer as it blocks valuable capital. Most retailers usually prefer to invest in the expansion of their stores rather than on a single store.

**NANZ Supermarkets**

However having narrated the success stories, perhaps the most disappointing retail story of Northern India is undoubtedly that of NANZ Supermarkets. Some of the NANZ store locations were:

- Greater Kailash-I, New Delhi;
- Pusa Road, New Delhi;
- Mathura Road, Delhi; and
- Lajpat Nagar - II, New Delhi.

In the supermarket sector of northern India, the Escorts group of companies owned by the Nandas was the first to take the real bold step of entering the chain store retailing business. They started a chain of supermarkets known as NANZ Supermarkets since 1993 under a tripartite joint venture with NANZ Supermarkets of Germany and Marsh Supermarkets of USA. The company had, initially concentrated their efforts in north India only and had over 40 outlets in Delhi, Faridabad, Gurgaon, Noida, Gaziabad and Chandigarh but lost quite heavily in spite of the retail expertise of their international partners. These initial setbacks did have quite a demoralising effect on the entire company from which it apparently never recovered. NANZ supermarkets finally closed its doors in early 2001.
4.13.2 Southern India

The southern part of India is undoubtedly the most literate part of the entire country. It has the highest percentage of literacy and also has the highest number of organised retail stores compared to any other region. In fact even the global recognition that our country has received in the IT industry, has largely been possible on account of the vast pool of wealth that exists in the southern part of the country. It is in many states of South India that most of the biggest global names in the Infotech industry have their offices and an extremely large pool of manpower talent, which has also brought more prosperity to these states.

It is also said that organised retailing in India actually originated from the South and it is from here that it has been gradually spreading to other parts of the entire country. The level of retailing in some southern cities is also far higher than in most other parts of India. Some of the important cities and towns in the states of southern India are as follows:

- **Andhra Pradesh** - Hyderabad, Secunderabad, Vishakapatnam
- **Karnataka** - Bangalore, Belgaum, Mangalore, Mysore
- **Kerala** - Trivandrum, Kochi, Calicut, Kottayam, Kannur
- **Tamil Nadu** - Chennai, Erode, Salem, Vellore, Coimbatore, Trichy, Kanyakumari
- **Andaman & Nicobar Islands** - Port Blair
- **Pondicherry**

Almost all major national and international brands have their stores across southern India. While some of these outlets are company-owned, others are franchised. Apart from the outlets of some of the major companies, many small Indian companies have also been promoted by dynamic entrepreneurs who operate some very popular retail stores over a large spectrum of store formats in the region. In fact though the density of population in the South is much lesser in comparison to the north, there are a very large number of organised retail stores here.
including fast food stores, supermarkets, apparel stores and consumer electronic stores among others.

Some of the major retailers of south India are as follows:

**Nilgiris**

It is said that the supermarket way of shopping was introduced in India by this then fairly small South Indian family. This company known to have been called the ‘Nilgiris’ chain of supermarkets has been operating very successfully in Bangalore, Chennai, Coimbatore, Erode and some other South Indian towns and cities since more than the four decades. In fact the advent of Nilgiris has been a tremendous boon for consumers in these towns who have been able to do their one-stop grocery shopping here. The tremendous customer traffic at these Nilgiris stores in turn has fascinated many entrepreneurs in South India so much that a large number of retail stores of various store formats have since opened all over South India. The Nilgiris chain of stores too has grown, though rather slowly over the last four decades and presently has about 20 supermarkets, some company-owned and others franchised. They also have ambitious plans of opening a large hypermarket (over 100,000 square feet) on the outskirts of Bangalore in the near future which could become the largest single store in the entire country.

**FoodWorld**

In May, 1996 the 100-year old Chennai-based Spencers and Company, which was taken over by RPG Enterprises in 1989, started a supermarket chain from Chennai with the brand name 'FoodWorld'. This company was set up under a tie-up with the retail wing of the US-based $40 billion Jardine Matheson group, Dairy Farm International, Hong Kong who currently operate over 2400 stores in a variety of formats all over the world. The stores of Dairy Farm are extremely popular in many countries in south-east Asia, Australia, New Zealand, Spain and the United Kingdom. It is said that in India, the company tasted blood right from its inception, which is apparent from the fact that it did not waste any time in implementing its expansion plans unlike the Nilgiris.
In fact the company has today expanded in the South much faster than even NANZ did in North and already operates over 35 outlets in less than five years. Even these figures are apart from the other store formats that the company also operates, namely 'Health and Glow' and the 'Music World' chain of stores. However it is evident that the company has limited its area of expansion for the time being primarily to southern India only but does have some very ambitious expansion plans for the rest of India as well. It is universally believed that to be successful in retail, one must be able to work out better economies of scale as early as possible which is possible only by setting up a large number of stores. From the experiences of the past few years, the company has correctly projected its image as a company in a hurry and has understood this concept rather well.

The company got their finalised store formats correct the first time around and today almost all FoodWorld stores throughout Bangalore, Chennai, Coimbatore, Hyderabad and Pune, look almost identical in terms of their exteriors, interiors, equipments, store layout and product mix. FoodWorld began their operations with a very professional approach and with good in-house training they were able to provide relatively higher levels of customer service which had been a major drawback with their competitors in the region. Last but not the least, the never failing intuition of the grand old man of the RPG empire, Mr R P Goenka worked once again. It is said that his intuition rarely fails him. His vision of the future of organised retailing, like many of his other projects, has once again proved him right.

Apart from the FoodWorld chain of supermarkets, the company also operates different store formats for health and beauty products under the ‘Health & Glow’ brand name and another chain of music stores under the ‘Music World’ brand. The company is absolutely committed to retailing in India and this is justified by its efforts and the investment it has made in setting up a much-desired Retailing Management Institute to train young managers in the principles of retailing. The company has rightly anticipated that getting
trained manpower could soon become their biggest problem if they are to succeed in their future plans.

Refusing to become complacent due to its initial recognition as the biggest success story in the history of chain store retailing in India, the company also proposes to form a joint venture with DPI of Mauritius for setting up a chain of warehouse clubs with an area ranging from 50,000 to 200,000 sq ft each. The estimated investment in the project is expected to be to the tune of over Rs 500 crore to be made over a period of the next 10 years, for approximately 23 such gigantic stores with an average of one in each city.

**Big Kids Kemp**

The ‘Kids Kemp’ department store in Bangalore was initially for many years primarily a kid’s store, which had a very large variety of items for children. The initial success of the company in the children’s category had encouraged it to expand further by adding adult products as well especially garments for ladies and gents. Subsequently the company also changed its name from ‘Kids Kemp’ to ‘Big Kids Kemp’. The company has revolutionised retail marketing in India, especially through its creative marketing gimmicks that have made the store popular not only in Bangalore but across the entire country. The success of Big Kids Kemp soon encouraged many other large companies from within Bangalore as well as from other cities to also open shop in the city.

Thereafter some of the other retail companies including Littlewoods, Shoppers Stop, etc have also opened large stores in Bangalore and competition has increased substantially giving rise to even more promotions and hence better bargains for the consumer.

**Vitan Departmental Stores and Industries Ltd**

The Vitan departments stores chain more popularly known as ‘Vitan’ is headed by its dynamic promoter, Mr Vishnu Chokhani who started retail operations in 1987. This Chennai-based company's philosophy is to provide a complete family
store and to sell high quality products at very economical prices. Its product range includes garments and garment accessories for all ages, crockery, provisions, novelties and miscellaneous household items. The company already has 11 stores in Chennai and has very ambitious plans for the future as well.

**Westside**

Littlewoods International, a major British retailer having over 200 stores in the UK, Russia, Singapore, Hong Kong, Philippines and Indonesia also set up a 10,000 square feet store in Bangalore in March, 1995. The company had an advantage as they had already been sourcing many products for their international retail chain from India for quite some time. However just when the company was getting popular with the residents of Bangalore city, the company decided to implement a worldwide restructuring plan in which the Indian operations were sold off to the Tata’s. The Tata’s soon took over and under an almost similar store format, set up a new store called Westside. Thereafter Westside chain of department stores has grown at a rapid pace not only in Bangalore but in Chennai, Hyderabad and even in Mumbai. The unique strategy that the company has adopted right from its inception has been its policy of extensive private labels and very competitive pricing. It is in fact the first retailer of its kind that has taken this initiative which is extremely common and successful in other western countries. Exactly how far they would be able to provide value for money would be interesting to watch in the near future.

### 4.13.3 Eastern India

Most parts of Eastern India are not as developed as other parts of the country though trading has been the prime business of the region. It is often said that the Eastern Region has usually been the black sheep of the Indian family and has not witnessed much development both in the Industrial sector as well as in the retail sector. This is so inspite of the fact that Kolkata was once the capital of India and was also among most progressive cities in the entire country. The population in many cities of Eastern India is comparable with any other part of the country if
not more, but real progress has been extremely low. This is so because the population in India is generally not very mobile like in the US or Europe and prefers to remain in the same areas as they have been for many generations even if the economy of the region is in shatters.

Retailing in eastern India has, by and large, been extremely fragmented with a majority of many small outlets and hence very few major retailers have set foot in this region yet. Although the population in the region is quite large, the buying power of the consumer is still very limited. It is primarily because of this that most large retailers including garment as well as fast food stores prefer not to include the region in their expansion plans, at least in the near future. Companies even prefer to open stores in cities such as Indore and Hyderabad but avoid the relatively more populated cities and towns like Kolkata or even Jamshedpur.

Some of the important states and towns in the region, which may be termed as attractive retail destinations, are as follows:

- West Bengal  -  Kolkata, Darjeeling, Siliguri, Haldia, Kalyani, Durgapur
- Assam  -  Gauhati, Dibrugarh, Silchar, Jorhat
- Bihar  -  Dhanbad, Jamshedpur, Ranchi, Patna
- Orissa  -  Bhubaneswar, Cuttack, Puri, Balasore, Rourkela
- Nagaland  -  Kohima, Dimapur
- Meghalaya  -  Shillong
- Sikkim  -  Gangtok
- Arunachal Pradesh  -  Itanagar
- Manipur  -  Imphal
- Tripura  -  Agartala

Some of the major retailers of the region are:

**Vishal Garments**

It is believed that after all major store formats failed in eastern India, it was only the discount format of Vishal Garments that was successful. The company’s first store is located on prime Chowringhee Road very close to the historical New
Market of Kolkata. The company believes in round-the-year sales in which it heavily discounts its products on the lines of international discount stores. The primary focus of the company is on garments for all ages. The company has also recently opened its second store, a large 3000 square feet store located in the prime Gariahat area of South Kolkata, where it also follows the same policies of ‘everyday low prices’.

**Pantaloons**

Pantaloons was undoubtedly the first true international retailer to be successful in the city of Kolkata. The company has its head office in Mumbai and as a matter of prime policy only believes in having its own stores and does not believe in the concept of franchising. The company has an extremely successful department store format and its policy of low-cost high-volume products has been paying off extremely well especially in Kolkata. Apart from its store in Kolkata, the company has seven more branches including one each in Chennai, Hyderabad, Mumbai, Nagpur, Pune, Secunderabad and Thane.

It has been observed especially in the eastern region that retailers dealing in essential household items are far more successful than those dealing in upmarket or luxury products. The one type of retail format that would definitely be a grand success in the region would be that of a ‘no-frill, low price supermarket/convenience store’ format focusing primarily on essential items of daily necessity.

**4.13.4 Western India**

Western India is perhaps the most advanced and progressive region of the country. This region is also economically the most advanced as a result of which the major part of the population here also has greater buying power as compared with most other parts of the country. Some of the important cities and towns in the various states of Western India, which are attractive retail destinations, are:
Retailing in most towns and cities in Maharashtra is also dominated by the unorganized sector. Even the few multinational supermarket and department store chains that have entered India or have evinced an interest in the Indian market, avoid Mumbai primarily on account of its exorbitant real estate prices. In fact, till only a few years ago Mumbai was adjudged as one of the most expensive cities in the world in terms of real estate, second only to Tokyo in Japan. As discussed in an earlier chapter, real estate costs is the single largest expense for any retail operation anywhere in the world which makes most large retail projects quite non-viable primarily on account of such property costs. This is true despite the fact that the relatively higher per capita income of Mumbai’s population in particular, is absolutely ready for organised retailing in practically every part of the city.

The recent crash in the price of real estate in and around Mumbai over the past few years has reduced prices by more than 40 per cent in most cases, which however, does leave scope for some optimism in the near future. This has also encouraged prospective retailers to rethink their strategy towards Mumbai and many have already drafted plans which are in advanced stages of implementation. In fact the largest and truly world-class shopping mall of India called ‘Crossroads’ has been opened in Mumbai by the renowned Piramal group of companies.

**Reliance Retail Limited (RRL)** –

A subsidiary of Mukesh Ambani led Reliance Group was one such company set up to lead the country’s foray into organised retail to generate inclusive growth and prosperity for buyers and meet the increasing demand of consumers in the year 2006.
It operates over 850 stores in 60 cities, spanning 14 states with over 3.8 million square feet. According to Reliance Investment report 2007-08, the Indian retail industry is pegged at USD 300 billion and growing at over 13 per cent every year. In this, organised retailing is about 5 per cent which is expected to grow to 10 per cent by 2011\textsuperscript{18}. RRL strategy includes a multi-format store strategy of opening neighbourhood convenience stores, hypermarkets and specialty stores across India. Reliance’s retail business is currently operated through 16 distinct store formats.

RRL launched in November 2006. Reliance Fresh stores are approximately 3000-4000 square feet and cater to an area of 1-2 kilometer providing fresh fruits, vegetables, staples, groceries, fresh juice bars and dairy products. Presently, it has spread over to 57 cities with the growing retail chain of over 680 stores and is still expanding its presence across India.

**Reliance Super:** Reliance Super is spread across 10,000-15,000 square feet and comes with a mini mart concept. It offers products in every category ranging from food and grocery, home care, apparel and accessories, non-food FMCG products, footwear, and wellness products. With more than 31 Super stores across the country including Punjab, Haryana, Delhi and NCR, it also retails Reliance private label products.

**Reliance Mart:** Reliance Mart spread over 60,000 square feet carries a range of 30,000 products catering to the needs of the entire family. It also offers a cafeteria to entertain its customers along with special products and services such as membership, telecom services, sales finance services and apparels.

**Reliance Digital:** RRL launched its first Reliance Digital outlet in April 2006. Designed as a one-stop shop for all technological solutions for the consumer, it is spread over 15,000 to 30,000 square feet of space, with a range of 4,000 products from televisions to home theatres, refrigerators, air conditioners, cooking ranges, dishwashers, washing machines, computers, mobile phones and many more from across 150 brands. There are two Reliance digital stores which RRL plans to extend to 150 outlets by 2011.
Reliance iStore: As an offering from Reliance Digital, iStore houses the entire range of Apple products such as iMac consumer desktop computers, MacBook consumer notebooks, MacBook Pro, iPods and the entire suite of Mac software along with over 500 accessories and peripherals. RRL plans to open more than 20 iStores by March 2009.

Reliance Trends: A specialty store that offers a homogeneous mix of private brands and global brands in apparel, luggage and accessories for men, women and kids. The store carries 300 national and international brands apart from in-house brands and has seven outlets in Mumbai, Delhi and Gurgaon and across India. RRL plans to open 100 more outlets in next three years with an investment of 250 billion.

Reliance Wellness: Reliance Wellness is a chain of stores specializing in beauty and wellness products. The company has six operational Wellness stores and plans to open 150 by the end of 2008-09. Further, it plans to open 1,200 outlets in next three years and is expecting revenue of Rs 60 billion. The wellness stores have four broad categories including health foods, personal care products, healthcare products and pharma products and sell nearly 8,000 items.

Reliance Footprint: Reliance Footprint is a destination of footwear for the entire family and has over 20,000 products including handbags and accessories and also offers products of renowned brands from Europe and America. It has 11 outlets across India including all the metros and there are plans to open 15 more by March 2009. Of the Rs 150 billion footwear market, expected to grow to Rs 250 billion in next four years, Reliance Footprint aspires for 10-15 per cent market share.

With a vision to generate inclusive growth and prosperity for farmers, vendor partners, small shopkeepers and consumers, Reliance Retail Limited (RRL), a subsidiary of RIL, was set up to lead Reliance Group’s foray into organized retail. RRL launched its first store in November 2006 through its convenience store format ‘Reliance Fresh’. Since then RRL has rapidly grown to operate 590
stores across 13 states at the end of FY 2007-08. RRL launched its first ‘Reliance Digital’ store in April 2007 and its first and India’s largest hypermarket ‘Reliance Mart’ in Ahmedabad in August 2007. RRL has also launched its first few specialty stores for apparel (Reliance Trends), footwear (Reliance Footprints), jewellery (Reliance Jewels), books, music and other lifestyle products (Reliance Timeout), auto accessories and service format (Reliance Autozone) and also an initiative in the health and wellness business through ‘Reliance Wellness’. In each of these store formats, RRL is offering a unique set of products and services at a value price point that has not been available so far to the Indian consumer. Overall, RRL is well positioned to rapidly expand its existing network of 590 stores which operate in 57 cities.

During the year, RRL also focused on building strong relationships in the agri-business value chain and has commenced marketing fruits, vegetables and staples that the company sources directly to wholesalers and institutional customers. RRL provides its customers with high quality produce that has better shelf life and more consistent quality than was available earlier. RRL has made significant progress in establishing state-of-the-art staples processing centers and expects to make them operational by May 2008. RRL also expanded its supply chain infrastructure. The Company is fully geared to meet the requirements of its rapidly growing store network in an efficient manner.

Recognizing that strategic alliances are going to be a key driver to its retail business, in FY 2007-08, RRL established key joint ventures with international partners in apparel, optical and office products businesses. Further, RRL will continue to seek synergistic opportunities with other international players as well. This year, RRL will continue its focus on rapid expansion of the existing and other new formats across India.

**Shoppers Stop**

The K Raheja group of companies, considered to be one of the largest real estate developers in the country, also owns a few cinema halls. When the cinema hall business was no longer viable, the company began exploring many possibilities
and were finally convinced that if real estate developers in other parts of the world could succeed in retailing so could they. In October 1991, Shopper’s Stop made its first serious attempt to create a world class department store in Maharashtra. The cinema hall in Andheri, in Mumbai’s western suburbs was gradually but extensively renovated over a couple of years to ultimately make the property appropriate for a 32,000 square feet department store. The store is primarily an apparel store offering garment and garment accessories for both men and women of all ages including a very attractive special section for children.

The store was a great success right from its inception and was visited by over 3000 customers on week-days and about 6000 on weekends. As mentioned before the large population of Mumbai, which had the resources to spend, had been quite desperate for such a store for a very long time. However, never before did they ever get the opportunity to witness such a large variety of products under one roof and at reasonable prices. The sheer convenience and service was hitherto unheard of in this part of the country and the positive response encouraged the group to think bigger. The company now has some very successful stores with almost identical store formats in cities like Bangalore, Chennai, Hyderabad and even one in Jaipur. The company has a current turnover in excess of 160 crores per annum and is believed to have a sales growth of over 40 per cent per annum.

**Westside**

As mentioned before Westside, the retailing outfit of the Tata’s, has also created a department store format with emphasis on garment and garment accessories. They began their commercial operations in Mumbai only a couple of years ago and much later than Shopper’s Stop but with much fanfare. Within a very short span of time, apart from Mumbai, they too have already expanded their operations into Chennai, Bangalore and Hyderabad and have some very ambitious plans for the near future as well. In fact their seriousness and financial power to back their entry into the exciting retail arena in India, were demonstrated during one of their interesting promotion campaigns when they
offered the rare bumper prize of a Mercedes E200 car. This was followed by a couple of Indica cars as well.

Apart from this one of the largest music stores in India named ‘Planet M’ has also recently opened shop in Mumbai and has received a fairly good response. It is anticipated that with the real estate prices now having stabilized at slightly more realistic levels, organised retailing in Maharashtra is destined to become very exciting in the not so distant future. Even large industrial houses are now entering the retailing scene in a big way. The famous S Kumar's group followed by the Hirandani group, Haiko Supermarkets and Royal Supermarkets are all in advanced stages of their entry into the arena of organised retailing.

**Crossroads**

Piramal Enterprises, a part of the renowned Piramal Group of Companies, has also decided to expand into the ‘mall management’ business. Their first ambitious project called ‘Crossroads’, which was opened to the public recently in the heart of South Mumbai at Haji Ali, is truly a world-class shopping mall. Spread over 1,50,000 square feet of area, the mall has everything from the finest garment labels to the most exquisite home furnishing brands, sportswear, footwear, kitchenware and toys. Some of the most popular brands displayed here include Ensemble, Lacoste, Swarovski, L’Oreal, Aria Crystals, Rohit Bal, Ritu’s Boutique, J J Vallaya and the like. Apart from this, there is also a food court which offers a plethora of cuisines like Chinese, Lebanese and Indian. Then there is the world famous McDonald's which has also added this location in its stable of over 18,000 outlets worldwide. In short, Crossroads offers all the five C's to its customers, viz. change, choice, convenience, costs and customer service.

**Globus**

‘Globus’ is the retail wing of the Rajan Raheja group of companies who have only recently ventured into the retail business. They opened their first department store in Indore in June 1999 which was spread across a massive 35,000 square feet. The product mix of the store is primarily concentrated on garments and garment accessories, cosmetics, toys and sportswear. The company has
demonstrated its great desire of being the largest chain of department stores in the country, which is evident from the fact that while Shopper’s Stop took almost seven years to open its second branch, Globus did so in only two months. The company opened its second store in Chennai in August 1999 which is again a 40,000 square feet store spanning three levels. The company stocks over 1,20,000 SKUs in over 300 brands and also proposed to open its third outlet on Bandra Hill Road in Mumbai.

**Poonam’s Super Bazaar**

Apart from Mumbai, Maharashtra also has some other major cities like Pune and Nagpur that have an economically progressive population. Pune as a town is fairly advanced in all areas and has a few good retail outlets. ‘Poonam’s Super Bazaar’ is undoubtedly the most popular supermarket in Nagpur and is doing extremely well. In spite of being in Nagpur, the company has designed its store extremely well and it may be said that their supermarkets can well be compared with some of the finest in the country. Poonam’s Super Bazaar already has a chain of three stores and has some ambitious plans for the future.

The above region-wise analysis of the Indian retail scenario clearly demonstrates that retailing is the future business promises to be an extremely exciting one too. It is for this reason that some of the largest Indian corporate houses like Escorts, RPG, Tata’s, Piramal’s, S. Kumar’s and ITC have all climbed atop the retail bandwagon and many more are expected to follow suit. Many of the largest international retailers are also monitoring the developments in India very closely and it is apparent that no global retail chain of any repute can afford to avoid the one billion strong population of the Indian sub-continent for too long.
<table>
<thead>
<tr>
<th>Retailer</th>
<th>Format</th>
<th>No. of stores</th>
<th>Value Proposition</th>
<th>Product Strategy</th>
<th>Pricing Strategy</th>
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<td>Is se sasta aur accha kahin nahin,</td>
<td>Food and Non Food including Private Labels.</td>
<td>Discount</td>
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<tr>
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<td>Ab Ghar chalana kitna assan.</td>
<td>Food and Grocery including Private Labels</td>
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<tr>
<td>Pantaloons</td>
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<tr>
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<td>Chota Budget, Lambi Shopping</td>
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<td>Discount</td>
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(Source: Retailing Management By Swapna Pradhan, 3rd Edition, pg. 95 – 96)

4.14 Main Drivers of Retailing in India

4.14.1) Rising incomes
Over the past decade, India's middle- and high-income population has grown pace of over 10% per annum. Though this growth is most evident in urban areas it has also taken place in rural markets. Further, the number of households earning above Rs.1,50,000 per annum is about 30 million and expected to grow to 80 million. This
growing high-income population triggering the demand for consumer goods, leading to the proliferation of quality of higher priced products.

4.14.2) Consumerism Cycle
Consumer cycle starts with the industry dictating the market. Eventually time the distributor gains control over the market; at this stage the distributor is an important link between manufacturer and customer. When the market starts developing and expanding its horizons, retailers turn into the vital in this supply chain. India is entering this third stage where retailers control market. Being the closest link to the consumer in the supply chain, retailers profit accordingly. Manufacturers spend a lot of money promoting a product; profit it's not on the shop-shelf, consumers won't be able to buy it. Manufacturers have also realised that retailer recommendations matter, particularly in smaller towns where retailers are figures of authority or opinion leaders. With shopping attitudes changing, the Indian market today desires value-added products and services with good ambience and brands which only a retailer can provide. Hence good retailer relations are a must. Manufacturers are ready fees to get retailers to stock a product, or display charges to place it prominently.

4.14.3) Establishment of the Supply Chain
Over the past few years, the consumer goods sector has been transformed by increased liberalization, continuous reduction in customs duty, a shift from quota to tariff-based systems for imports and sophistication in manufacturing. Entry restrictions for multinationals have been removed in nearly all sectors. All this has enabled chain retailers to enjoy better range depth and, sourcing options as well as improved average margins. There has been a proliferation in, the range across all categories, with a simultaneous increase in the supply of f products and quality retail space. According to a study, there are over 18,000 stock-keeping units (SKUs are products and their variants, of type and size, counted individually), while most retailers have the space for at most 5,000-2,000 units. This has tempted a number of real estate companies and other corporate into investing in malls and other retail formats.
4.14.4) Change in Consumer Behaviour

The urban woman today is literate and, in many cases, employed. There is greater work pressure and increased commuting time. And with a shift in the family structure, nuclear families have become a significant component of urban markets. According to recent market research conducted in Bangalore, the share of nuclear families is estimated to be as high as 70%. Besides all these factors, the increase in the variety, quality and availability of products, and higher spending power has led to the growing popularity of supermarkets. There has been a change in shopping behaviour in urban India over the past few years with consumers looking for convenience. That is, they want everything under, one roof and a bigger choice of products. With an increase in double-income households, people do not have much leisure time and seek the convenience of one-stop shopping in order to make the best use of their time. They also look for speed and efficiency. Increased awareness has also meant that consumers now seek more information, variety, product availability, better quality and hygiene as well as increased customer service. The concept of ‘Value for Money’ is picking up.

Traditionally, children seldom accompanied their parents while shopping for groceries. Shopping for children was confined to festivals where they bought for them. But now, because they are pressed for time, working parents prefer to spend as much time as possible with their children; this includes their shopping hours also. As malls and supermarkets offer the option of entertainment along with shopping, younger couples prefer to shop there. Also driving the retail industry is impulse buying spurred on by higher brand awareness. Consumer niches have begun propelling the market and are becoming more important, with positive and negative sub-segments of consumers gaining significance. The growth accelerator in 2002, for example, has definitely been the working woman, with the money spent by her averaging 1.3 times that of a housewife.

4.14.5) Consumer Pull

Consumer pull is probably one of the largest influencing factors which have contributed to the growth of retailing in India. Both the traditional as well as organised retailers are trying to offer products and services to match the needs of
both the middle and upper middle class customers. These customers are seeking value added products at decent prices and convenience while shopping. The modern retailers on their part, by offering a wide range of products, good ambience, proximity, value added services such as credit etc. are making them attractive and appealing to all classes of society. For instance, Haiko Supermarket (Mumbai) offers their customers a care-lobby near the entrance of the store and other services like wheel chair for handicapped customers to enable them to shop. Simultaneously, another key component affecting the retailing industry is the growing population both in the rural as well as urban markets. Further, there has also been a steady growth in the number of double-income households and high income populations. Customers who fall in this bracket often spend a reasonable amount (around 55 percent of their take home salary) on food and grocery. The retailers are trying to meet the demand for higher quality or high priced consumer goods through their outlets. Malls such as The Forum (Bangalore) are able to attract customers by providing the right ambience and wide range of quality merchandise to choose from.

In the pre-liberalisation, supply-led market, the power rested clearly with the manufacturers. In today’s demand-led market, it’s the consumer who calls the shots. Over the last decade, there has been a significant evolution in the Indian consumer, mainly due to the liberalisation of the consumer goods industry that was initiated in the mid-eighties and accelerated through the nineties, combined with a growing consumerism driven by the media, new opportunities and increasing wealth. Although this change is most noticeable in the metros, it has affected consumers in smaller towns as well.

Consumers can be divided into two broad segments:

(i) High-Income Segment: This comprises consumers who do not shop themselves, have a very low level of involvement and whose monthly bills forms a very small part of the salary.

(ii) Middle and lower income group: This includes consumers who are highly involved in shopping, as this expenditure constitutes 50% or more of the monthly salary. This segment is highly value-conscious, constantly looking for bargains and is made up of active shoppers. Modern retailing, characterised by value, variety, convenience and
service for the consumer, appeals to this second segment. Supermarkets allow consumers to interact more directly with the products, read labels, compare prices, avail of promotions and offers, and so on.

4.14.6) Changes in the Social Structure

The retailing industry in India is emerging along the lines of the economic evolution of the society. The society consists of the urban woman, today who is highly educated, professionally qualified and working (with a high disposable income). Apart from being hard pressed for time—stretching herself to maintain the right balance between home and work, she is also a part of the nuclear family household. With an increase in such double-income households and working women segment, consumers are looking for a different life style. Such customers, while shopping are looking for the convenience of one stop shopping i.e., speed and efficiency (to take care of their limited time) seek more information, variety, quality products, hygiene, attractive shopping ambience and good customer service. These customers are seeking Value for money’ for the goods purchased. These needs of consumers are taken care of while shopping at convenience stores, departmental stores, supermarkets and so on.

With nuclear families concept gaining acceptance, especially in urban areas, it is very common to see the entire family going for shopping together. These customers are interested in shopping places which have the right mix of shopping, eating joints and entertainment. Shopping malls with their varied mix, distinct identity and tenant mix are able to offer customers a great and complete shopping experience for the entire family in an environment where there is variety and choice. Today, the malls being more organised in terms of categories, formats, movies and food courts have not only added convenience but also a fun element to the shopping experience. Such shopping, when customer care initiatives, special offers, events and promotion are taken care of by retailers, not only help in creating a differentiating factor but also provides different value propositions to the consumer.
4.14.7) New Entrepreneurs
The growing attractiveness of the retail trade has begun to attract new entrepreneurs with ideas, and venture capitalists with funds. Venture capitalists like ICICI and IL&FS are also increasingly willing west in retail businesses.

4.14.8) Explosion of Media
There has been an explosion in media as well during the past decade; Kick-started by the cable explosion during the Gulf War, television has accelerated to a point where there are more cable connections than telephones in Indian, homes (225 million vs. 23 million), and about 90 channels are being aired at all times. This media bombardment has exposed the Indian consumer to the lifestyles of more affluent countries and raised their aspirations and expectations from the shopping experience; they want more choice, value, service, experience and convenience.

4.14.9) Foreign Retailers Looking for Entry Options
The increasing attractiveness of the sector has drawn the interest of a number of global retailers. With the opening up of the economy, more and more MNCs have entered the Indian business arena through joint ventures, franchisees or even self-owned stores. The very first MNC to get into the business was Spencer’s, a tie-up between the RPG Group and Dairy Farm International, $10 billion Hong Kong-based Company, and a part of the Jardine Matheson, group. While foreign retailers cannot start operations on their own mainly because of FDI restrictions on the sector, a number of companies, Kingfisher, Metro, Carrefour and Ahold, are exploring entry options. In apparel, Benetton, Lifestyle and Zegna are already in business, and Dairy Farm has a number of retailing joint ventures in India.

4.14.10) Technological Impact
Technology is probably the most dynamic change agent in the retailing industry. The computerization of the various operations in a retail store including inventory management, billing and payments as well database (customers) management - widespread use of bar coding, point of sale terminals and Management Information Systems (MIS) has changed the face of Retailing drastically. Apart from providing the retailers with better and timely about their operations, the technology also performs such tasks as preventing theft store's goods and creating a better shopping
atmosphere. This is help of closed-circuit televisions, video walls and in-store video network forms of interactive applications ranging from CD-ROMs to let customers select and buy products.

4.14.11) Building Chains Around Brands
Apparel, footwear and consumer durable brands have driven the growth of specially chains and upgraded existing multi-brand outlets. Some like Reebok claim to have entered retailing because of the paucity of suitable multi-brand retailing options.

The most successful of these are the Rs.150 crores Viveks, the 40-year-old Chennai consumer durables chain, the Rs.50-crore Pantaloon apparel retail business, and Bangalore’s food retailer Nilgiris. With the new-age demanding consumer preferring to shop in these big retail chains, traditional ‘bania’ shops will face a difficult time trying to meet consumer expectations. This will make retailing an unattractive proposition for them. The process is likely to be kick-started by grocery stores transforming into supermarkets since the margins in the grocery trade are the lowest in the business. Further, the ‘bania’ is no longer considered a trusted friend. Managing inventory is a challenge in the small spaces that they operate from and it is a tough balancing act between stock-out and keeping low-turnover SKUS. The younger generation, however, is far more aware of the cost of real estate or indeed of higher-margin retailing opportunities. Moving up to newer business opportunities and creating the space for a new model will take top priority.

4.14.13) Awareness in Rural Market
The rural market is beginning to emerge as an important consumption area, accounting for over one-third of the demand for most key consumer durables and non-durable products. In response, manufacturers of consumer goods—both FMCGs and durables have begun developing new products (LG television, shampoo sachets, Ruf’n Tuf jeans) and marketing strategies (using a village ‘haat’ for brand promotions) with the rural consumer in mind.
4.14.14) Emergence of Hubs of Retail Activity
Chennai, Bangalore and Hyderabad have become major retail hubs. In Chennai, about 17% of food sales flow through supermarkets and 25-30% of consumer durable sales come from specially chains such as Viveks and Vasantha.

4.14.15) Change in Scale of Operations
Food World has 41, spread over Chennai, Bangalore and Hyderabad. This growing scale enables the supermarkets to eliminate links in the purchasing chain and to make deals with food processors directly. In fact, because of the huge scale of purchases, Hindustan Lever Ltd. (HLL), India’s largest consumer goods company, has dedicated a special team to deal with these emerging power retailers.

4.14.16) Entry of the Corporate Sector
In contrast to the situation only about a decade ago, the level of interest in retailing as a growth opportunity has increased visibly now. Large conglomerates like the Tatas, ITC, the RPG group, the Piramals and the Rahejas have initiated investment in retailing. The Birlas have acquired the Madura Garments apparel business, while Reliance has publicly committed to developing a retail business along with the development of its fuel-retailing network. Oil companies like HPCL (Speed Mart), IOCL (Convenio), and BPCL (In & Out) are also expanding from fuel retailing to grocery and convenience stores. Big business houses today are in a position to provide the Indian masses with shopping satisfaction, entertainment, quality products, polite salespersons, product information and discounts. Though margins are low at the moment because of high property costs and poor infrastructure, this is the only business where one buys in credit and sells for cash.

4.14.17) Changes Occurring in the Retail Scenario
In order to take care of the consumer acceptance of organised retailing, retailers are involved in finding the means to incorporate maximum innovation with minimum fuss, maximum customer focus with minimum price intervention and maximum value for money with minimum people problems. Some of the retail actions taken by retailers are introduction of designs labels, revenue sharing.
formulae and new return on investment (ROI) models, enhancing the sales staff quality and increasing overall operation efficiencies.

Department stores such as Pantaloon, Shoppers’ Stop, and Westside have started selling designer wear. These designer wear going by the brand names Buzz, Springboam etc. have helped in creating a store image and is widely accepted by the customers.

In fact, India retail industry is the fastest growing industry in India and it accounts for 10% of the country's GDP. Many Indian companies have entered the retail industry in India and this is also a factor in the growth of Indian organized retail sector. Reliance Industries Limited is planning to invest US$ 6 billion in the organized retail sector in India by opening 1500 supermarkets and 1000 hypermarkets. Bharati Telecos is planning a joint venture worth £ 750 million with Tesco a global retail giant. Pantaloon is planning to invest US$ 1 billion in order to increase its retail space to 30 million square feet. Such huge investment is also a factor in the growth of the organized retail sector in India.

Global retail giants are also entering the retail industry in India and this is also one of the factors in the growth of the organized retail sector in India. The global retail giants who are entering the organized retail sector in India are Wal-Mart, Tesco, Carrefour SA, Metro AG. The factors for growth in Indian organized retail sector are many and that is the reason behind its massive growth.

**4.15 Impact on Unorganized Sector**

There is impact on the over all profitability of small unorganized retail players in the immediate vicinity of the organized retail establishments. The issue holds special significance since India has tremendous population density and a significant portion of this population is engaged with the unorganized retail sector in some respect of the other. India is indeed a very lucrative retail market for both domestic and foreign players and hence it will be naive to undermine the intense competition that the industry will see in the near future. The government so far has been able to keep the foreign players out of the market; however the
upcoming tie ups between Bharati and Wal-Mart shall put a question mark on
the ingenuity of the government’s intent. Apart from the foreign players, the
entry of large Indian players such as Reliance Retail has already started leaving
an impact on the Indian retail sector.

The unorganized sector has shown its resentment by the locals storming into the
retail stores of Reliance in various parts of the country. This resentment however
not reminiscent of the inherent tolerant attitude of the Indian masses but it was
certainly not out of context. As the survey report suggests there has been a
significant impact over the profitability of the local retailers hence putting
question marks over their long term sustainability. A small retailer, who can see
his future getting washed out by the dominating financial might of his suddenly
emerged competitor, is indeed justified to present his resentment. But such
exhibitions of antipathy are no solution to the problem at hand and there must be
a constructive dialog amongst the sensitive citizens of this country in order to
find some solution to this problem.

Extension of organized retail is indeed an evolutionary stage of the Indian
economy and Market and hence quite unavoidable if economic sensibility has to
prevail. Therefore we must not contemplate a mutually exclusive existence of
unorganized and organized retail, and rather concentrate on identifying a
mutually compatible structure governed by rational governance policy. It is
imperative to acknowledge that the government policy at this tipping point of the
Indian economic growth must focus on equitable distribution of income. It is
therefore essential to develop a market structure where there are enough
opportunities for both the organized and unorganized players. It is indeed going
to be a long term process however in my opinion the government can demarcate
the domain of operation for both the categories of establishments. If we carefully
analyze the geographical position of the unorganized sector it is found that these
establishments are normally located in small residential colonies and provide
most of the merchandise for daily needs. Therefore if the government can prevent
the big organized players from having establishments in residential colonies by
only allowing their operations in commercial establishments, the unorganized
sector can at least have some respite from direct competition.
The recent years have witnessed rapid transformation and vigorous profits in Indian retail stores across various categories. This can be contemplated as a result of the changing attitude of Indian consumers and their overwhelming acceptance to modern retail formats. Asian markets witness a shift in trend from traditional retailing to organized retailing driven by the liberalizations on Foreign Direct Investments. For example, in China there was a drastic structural development after FDI was permitted in retailing. India has entered a stage of positive economic development which requires liberalization of the retail market to gain a significant enhancement.

Domestic consumption market in India is estimated to grow approximately 7 to 8% with retail accounting for 60% of the overall segment. Of this 60%, organized retail is just 5% which is comparatively lesser than other countries with emerging economies. In developed countries organized retailing is the established way of selling consumer products. Despite the low percentage, Indian textile industry has grown noticeably in organized retailing of textile products. The negative phase in exports may have compelled the Indian textile retailers to explore the opportunities in the domestic market substantially causing the outstanding growth in the concerned segment. These indications give a positive notion that organized retailing has arrived in the Indian market and is here to stay. It is expected to grow 25-30 per cent annually and would triple in size from Rs35,000 crores in 2004-05 to Rs109,000 crores ($24 billion) by 201021. 

India is on the radar screen in the retail world and global retailers and at their wings seeking entry into the Indian retail market. The market is growing at a steady rate of 11-12 percent. The inherent attractiveness of this segment lures retail giants and investments are likely to sky rocket with an estimate over Rs 200 billion by end of 201022. Indian retail market is considered to be the second largest in the world in terms of growth potential.

A vast majority of India's young population favors branded garments. With the influence of visual media, urban consumer trends have spread across the rural areas also. The shopping spree of the young Indians for clothing, favorable income demographics, increasing population of young people joining the
workforce with considerably higher disposable income, has unleashed new possibilities for retail growth even in the rural areas. Thus, 85% of the retail boom which was focused only in the metros has started to infiltrate towards smaller cities and towns. Tier-II cities are already receiving focused attention of retailers and the other smaller towns and even villages are likely to join in the coming years. This is a positive trend, and the contribution of these tier-II cities to total organized retailing sales is expected to grow to 20-25%.

4.16 Challenges facing the Organized Retail Industry:

Despite the rosy hopes, some facts have to be considered to positively initiate the retail momentum and ensure its sustained growth. The major constraint of the organized retail market in India is the competition from the un-organized sector. Traditional retailing has been deep rooted in India for the past few centuries and enjoys the benefits of low cost structure, mostly owner-operated, therein resulting in less labor costs and little or no taxes to pay. Consumer familiarity with the traditional formats for generations is the greatest advantage to the un-organized sector. On the contrary, organized sector have big expenses like higher labor costs, social security to employees, bigger premises, and taxes to meet.

The challenges facing the Indian organized retail sector are various and these are stopping the Indian retail industry from reaching its full potential. The behavior pattern of the Indian consumer has undergone a major change. This has happened for the Indian consumer is earning more now, western influences, women working force is increasing, desire for luxury items and better quality. Indian consumer now wants to eat, shop, and get entertained under the same roof. All these have lead the Indian organized retail sector to give more in order to satisfy the Indian customer.

The biggest challenge facing the Indian organized retail sector is the lack of retail space. With real estate prices escalating due to increase in demand from the Indian organized retail sector, it is posing a challenge to its growth. With Indian retailers having to shell out more for retail space it is effecting there overall
profitability in retail. Trained manpower shortage is a challenge facing the organized retail sector in India. The Indian retailers have difficulty in finding trained person and also have to pay more in order to retain them. This again brings down the Indian retailers profit levels.

The Indian government has allowed 51% foreign direct investment (FDI) in the India retail sector to one brand shops only. This has made the entry of global retail giants to organized retail sector in India difficult. This is a challenge being faced by the Indian organized retail sector. But the global retail giants like Tesco, Wal-Mart, and Metro AG are entering the organized retail sector in India indirectly through franchisee agreement and cash and carry wholesale trading. Many Indian companies are also entering the Indian organized retail sector like Reliance Industries Limited, Pantaloons, and Bharati Telecoms. But they are facing stiff competition from these global retail giants. As a result discounting is becoming an accepted practice. This too brings down the profit of the Indian retailers. All these are posing as challenges facing the Indian organized retail sector.

Availability and cost of retail space is one major area where Government intervention is necessary. Liberalizing policy guidelines for FDI needs focus as well. Proper training facilities for meeting the increasing requirements of workers in the sector would need the attention of both Government and the industry. Competition for experienced personnel would lead to belligerence between retailers and higher rates of attrition, especially during the phase of accelerated growth of the retail industry. The process of avoiding middlemen and providing increased income to farmers through direct procurement by retail chains need the attention of policy makers. Taking care of supply chain management, mass procurement arrangements and inventory management are areas that need the focus of entrepreneurs.

India is now on the radar of global retailers. Accelerated development of retailing industry in the country and building brand value of domestic products is essential not only for marketing our consumer products more efficiently, but also for the development of our own retailing industry.
India’s upbeat economy presents enormous opportunity. The mood in Indian retailing is bursting with optimism, with the hope that the government will introduce favorable legislative relaxation in real estate and partial FDI reforms in retailing. This will encourage retailing to remain in investment mode. Domestic retailers are likely to exploit the improving economic environment as well as the relatively stable political situation and increase their presence. Industry conglomerates such as Reliance are proposing to invest heavily in retailing and are seeking avenues to establish and expand as they prepare to take retailing in India by storm.

The Indian economy is likely to continue its steady growth with enhanced share in global trade and steady agricultural outputs. Booming employment opportunities, rising urban disposable incomes and credit card ownerships, changing lifestyles and demographic profiles all are showing a favorable skew towards a rising consumerism culture, boding well for retailing growth. Consumer spending is clearly set to accelerate its pace. India is expected to become the most populous country globally by 2050, surpassing China. This points to an enormous nascent consumer base and a potential gold mine for retailing in India. Ascending consumer disposable incomes backed by low interest rates and higher ownership of credit cards allowed for inflated spending within key consumer groups in urban and rural India. The AC Nielsen Online Omnibus Survey 2005 rates India in the highest category of Aspiration Index in Asia, along with China, Indonesia and Thailand.

The existing Indian retail sector is largely made up of the unorganized sector. This sector consists of small family-owned stores, located in residential areas, with a shop floor of less than 500 square feet. Organized sector is expected to rise by 20 to 25 percent by 2010. Many of the companies believe that the potential size of this market is underestimated. They consider that there are considerable opportunities for organized retailers in rural territories that need to be addressed. Companies expect retail growth in the coming five years to be surpassing the GDP growth. The structure of retailing is also developing rapidly. Shopping malls are becoming increasingly common in large cities. The number of department stores is growing much faster than overall retail, at an annual 24 percent. Supermarkets have been taking an increasing share of general food and
grocery. Several builders have announced plans for at least 150 new shopping malls by 2008\textsuperscript{23}.

With a 27% share of world GDP, retail is a significant contributor to overall economic activity across the world. Of this, organized retailing contributes between 20% to 55% in various developing markets. The Indian retail industry is pegged at $300 billion and growing at over 13% per year. Of this, presently, organized retailing is about 5%. This is expected to grow to 10% by 2011\textsuperscript{24}. The organized retail sector in India is no longer a sunrise industry. Rather it may be termed as one of the fastest emerging sector with various leading Indian and International players paying serious attention to this budding opportunity.
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