This section presents the existing body of knowledge on retailing and the current retailing environment in India. A definition of retailing will be introduced, which is followed by a description of the types of retailing carried out in India. Following this discussion, the future trends of retailing in India are presented. This section concludes with an analysis of India’s retailing industry.

\section*{1.1 Definition of Retailing}

When man started to cultivate and harvest the land, he would occasionally find himself with a surplus of goods. Once the needs of his family and local community were met, he would attempt to trade his goods for different goods produced elsewhere. Thus markets were formed and still it is dynamic and inventing new avenue of market. The simple format of early efforts to swap goods that developed into more formal gatherings has grown into complex retail industry today. There were several attempt made to define retailing. Few of them are as follows.

“Retailing is a set of business activities that adds value to the product and service sold to the consumer for the personal or family use.”
Mason et al. (1994) provided a comprehensive classification of retailing and suggested that retailing can be described in several ways: (1) in terms of activities; (2) as part of a process; (3) as having structure; and (4) as an intermediary in a channel of distribution. Berman (2005) argued that retailing could be viewed from multiple perspectives, including tangible and intangible items, and a distribution channel. Table 1.1 presents various definitions based on categories of retailing from the classification provided by Mason et al. (1994). For example, Berman (2005) and Dunne (2005) describe retailing as an intermediary in a channel of distribution, and Ogden (2005) defines retailing as the process of purchasing and selling goods and services to the consumer.

Table 1.1: Classification of Retailing Definitions

<table>
<thead>
<tr>
<th>Categories</th>
<th>Definitions</th>
</tr>
</thead>
<tbody>
<tr>
<td>In terms of activities</td>
<td>Kotler (2003): ‘retailing includes all the activities involved in selling goods or services directly to final consumers for personal non-business use.’</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>As part of a process</td>
<td>Ogden (2005): ‘the sale of goods or commodities in small quantities directly to consumers.’</td>
</tr>
<tr>
<td>As an intermediary in a channel of distribution</td>
<td>Dunne: ‘retailing consists of the final activities and steps needed to place merchandise made elsewhere into the hands of the consumer or to provide services to the consumer.’</td>
</tr>
<tr>
<td></td>
<td>Berman (2005): ‘retailing is the last stage in the distribution process.’</td>
</tr>
</tbody>
</table>

(Source: Weibing Xuan 2007)
1.2 Type of Retailing

Retail establishments commonly known as stores are the places where retailing or processes of selling goods to the ultimate customers are performed. These establishments are open to the general public and sales are made in small quantities. There are different types of retail establishments. Although they have many common characteristics, some of these have characteristics that differ from other. Because of varied nature of these retail stores, it is difficult to determine their methods of operation or to evaluate their efficiency unless they are categorized into classes or types based upon certain factor. Different retail outlets which are classified according to the following:

1. Forms of Ownership

   a. **Independent Stores** – These are individually owned and managed business units.

   b. **Franchise** - This refers to contractual agreement between a franchiser (manufacturer or wholesaler) and an independent retailer (franchisee). The franchiser grants the right to a retailer to sell certain goods or services and usually provides the equipment, products, and managerial services.

   c. **Corporate Retail Chain** – It is a company offering multiple retail units under commonly ownership and usually has centralized decision making for defining of implementing its strategy.

2. Level of Service or Functions Performed

   a. **Cash and Carry Stores** - In this type of store, goods are sold strictly on cash basis.
b. **Supermarkets**: These are large-scale departmentalized retail institution specializing in groceries in wide assortments on a self-service basis.

c. **Cash on Delivery** - The customer pays for the merchandise upon delivery of this to his/ her home.

3. **Mode of Operation**

a. **Direct selling** - This means selling direct from the producer to the ultimate user.

b. **Mail-order firms** - These retail firms use mail order catalogs to inform customers of their offering. Purchases are also delivered by mail or by trucks.

c. **Automated vending machines** - This type of retailing makes use of coin-operated machines which automatically sell merchandise without the services of a salesclerk.

d. **Credit Sale** - The customer buys merchandise on credit and is given a specific period of time within which to pay for his/her purchase.

4. **Merchandise Line**

a. **General Stores** - These are retail stores which sell different kinds of unrelated commodities including groceries, dry goods, house ware, school supplies, hardware and even over-the-counter drugs.

b. **Specialty stores** - These are retail stores which concentrate on limited number of complementary merchandise categories and provide a high level of service to customers.
c. **Convenience stores** - These are multiple-line type of stores which carry an assortment of "pick-up" items such as groceries, cosmetics, and school supplies.

5. **Non Store Base**

a. **Electronic Retailing** – Electronic Retailing (also known as e-tailing and Internet retailing) is a retail format in which the retailers communicate with customers and offer products and service for sale over Internet.

b. **Catalog and Direct Mail Retailing** – It is a non-store retail format in which the retail offering is communicated to customers through a catalog, where direct mail retailers communicate with customers using letters and broachers.

c. **Direct Selling** – It is a retail format in which a salesperson frequently an independent business person, contacts a customer directly in a convenient location and demonstrate merchandise benefits, takes an order and deliver merchandise to the customer.

d. **Television Home Shopping** – It is a format in which consumers watch a TV program demonstrating merchandise and then place an order for merchandise by telephone.

e. **Vending Machines** – It is a non store format in which merchandise or services are stored in a machine and dispensed to customers when they deposit cash or credit card. Vending machines are placed at convenient, high traffic location such as in the workplace and primarily contain snacks or drinks.

Retailers can also be classified in terms of their gross margin percentages and rates of inventory turnover. All retailers are classified into four categories: low-margin/low turnover, low-margin/high-turnover, high-margin/low-turnover, and
high-margin/high turnover. This method is also unsuitable to service retailers and some e-tailers, which have no inventory.

Location is also one of the most important factors for retailing, especially for traditional brick-and-mortar operations. Locations include central business districts or a mall or strip shopping centre. However, over the last decade, retailers have become aware of business opportunities in new, non-traditional retail areas, therefore this classification method also does not take account of new retailing models, such as e-tailing.

Retailers also can be classified by sales volume or number of employees. This is because the operating performance of retailers is related to their size. Similarly to the classification of location, with the development of technology this classification method may not be suitable in the future, especially when comparing a traditional retailer and an e-tailer. For example, Wal-Mart cannot be compared to Amazon.com in terms of the number of employees.

1.3 Role of Retailer in Distribution Channel

A retailer is a business that sells products and/or services to consumers for their personal or family use. Retailers are the final business in a distribution channel that links manufacturers to consumers. A distribution channel is a set of firms that facilitate the movement of products from the point of production to the point of sale to the end user.

Manufacturers make products and sell them to retailers or wholesaler. Wholesalers buy products from manufacturers and resell them to retailers and retailers resell products to consumers.
Wholesalers and retailers may perform many of the same functions, but wholesalers satisfy retailer’s needs, while retailers focus to satisfy needs of ultimate consumers.

In some distribution channels, the manufacturing, wholesaling and retailing activities are performed by independent firms, but most distribution channels have vertical integration. Vertical integration means a firm performs more than one set of activities in the channel, such as investment by retailers in wholesaling or manufacturing. Forward integration is when a manufacturer himself performs retailing activities such as Koutons operates its own retail stores.

1.4 Functions Performed by Retailers

The value –creating functions performed by retailers are

1. **Providing an Assortment of Products and Services**

Retail formats like supermarkets carry more than 30,000 different items made by over 500 companies. Offering huge variety of products will provide customers a wide selection of brands, designs, size, color and price at one location.

2. **Breaking Bulk**

For reducing transportation costs, manufacturers and wholesalers typically ship cases of frozen dinners or a lot of cloths to the retailers. Retailers then offer
products in smaller quantities as per the requirement of consumers or consumption pattern. This is called as bulk breaking. Breaking bulk is important to both manufacturers and consumers. As it is cost effective for manufacturers to package and transport merchandise in large quantities and customers want to purchase merchandise is smaller and more manageable quantities.

3. **Holding Inventory**

A major function of retailers is to keep inventory which is already reduced into user-friendly sizes so that the products will be available when customers want them. By maintaining the inventory, retailers provide a benefit to customers as they reduce customers’ cost of storing products.

4. **Providing Services**

Retailers provide services which make easy for the customers to purchase product of their own choice. They display the products so that customers can see and test them before buying. Some retailers also provide home delivery service above the purchase of a particular amount. Salespeople in retail store also provide guidance to the customer regarding product and also provide additional information too.

1.5 **Global Retail Industry**

The global retail universe is very diverse, covering a large number of segments (e.g. pure food retailers, specialty apparel stores, or retailers whose earnings are primarily derived from consumer finance operations), different business models (e.g. operators that mostly own real estate versus those that lease) and a wide range of formats (e.g. "big box" retailers, or Internet-based operations).

Table 1.2 shows various statistics pertaining to global retail sales. The data shown in the table depicts growth between the year 2005 to 2007 while it clearly indicates
decline in growth during the year 2008 and 2009 (recessionary period). The recession period has been a chaotic period for the global retail industry. The factors which contribute to the retail sales such as purchasing power and consumer confidence were at bottom during the period of recession.

Table 1.2:- Global Retail Sales and contribution of online retail sales (Year2005-2009)

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Sales</td>
<td>11,000</td>
<td>11,900</td>
<td>13,200</td>
<td>14,500</td>
<td>13,900</td>
</tr>
<tr>
<td>( USD billion)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail Growth Rate</td>
<td>-</td>
<td>7.2</td>
<td>10.9</td>
<td>9.8</td>
<td>-4.1</td>
</tr>
<tr>
<td>(In percentage)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Online Sales</td>
<td>181</td>
<td>222</td>
<td>271</td>
<td>304</td>
<td>349</td>
</tr>
<tr>
<td>( USD billion )</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Online Growth Rate</td>
<td>-</td>
<td>22.7</td>
<td>22.1</td>
<td>12.4</td>
<td>14.5</td>
</tr>
<tr>
<td>(In percentage)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Source: EIU, August 2010)

According to IMAP Retail Report 2010, Global retail sales in the year 2009 declined by 3.7 percent and reached at US $ 13.9 trillion. Profitability also decline due to the heavy promotional activities. The profitability of the 200 largest retailers in the world fell to 2.4 to 4.1 percent during fiscal year ended the year 2009 while more than 30 retailers have reported operating loss.
Even though retail sales exhibited signs of recovery towards the beginning of the year 2010, but still the outlook was mercy as Western Europe remain depressed, Spain and UK faced problems regarding unemployment, high government borrowing and household debt. North America was showing some recovery but growth was subdued due to more jobless claim. Though number of stores closures in the year 2010 was lower compared to the year 2009. However still global retail sales growth is expected to be 7.3 percent in the year 2010 and 5.8 percent in the year 2011 and again will rise to 7.4 percent in the year 2012.

The global online retail sales grew by 14.5 percent in the year 2009 and reached at US $ 349 billion. Electronics is the largest segment in global online retail sales which contribute around 22.6 percent. The U.S was the biggest market for online retail sales with 37.2 percent market share in the year 2009. Online retail sales still contribute to only 2.5 percent of total retail sales on global basis. But it is expected to grow and reach at US $ 778.6 billion, expected to increase at a CAGR of 22.2 percent.

In the major markets such as the US and UK, retail spending is expected to decline, while emerging markets such as China and India will have strong growth in coming years. Analysts predict that Asia will represent the best growth prospects for retailers and consumer product companies in near future.
## 1.6 Top 10 Global Retailers

**Table 1.3:- Top 10 Global Retail Players**

<table>
<thead>
<tr>
<th>Name</th>
<th>Country of Origin</th>
<th>Retail Sales 2009 (US $ million)</th>
<th>Operational Format</th>
<th>Countries of Operation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wal-Mart Stores, Inc</td>
<td>U.S.</td>
<td>405046</td>
<td>Hypermarket / Supermarket/ Superstore</td>
<td>16</td>
</tr>
<tr>
<td>Carrefour S.A</td>
<td>France</td>
<td>119887</td>
<td>Hypermarket/ Supermarket/ Superstore</td>
<td>36</td>
</tr>
<tr>
<td>Metro AG</td>
<td>Germany</td>
<td>90850</td>
<td>Cash &amp; Carry, Warehouse Club</td>
<td>33</td>
</tr>
<tr>
<td>Tesco plc</td>
<td>U.K</td>
<td>90435</td>
<td>Hypermarket / Supermarket / Superstore</td>
<td>13</td>
</tr>
<tr>
<td>Schwarz Unternahmens Treuhand KG</td>
<td>Germany</td>
<td>77221</td>
<td>Discount Store</td>
<td>25</td>
</tr>
<tr>
<td>The Kroge Co.</td>
<td>U.S.</td>
<td>76733</td>
<td>Supermarket</td>
<td>1</td>
</tr>
<tr>
<td>Costco Wholesale Corp.</td>
<td>U.S.</td>
<td>69889</td>
<td>Cash &amp; Carry / Warehouse Club</td>
<td>9</td>
</tr>
<tr>
<td>Aldi Einkauf GmbH &amp; Co.Ohg</td>
<td>Germany</td>
<td>67709</td>
<td>Discount Store</td>
<td>18</td>
</tr>
<tr>
<td>Home Depot, Inc.</td>
<td>U.S.</td>
<td>66176</td>
<td>Home Improvement</td>
<td>5</td>
</tr>
<tr>
<td>Target Corp.</td>
<td>U.S.</td>
<td>63435</td>
<td>Discount Department store</td>
<td>1</td>
</tr>
</tbody>
</table>

(Source: Deloitte Global Power of Retailing 2011)
1.7 Country wise Retail Industry

1.7.1 US Retail Industry

Retail with more than 14 million\(^1\) employees in America alone, is one of the largest industries in the world by number of business and number of employees. Though US economic slowdown in the year 2008-09 has severely diminished retailing positive contribution to the total US job growth. But still it is estimated that retail industry will add another 6, 54,000 jobs by the year 2018\(^2\).

According to annual report of U.S Census Bureau (calendar year 2009), the total amount of sales for the U.S retail industry (including food service and automotive) was $ 4.13 trillion and that of same reached to $ 4.345 trillion in the year 2010 as per Plunkett Research Ltd. Further National Retail Federation has projected that retail industry sales will increase at 4 percent in the fiscal year 2011(excluding automobile, gas station and restaurants) from previous year 2010. According to survey by NRF, the most important factor impacting shopping in the holiday season was price discounts and everyday low price.

According to eMarketer report, US online sales will grow from $ 188.1 billion in the year 2011 to $ 269.8 billion in the year 2015. According to Forrester US online retail will grow at a 10 percent compound annual growth rate from the year 2010 to 2015 and will reach at $ 279 billion in the year 2015. eBay posted a 5 percent rise in revenue in fourth quarter of fiscal year 2010. US consumers are becoming friendlier with process of purchasing goods and services online. Major reasons to purchase online include 24 hour shopping convenience and facility to compare price. One of major reason for growth in online sales is increasing popularity of social networking websites. According to Wall Street Journal, the revenue of Giantnerd.com, a shopping site for outdoor gear, almost doubled from the facebook.
The areas that impact US retail industry the most are motor vehicles and part dealers, furniture and home furnishing store, electronics and appliance stores, building material, food and beverages, health and personal care stores, gasoline stations, clothing, sporting goods and music stores, general merchandise stores and so on.

Federal Reserve has played major role in enhancing the US economy which proved to be an important factor in the growth of retail industry. The low interest rates along with liberal monetary policy have raised income by 1 percent for the month of January 2011 which increases consumer spending by 0.2 percent. Further consumer confidence index rose 5.6 points to 70.4 in January 2011, compared to 64.8 in December 2010.

Along with the positive factors, some of the negative factors that impact the industry are inflation and easy availability of substitutes, increasing competition. Food inflation is becoming a serious threat that may pull the economy back to the situation of worst recession.

**Major Retailers in US**

1. **Wal-Mart**

   Walmart was established in the year 1962, with the opening of the first Walmart discount store in Rogers, Ark. The company incorporated as Walmart Stores, Inc. on 31st October 1969. Walmart serves customers and members more than 200 million times per week. They have more than 9029 retail units under 60 different banners in 15 countries. Walmart employees 2.1 million associates worldwide. Walmart has established themselves in Discount Stores, Walmart Supercentres, Walmart neighbourhood stores, Marketside and Walmart.com. The common goal behind Walmart is to save people money, so they can live better.
Walmart founder Sam Walton opened first Walmart discount store in the year 1962. Today there are 647 stores across United States. The size of an average store is 1,08,000 square feet. The store offers wide variety of quality product at value-priced which include apparel, health and beauty tips, electronics, toys, lawn and garden items, jewelry, automotive products, home furnishing, hardware, sporting goods, pet supplies and housewares.

Walmart supercentres were developed in the year 1988 to meet growing demand for convenient, one-stop family shopping featuring Every Day Low Price (EDLP). There are 2,921 Supercentres and most of them are open for 24 hours. The average size of a superstore is 1,85,000 square feet. First Walmart neighborhood store was opened in the year 1988 and today there are 183 neighbourhood stores with size of 42,000 square feet. Walmart neighbourhood markets offer a quick and convenient shopping experience for customers with a need of groceries, pharmaceuticals and general merchandise at Every Day Low Price. Marketside, opened in the year 2008 are small community pilot grocery stores specializing in fresh and delicious meal. They offer variety of fresh ingredients, restaurant quality prepared meals, freshly baked breads and wide assortment of wines.

Walmart.com was found in the year 2000, has more than 10,00,000 products plus easy to use music downloads and digital one hour photo service. Walmart.com also came with special offers during holidays. It offers convenience, great variety, friendly service and EDLP.

Walmart became an international company when they opened Sam’s club near Mexico City in the year 1991. Walmart has developed stores in different countries with different style and by focusing on customers’ needs and desire. Today Walmart is present in Argentina, China, Honduras, Nicaragua, Brazil, Costa Rica, India, UK, Canada, El Salvador, Japan, Chile, Guatemala and Mexico.
2. **The Kroger**

In the year 1883, Barney Kroger invested his life saving of $372 to open a grocery store at 66 Pearl Street in downtown Cincinnati. He has adopted a simple motto: “Be particular. Never sell anything you would not want yourself.” It was the credo that would serve The Kroger Co. well over the next 120+ years as the supermarket business evolved into a variety of formats with an objective to satisfy the need of shoppers.

Today Kroger is one of the US largest retailer with nearly 2,500 stores in 31 states under two dozen local banner names including Kroger, Ralphs, Fred Meyer, Food4less, Fry’s, King Soopers, Smith’s, Dillons, QFC, Baker’s, Gerbes and City Market. The store format of The Kroger Co. includes grocery and multi-department stores, convenience stores and mall jewelry stores.

The business principles that made the first Kroger store successful in the year 1983 was service, selection, value and even if these principles still guide the company’s operation today.

3. **Costco Wholesale**

Costco Wholesale Corporation is the largest membership warehouse club chain in the United States. As of July 2009 it was the third largest retailer in the United States and ninth in the world. As of October 2007, Costco was the large retailer of wine in the world. Costco was founded by James (Jim) Sinegal.

Costco Wholesale Corporation began operation on 15th September 1983 in Seattle, Washington by opening its first warehouse. In the year 1993, Costco merged with Price Club (found by Sol Price) and the combined company, PriceCostco, had 206 locations gathering $16 billion in annual sales. Initially PriceCostco was led by executives from both the companies but then Sol price founded Price Enterprise and left in December 1994.
In the year 1997, the company changed its name to Costco Wholesale and all Price Club locations were rebranded Costco. Costco operates a chain of cash and carry membership warehouse that sell high quality, nationally branded and private-label merchandise at low prices to business purchasing for commercial use or resale and also to individuals who are the members of selected employment groups. Costco offer Business Membership, Gold Star Membership and Executive Membership. Though purchases made at Costco’s website don’t required membership. However 5 percent surcharge is added to purchase made by non-members.

Costco has gradually expanded its range of products and services. The product mix include meat, dairy and sea food, fresh baked goods, flowers, clothing, books, computer software, vacuums, home appliances, home electronics, solar panels, jewelry, tires, art, fine wine, hot tubs, furniture, caskets. Many warehouses have tire garages, pharmacies, hearing aid centers, optometrists and gas stations.

Costco also act as a travel agent and investment broker. They have also introduced an automobile programme where members can purchase cars at specially arranged price. Costco has agreement with Ameriprise for auto and home insurance. Costco is also into online shopping. According to Compete.com survey Costco’s domain costco.com attracted at least 58 million visitors in the year 2008. Most of the Costco locations have food court where they offer hot dog, pizza, French fries and so on. Costco has its presence in International market namely Canada, Mexico, UK, Japan, South Korea, Taiwan and Australia.
1.7.2 China Retail Industry

China’s retail industry has extensive room for market growth. Rapid urbanization, increasing disposable income, a bigger middle class and supportive government policies will be the key factors for the growth of China’s retail industry.

China’s personal consumption will increase in a rapid yet stable manner in next 5-10 years. Its percentage of consumption / GDP is only 35 percent which is lowest compared to other developed countries. And the consumption growth rate of China is 6.9 percent from the year 1998 to 2006 which is highest in world.

According to National Bureau of Statistics (NBS) China’s retail sale rose 18.4 percent year on year to $ 2.34 trillion in the year 2010 and is expected to reach at $ 2.58 trillion in the year 2011. As per the industry report, e-commerce turnover in China jumped 22 percent in the year 2010 and reached at $ 681.82 billion. According to China e-commerce research centre, online retail sales in China almost double to 513.1 billion Yuan and is expected to reach at 1 trillion Yuan till the year 2013 by contributing more than 5 percent of the nation’s total retail sales. Eduardo Castro-Wright, vice chairman of Wal-Mart stores and CEO of Walmart global e-commerce and outsourcing said that “Online sales in China are growing rapidly and are projected to match U.S. online sales in next few years.” Wal-Mart has already invested in Chinese e-retailer as they have bought minority stake in Yihaodian, a Chinese based online retailer and they also want to remain present in e-commerce market.

China’s $ 585 billion government stimulus package spurred GDP growth of 8.7 percent and IMF forecast calls for GDP growth of around 9.9 percent in the year 2011. According to National Bureau of Statistics Report, China’s urban disposable income per year reached at 19,109 renminbi in the year 2010 has shown a growth of 11.3 percent compare to 17,175 renminbi in the year 2009. By the year 2015, per capita consumption in China is set to increase to 17,000 renminbi from 13,400 renminbi in 2008. Total urban consumption in the year 2015
is likely to exceed 13.3 trillion renminbi. The urban economy of China is expected to generate 90 percentage of China’s GDP by 2025. Increasing disposable income is beneficial to strength marginal consumption and increase in consumption of luxury products.

Retail Industry in China is highly fragmented compared to other developed countries or other industries in China. This suggests that there is still a lot of opportunity available for Chinese retailers to increase their market share. The top 20 retailers’ market share increased from 8.4 percent in the year 2010 to 8.9 percentage in the year 2011. That means still there is plenty of opportunity for new entrants to capitalize on Chinese consumerism. Demand for Luxury products remains strong and analyst expect that China will become the world’s largest luxury market by the year 2015.

In terms of store format, hypermarkets have experienced tremendous growth, particularly for packaged food, snacks and drinks. Supermarkets are dominated by local players are losing its charm to hypermarkets, especially in large cities. Convenience stores are growing at faster rate in China.

**Major Retailers of China**

According to sales, top retailers in China include Suning Home appliances, Gome Home Appliances, Brilliance Group, Dashang group, CR Vanguard etc.

1. **Suning Home Appliances**

   Suning was established in the year 1990, Suning was ranked the largest retailer by sales revenue (US $ 11,103 million) in the year 2010. The company follows four chain formats which include flagship store, neighbourhood store, specialized store and boutique stores. Currently Suning offers 8 major categories which include refrigerator, color TV, small house appliance, air-conditioner, washing machine, communication products and computer and digital products covering more than 2, 00,000 specifications of
nearly 1000 brands. As of 31st December 2010, the company had 1,311, stores in 231 cities across China.  

2. **Gome Home Appliances Holding**  

Gome Home Appliances Holding Ltd. is a leader in home appliances and consumer products in China. It is the largest Chinese electronics retailer by number of stores and was second largest by market share in the year 2009. It was founded by Wong Kwong Yu. On 1st January 1987, Gome Group opened its first specialty retail shop of electrical appliances in Beijing and company started its nationwide retail coverage strategy in July 1999 by launching its first store outside Beijing in Tianjin. Till the end of December 2010, the group had 1320 outlets in large, medium sized cities across the country. Gome has undertaken a series of mergers and acquisitions which include China Paradise, Dazhong Home Appliances and Shaanxi Cellstar. In the year 2010, company also closed down 39 underperforming stores.  

### 1.7.3 UK Retail Industry  

The UK retail industry is set to increase in size by 15 percent and will reach at above £ 312 billion over the next five years (UK Retail Futures 2011: Sector Summary, Datamonitor). Retail Sales were approximately £ 265 billion in the year 2007 and in the year 2009, it was over £285 billion and in the year 2010 it reached at £ 293 billion. The UK retail industry also employed over 2.9 million people at the end of December 2009 which equates to 11 percent of UK workforce and during the year 2010 the industry has created an extra 12,750 full time jobs which shows 2.1 percent increase on the previous year. In the year 2010 there were 2, 86,680 retail outlets in UK.  

The retail industry contributes almost 8 percent to the GDP of the UK. Online retail is also becoming popular in UK and according to IMRG Report 2010, the country has 1, 50,000 online retail business and more than 6, 00,000 jobs which
are either direct or to support e-retail. However e-retailing currently accounts less than 7 percent of total retail sales. As per Delottie, online retail market value was £ 9 billion in UK in the year 2005 and estimated to cross around £ 30 billion by the year 2011\textsuperscript{11}. Further in June 2011, UK shoppers spent total of £ 5.3 billion online which is 21 percent more than year 2010 and equivalent to £ 86 per person\textsuperscript{12}. Though analysts believe that year 2011 is going to be very challenging year for the retailers. The major reasons are surging inflation which can clutch spending power of consumers. Further IMF has also reduced UK economic growth to 1.75 percent. Consumer confidence fell at record low in February and reached to 38 which is lowest since year 2004 which means that consumers are nervous about their own financial security and they will spend less. Around 4,000 chain-retail shops shut in the first five month of the year 2011\textsuperscript{13}. Consumer debt, rising interest rates and job security are also key factors that will contribute to reduction in retail outlook for the year 2011.

**Major Retailers of UK**

Major players in UK retail industry include Tesco plc, J Sainsbury plc, Kingfisher plc, Mark and Spencer plc etc.

1. **Tesco plc**

   Tesco plc is a global grocery and merchandise retailer of UK. It has spread its operations in 13 countries across Asia, Europe and North America. In the year 1919 Jack Cohen founded Tesco when he began to sell surplus groceries from a stall in the East End of London. Tesco has also diversified both geographically and into areas such as retailing of books, electronics, clothing, furniture, petrol, financial services, telecoms and internet services, DVD rental and music downloads. In the year of 2000, Tesco.com was launched which sells merchandise on Internet. Tesco’s UK stores are divided into six formats which are differentiated by size and range of products sold. They are Tesco Extra (hypermarket), Tesco Superstore (supermarket), Tesco Metro,
Tesco Express (neighbourhood stores), One stop (smallest store), Tesco Homeplus and Dobbies.

2. J. Sainsbury plc

J Sainsbury plc which is commonly known as Sainsbury’s was founded in year 1869 by John James Sainsbury and his wife Mary Ann, in London, England. He started as a retailer of fresh foods and later on expanded into packaged groceries such as tea and sugar. The trading philosophy John has adopted was “Quality perfect, prices lower”. Sainsbury’s currently operates a total of 1000 stores comprising 576 supermarkets and 424 convenience stores. Sainsbury’s currently serve 22 million customers a week and has captured over 16.4 percent of market share. The formats that company has adopted are convenience store, Super market and online shopping. Sainsbury large stores offer around 30,000 products, out of which around 20 percent are “own-label” brands. Sainsbury also operates an internet shopping service branded as “Sainsbury’s Online” in the year 1995. It offers a wide range of products including food and drink, home and garden, appliances, electronic goods, toys and games, sports and leisure, and financial services.

1.7.4 Brazil Retail Industry

According to latest research report Brazil Retail Industry Analysis, Brazilian retail industry has been witnessing strong growth in sales and also expected to grow strongly in coming years. The Brazil retail industry is expected to grow at a CAGR of around 11 percent during year 2011-2014. The BMI Brazil Retail report forecasts that the country’s retail sales will grow from Brazilian Real (BRL) 1,383.54 billion in the year 2011 to BRL 2,029.99 billion by the year 2015. High economic growth, growing population, rising disposable income and strengthening middle class base will help in the growth in Brazilian retail industry in future. According to Euromonitor International, Brazil had the second fastest
growing retail market in the world in the year 2010 and contributed more than US $ 33 million of new customer spending to global retail market.

Both multi-national and domestic retailers are expanding in a fast paced environment and required new technologies to make the shopping effective. Among the various retail format, supermarkets have shown growth as according to Supermarket Association, the country’s supermarket sale rose 13.9 percent in the year 2010 year-on-year and reached to US $ 113.34 billion. An online retail sale in Brazil is expected to grow at tremendous rate and the numbers of online buyers are expected to reach at 46.8 million by the year 2011\(^\text{15}\).

**Major Retailers of Brazil**

1. **Grazziotin S.A**
   The company is into retail business which sells clothes, shoes, accessories and home furnishing etc. The company operates in the Brazilian state of Rio Grande do Sul, Parana and Santa Catarina. Grazziotin SA sells its products through 257 stores divided into four networks of department\(^\text{16}\). The operational formats of company include department stores and specialty stores.

2. **Grupo Pao de Acucar**
   The company was into retail business since year 1948 and is the biggest Brazilian company engaged in business retailing of food, general merchandise, electronic goods, home appliances and other products from its supermarket, hypermarket and home appliance stores. Company has around 1807 stores though out Brazil\(^\text{17}\). It is the second largest online retailer in Brazil.
1.7.5 German Retail Sector

In the year 2010, the German Retail sector has shown the recovery from global crisis and generates the total turnover of more than 400 billion EURO and is expected to reach at 406 billion EURO by 2011\textsuperscript{18}. Also traditional department stores also saw comeback. The German retail industry employees 2.9 million individuals employs who work for 4, 10,000 companies\textsuperscript{19}.

Major Retailers of Germany

1. Metro AG

Metro AG is a diversified retail and cash & carry group based on Germany. It was established in the year 1964 by Otto Beisheim. In English it often refers to itself as Metro Group. According to 2011 Global Powers of Retailing report, Metro is the 3\textsuperscript{rd} largest retailer in world.

Metro Group is one of the most important international retailing companies which employs around 2, 80,000 employees from 180 nations. Metro has more than 2100 outlets in 33 countries in Europe, Africa and Asia\textsuperscript{20}. The formats that Metro has adopted are Metro Cash and Carry, Real (hypermarket), Galeria Kaufhof (departmental store) and Media Market and Saturn.
1.8 Indian Retail Industry

The Indian retail industry is emerging from a multitude of unorganized family-owned businesses to organized modern retailing. The Indian retail market, over the last decade, has shown greater acceptance for organized retailing formats. The Indian retail industry has grown at a Compounded Annual Growth Rate (CAGR) of 13.3 percent for the period year 2006-2010. Rapid urbanization, changes in shopping pattern, demographic dividend and pro-active measures by the Government are abetting the growth of the retail sector in India. The Indian retail industry is classified into organized and unorganized sector. Organized retailing refers to trading activities undertaken by licensed retailers. These includes the corporate-backed hypermarkets and retail chains, also the privately owned large retail business

Figure 1.2:- Penetration of Organized v/s Unorganized Indian Retailing

Unorganized retailing refers to traditional format of low cost retailing such as kirana stores, own managed general stores, paan/beedi stores, convenience shop, hcart etc. CRIER Report and BMI Retail Report 2010 has revealed that the
organized retail constitutes 94 percent of Indian Retail Industry, while unorganized have humble contribution of just 6 percent.

1.9 Contribution of Various Segments in Indian Retail Industry

The Figure 1.3 shows the contribution of various sectors in Indian retail industry. The total value of Indian Retail market was US $ 353 billion. Food is the largest segment which is contributing 62 percentages which means US $ 219 billion in the year 2010 followed by fashion, whose value is US $ 35.3 billion and Fashion accessories having value of US $ 28.24 billion

Figure 1.3:- Contributions of Various Segments in Indian Retail Industry

(Source: IBEF Retail November 2010)
1.10 Evolution of Retail Sector in India

The origins of retailing in India can be traced back to the emergence of Kirana stores and mom and pop stores. These stores were serving local people. Because of the support from government to the rural retail and many indigenous franchise stores came up with the help of Khadi and Village Industries Commission. The economy began to open in 1980s resulting in the change of retailing. The Indian retail industry passes through four phases as shown in Figure 1.4.

1. Initialization Phase – Pre 1990s:

This phase was dominated by manufactures established their presence in retail. Some of the players were Bombay Dying, Raymond Group, S Kumar Group and Bata. Government initiatives were –Mother Dairy, Kendriya Bhandar, Super Bazaar etc. The first national retail chain developed by RPG Group in Super market segment was Foodworld.

Figure 1.4:- Phases of Indian Retail Industry

(Source: Retail Market & Opportunity. By Indian Brand Equity Foundation, 2008)
2. Conceptualization Phase – 1990 to 2005:

During this phase pure play retailers like Pantaloons, Shoppers’ Stop and Lifestyle enter into the market. The first generation of International brands to enter into Indian market during this phase was McDonald’s, Levi Strauss, Addidas, Reebok, Nike etc

Figure 1.5: Indian Retail Now Entering Expansion Phase

(Source: India Growth Story: Pyramid To Diamond-Rise of Consuming Class)
3. Retail Expansion Phase - 2005 through 2010:

This is perhaps the most active phase of Indian retail industry in terms of growth, entry of new players in the market and development of new retail formats. By looking at the opportunity to grow in the market, major players named Reliance, Tata, Aditya Birla and Mahindras enter into the market. Their success brought in global retailers such as Metro AG, Max Retail and Shoprite etc and more recently Carrefour; Tesco also announced their entry to Indian market. Bharti-Walmart is another noticeable Joint Venture that entered during this phase. In this phase a new concept in Retail Real Estate emerges which is Minimum guarantee and revenue sharing model. As per Foreign Direct Investment policy 2005-06, allowing single –brand foreign retailers to take up to 51 percent stake in a Joint venture with local firm, a number of premium brands named Gucci, Versace enter into market by adopting joint venture as an entry strategy.

4. Retail Consolidation and Growth - 2010 Onwards:

The Indian Retail Industry is currently in consolidation and growth phase. The organized retail sector sales decline by 11 percent in year 2008. The value of Retail Industry was US $ 353 billion in the year 2010 and is expected to grow by US $ 786 billion in the year 2015.

1.11 Scope for Retail Industry in India-An Economy Outlook

The Economic outlook of 10 countries from the year 1990 to 2020(E) is being depicted in Table 1.4. Indian economy is expected to touch almost $ 3.1 trillion in the next 10 years. The Indian economy in 2020 is poised to become bigger than the current size of countries like France, UK or Italy.
India is changing and that the pace of change is accelerating. India (and the Indian economy) will be very different five years from now in more ways than one. India’s GDP in 2005 was about US $785 billion, which has increased to almost US $1,400 billion in the year 2010 and should cross US $2,000 billion by the year 2015 and US $3,100 billion by the year 2020, implying that Indian economy would have added almost one India of the year 2005 to its size in the next five years.

<table>
<thead>
<tr>
<th>GDP US $ Trillion</th>
<th>Year 1990</th>
<th>Year 2000</th>
<th>Year 2010</th>
<th>Year 2020 (E)</th>
<th>Rank in Year 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>6.4</td>
<td>10.8</td>
<td>15.7</td>
<td>18</td>
<td>1</td>
</tr>
<tr>
<td>China</td>
<td>0.4</td>
<td>1.3</td>
<td>5.6</td>
<td>13.2</td>
<td>2</td>
</tr>
<tr>
<td>Japan</td>
<td>3.3</td>
<td>5.2</td>
<td>5.5</td>
<td>6.4</td>
<td>3</td>
</tr>
<tr>
<td>Germany</td>
<td>1.9</td>
<td>2.1</td>
<td>3.6</td>
<td>4.3</td>
<td>4</td>
</tr>
<tr>
<td>France</td>
<td>1.3</td>
<td>1.5</td>
<td>2.9</td>
<td>3.3</td>
<td>5</td>
</tr>
<tr>
<td>UK</td>
<td>1.1</td>
<td>1.6</td>
<td>2.4</td>
<td>2.8</td>
<td>7</td>
</tr>
<tr>
<td>Italy</td>
<td>1.2</td>
<td>1.2</td>
<td>2.3</td>
<td>2.5</td>
<td>9</td>
</tr>
<tr>
<td>Brazil</td>
<td>0.5</td>
<td>0.7</td>
<td>1.9</td>
<td>3.1</td>
<td>6</td>
</tr>
<tr>
<td>India</td>
<td>0.4</td>
<td>0.5</td>
<td>1.4</td>
<td>3.1</td>
<td>6</td>
</tr>
<tr>
<td>Russia</td>
<td>0.5</td>
<td>0.3</td>
<td>1.7</td>
<td>2.7</td>
<td>8</td>
</tr>
</tbody>
</table>

(Source: New Economy, New Consumer, and New Opportunities in Textile & Apparel in India by Arvind Singhal, Technopak)

The stunning growth, on a relatively high base of almost US $1.4 trillion, translates into extraordinary opportunities and greater challenges than what India has faced in the past. Indian economy will grow larger than Britain’s by the year 2022; Japan by the year 2032 and by the year 2050 will become the second largest economy of the world after China.
With the boom of the service sector and increased industrial output, the growth pace has spiraled in the last decade. This has set a sustainable platform for consumerism and rising per capita spend leading to an inclusive growth. Growing disposable income has led to increasing consumer aspiration, with easy access to consumer finance lending a source to achieve these aspirations and desires. The middle class today accounts for 47 percent of the total households in the country, which has rapidly grown over the last decade and is expected to have a similar trend over the coming years21. The Indian consumer today is exposed to a large variety of products from where they pick and choose till they get the right product at the right price.

1.12 Present Scenario and Future Trends of Indian Retail Market

India's retail market, valued at US$ 353 billion in the year 2010, is projected to grow at a rate of 12 per cent per annum and is projected to reach at US $ 543 billion by the year 2014 according to the report of IBEF 2010. Further Q111 BMI India Retail Report forecasts that total retail sales will grow from INR18.85 trn (US $392.63 bn) in the year 2011 to INR 26.64 trn (US $674.37 bn) by 2014 to US$ 785.12 billion by the year 2015.

Figure 1.6:- Indian Retail Market Growth (Year 2002-03 to 2015E)

(Source: IBEF Retail September -2009 and November -2010)
Table: 1.5- A.T.Kearney Global Retail Development Index -2010

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>China</td>
<td>50.6</td>
<td>85.8</td>
<td>32.9</td>
<td>86.6</td>
<td>64.0</td>
</tr>
<tr>
<td>2</td>
<td>Kuwait</td>
<td>75.4</td>
<td>94.3</td>
<td>56.2</td>
<td>24.5</td>
<td>62.6</td>
</tr>
<tr>
<td>3</td>
<td>India</td>
<td>35.4</td>
<td>51.3</td>
<td>62.2</td>
<td>97.8</td>
<td>61.7</td>
</tr>
<tr>
<td>4</td>
<td>Saudi Arabia</td>
<td>65.3</td>
<td>86.5</td>
<td>50.7</td>
<td>31.0</td>
<td>58.4</td>
</tr>
<tr>
<td>5</td>
<td>Brazil</td>
<td>73.5</td>
<td>74.3</td>
<td>46.6</td>
<td>36.9</td>
<td>57.8</td>
</tr>
</tbody>
</table>

(Source: Expanding Opportunities for Global Retailers, The 2010 A.T.Kearney Global Retail Development Index)

According to Indian Council for Research on International Economic Relations (ICRIER), the retail sector is expected to contribute to 22 per cent of India's GDP by the year 2010. A McKinsey report, 'The rise of Indian Consumer Market', estimates that the Indian consumer market is likely to grow four times by the year 2025. India's overall retail sector is expected to rise to US$ 833 billion by the year 2013 and to US$ 1.3 trillion by the year 2018, at a compound annual growth rate (CAGR) of 10 per cent.
As a democratic country with high growth rates, consumer spending has risen sharply as the youth population (more than 33 percent of the country is below the age of 15) has seen a significant increase in its disposable income.

An AT Kearney study on global retailing trends found that India is one of the less saturated as well as less risky market compared to other global market. India has also been ranked as the third most attractive nation for retail investment among 30 emerging markets by the US-based global management consulting firm, A T Kearney in its 9th annual Global Retail Development Index (GRDI) 2010. Within Asia, India is expected to account for the third largest share at US$ 2.7 billion in the year 2015, according to a report released by research firm Ovum on January 12, 2011.

As per Figure 1.7 in comparison to the developing countries India is placed near in a quadrant which indicates moderate country risk but higher potential to grow. In addition India (which was at 1st place in the year 2005-07) has been ranked as 3rd the third most attractive market place for global retailers to enter, according to A T Kearney’s Global retail development index for 2010.

A number of factors which contribute to India being one of the most attractive retail target market. A stable democracy provides an economic and social background that comforts big international organizations. On the economic front, the country has seen over 8 percent GDP growth rate in last few years driving increasing prosperity and consumerism.
Figure 1.7: 2010 GRID Country Attractiveness

(Source: Expanding Opportunities for Global Retailers, The 2010 A.T. Kearney Global Retail Development Index)

Another important factor announcing India’s significance for retailer is the current optimal stage of readiness within India for retail and for entry of retails. Retail markets worldwide have been observed to progress through four stages as they evolve from an emerging to a mature market, usually over the course of 5 to 10 years.
These stages are defined as

1. **Opening**: A market that is just beginning its modern retail story, in all major cities.

2. **Peaking**: A market that is developing quickly and is ready for modern retail.

3. **Maturing**: A market that is still big and growing but space for new entrance is getting tighter.

4. **Closing**: A market having small window of opportunities for new entrance; such markets generally have a very high penetration of modern retail.

(Source: The 2010 A.T.Kearney Global Retail Development Index)
The Figure 1.8 shows that India is at maturing stage on the GRID 2010. In year 2009 GRID, India was on leading position along with Vietnam. But still in the 2010 GRID, India is on high priority to enter in the market along with China and Vietnam. In maturity stage, two tier and three tier cities provide excellent opportunity.

Further, another study conducted by A T Kearney, (where they have conducted a survey of 60 global retail executives, representing all sectors, size and geographies) suggest that Brazil, Russia, India and China known collectively as BRIC nations- remain the highest priority market for retail expansion. Still India is very attractive market for foreign retailers to enter and is seen as The GOLDMINE by global players.

1.13 Evolution of Organized Retail in India

The organized retail industry in India is not evolved till the early 1990s. Until then, the industry was dominated by un-organized retail sector. The brands were limited and consumers didn’t have much more for choice. Lack of trained manpower, tax laws and government regulations all discouraged the growth of organized retailing during that period. Foundation of organized retail in India was laid by Kishore Biyani of Pantaloons. Later on Reliance, Bharti, Birla and others are entering into retail sector.

Organized retailing refers to trading activities undertaken by licensed retailers. That means they have to register for sales tax, income tax etc. These include the corporate backed hyper markets and retail chains and also the privately owned large retail business.
The following are the list of licenses, certificates and permissions that organized retailer have to maintained are:

1. Trade license from concerned corporation or municipal authorities within those area where store is situated.

2. License to sell food items as required under the “Prevention of Food Adulteration Act”.

3. Drug license as required under the “Drug & Cosmetic Act.”

4. Registration Certificate under the Shops & Establishment Act of the stake where the store is situated.

5. License to sell liquor where applicable.

6. Central Sales Tax certificate and General Sales Tax certificate of the state where the store is situated and the branch certificate.

7. License to sell any measuring instrument

8. Re-packers license.


10. Registration Certificate & stamping certificates of weights used in the store.

11. Permission to work on all 365 days

12. Permission to work for extended hours

13. Permission to put glow sign, sky sign, hording and other illuminated signages.

14. NOC from fire department.
1.14 Organized Retail Penetration in India

The Indian retail sector is highly fragmented with 95 percentage of its business being dominated by unorganized retailers like traditional family run stores.

Table 1.6: Country-wise Organized Retail Penetration

<table>
<thead>
<tr>
<th>Organized Retail Penetration level (In Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. USA</td>
</tr>
<tr>
<td>2. France</td>
</tr>
<tr>
<td>3. Japan</td>
</tr>
<tr>
<td>4. Malaysia</td>
</tr>
<tr>
<td>5. Brazil</td>
</tr>
<tr>
<td>6. Russia</td>
</tr>
<tr>
<td>7. China</td>
</tr>
<tr>
<td>8. India</td>
</tr>
</tbody>
</table>

(Source: IBEF Retail November 2010)

The organized retail is at an emerging stage with the current penetration of 5 percent compare to 85 percentage of USA. Though the figure of 5 percent is not impressive but on the other side it also represents that India Organized retail industry is having huge potential to grow in near future.
1.15 Contribution of Organized Retail in Indian Retail Industry

The retail scenario is one of the fastest growing industries in India over last couple of years. As shown in Figure 1.9, Indian retail sector is valued at US $ 353 billion in the year 2010 out of which the contribution organized retail is US $ 20 billion which means only 5.7 percent which is expected to grow at US $ 65 billion out of US $ 543 billion in the year 2014 which means 12.4 percent of contribution of total retail industry.

Figure 1.9:- Contribution of Organized Retail in India (2010 -2014)

According to McKiensey & Company Report titled “The Great Indian Bazaar: Organized Retail Comes of Age in India”, organized retail in India is expected to increase from 5 percent of total market in the year 2008 to 14 to 15 percent and reach US $ 450 billion by the year 2015. Further as per consultancy firm Technopak, the organized retail in India will grow by three times from the year 2010 to year 2015 and it will reach at US $ 80 billion. The major contributors to move from traditional outlet to organized retail were higher disposable income, increasing
number of malls, easy availability of credit card, higher exposure of brand through media. For the growth perspectives now companies are looking at rural market which was untapped till now. Rural retail market is estimated to cross US $ 60.43 billion by 2015\textsuperscript{22}. ITC established countries first rural mall named ‘Chaupal Sagar’ which is offering diverse product range such as FMCG, electronic appliances and automobiles. The objective was to provide everything under one roof. By looking at the opportunity of growth, companies such as Tata Chemical, Rallis and Mahindra and Mahindra also entered into rural retail. Increase in income due to good monsoon and government initiative schemes, education level and development of infrastructure and awareness about the brands are few of the reasons because of which rural market is going to provide huge opportunity to the organized retailers to enter into rural market.

**Table 1.7:- Expected Manpower requirement in Organized Retail 2010**

<table>
<thead>
<tr>
<th>Company</th>
<th>Headcount (In Lakh)2010E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reliance</td>
<td>2</td>
</tr>
<tr>
<td>Pantaloons</td>
<td>1</td>
</tr>
<tr>
<td>Bharti-Wal-Mart</td>
<td>0.6</td>
</tr>
<tr>
<td>AB Group</td>
<td>0.5</td>
</tr>
<tr>
<td>Shopper’s Stop</td>
<td>0.2</td>
</tr>
<tr>
<td>Trent</td>
<td>0.1</td>
</tr>
<tr>
<td>Total Job</td>
<td>6</td>
</tr>
</tbody>
</table>

(Source: Enam Securities/ETIG Analysis (Rough Estimation))

Organized retailing in India has the potential to generate 2.5 million direct jobs and 10 million more jobs in supporting activities. The retail sector is likely to generate job in areas such as supply chain and logistics, Real estate development and management. Farmers will also get benefit from retail revolution.
In India, a department store recruits one person for every 200 sq.ft; specialty retailers employ four people per 100 sq.ft. and a hypermarket will have one person per 300 sq.ft. An additional 10 percent would be required for back-end operations. On analyzing the current level of retail space and projected growth, it is expected that the human resource requirement would increase from about 0.3 million in the year 2009-10 to 17.6 million by 2022. The research report of Enam Security suggests that the various retail companies are going to witness huge manpower requirement for year the year 2010. Table 1.7 show potential manpower requirement of various retail companies in India.

1.16 Contribution of Different Sectors in Organized Retail

Table 1.8: Contributions of Different Sectors in Organized Retail

<table>
<thead>
<tr>
<th>Consumption Category</th>
<th>Percentage Share in Organized Retail</th>
<th>Percentage of Penetration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clothing, Textile and Fashion Accessories</td>
<td>38</td>
<td>23</td>
</tr>
<tr>
<td>Food and Grocery</td>
<td>11</td>
<td>1</td>
</tr>
<tr>
<td>Footwear</td>
<td>10</td>
<td>48</td>
</tr>
<tr>
<td>Catering Service</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Furnishing, Utensils, Furniture Home &amp; Office</td>
<td>6</td>
<td>11</td>
</tr>
<tr>
<td>Mobile Handset, Accessories and Service</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td>Entertainment</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Jewellery</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Books, Music and Gifts</td>
<td>3</td>
<td>13</td>
</tr>
<tr>
<td>Watches</td>
<td>3</td>
<td>49</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Health and Beauty care services</td>
<td>1</td>
<td>14</td>
</tr>
</tbody>
</table>

(Source: Images Retail 2009 and IMaCS analysis)
1. **Food and Grocery**

The food and Grocery sector accounted for 70.6 percent of the total retail value in India in the year 2009. The sector increased at a compound annual growth rate of 11.6 percent between the year 2004 and the year 2009 and is expected to reach at US $ 425 billion by the year 2016\(^2\). Though Food and Grocery segment is highly unorganized and most of the food is sold by vendor, roadside pushcart seller or tiny kirana stores. According to the McKinsey report, the share of an Indian household’s spending on food is one of the highest in the world, with 48 percent of income being spent on food and beverages. Changing life style and tastes, increase disposable income, increasing number of working women, changing consumption pattern and impact of western lifestyle are some of the positive factors for organized food retail segment. Some of the organized players in the food and grocery segment include food bazaar from future group, foodworld etc. This sector requires
combination of right merchandise, well trained staff; value added services and efficient supply chain continuously delivering Every Day Low Price.

2. Apparel

The Indian domestic apparel market size was US $ 47 billion in the year 2010 and is expected grow at 11 percent CAGR to reach US $ 140 billion by the year 2020. The readymade and western outfits are growing at 40 -45 percent annually\(^{27}\). Rising fashion awareness and the desire to be perceived as a fashionable has led the rapid growth of apparel category. Though in early days people were not brand conscious and believed in ‘buy and stitch’ approach but later on with rapid urbanization the trend has been shifted to readymade wear and liking towards branded apparel also increase. With the 2006 FDI policy allowing 51 percent investment in single brand retailing, exclusive brand outlets have witnesses a rapid growth. Players in organized retail apparel format include Shoppers stop, Lifestyle, Provogue, Spykar, Levi’s, The Loot etc. In order to achieve success the players must focus on deliver affordable and accessible fashion and provide value added service to keep customer coming back for more.

3. Consumer Durable

The consumer durable market can be stratified into consumer electronics including T.V sets, audio system, VCD players and others; and appliances like washing machine, microwave ovens, air-condition etc. Split air conditioners, frost- free refrigerators, fully automatic washing machines, microwave ovens and high-end flat panel TVs are likely to have healthy growth. The Indian middle class, defined by National Council of Applied Economic Research (NCAER) as households with annual income of between Rs.2.5 lakh and Rs.5 lakh, has been driving consumption of goods such as cars, refrigerators and colour TV sets.

The consumer electronics retail business in India is characterized by low margins but is expect to improve with increasing focus on private labeling and
better after sales service. Today consumer also prefer organized retail stores in durables and electronics as retailers offer entire range under one roof, convenience , good in-store service and so on. Reliance digital, Croma are some of the organized retailers who offer huge product range under one roof.

4. **Furniture and furnishing**

The entry of international brands and changing consumer preference has led to the emergence of furniture retailing in India. The size of Indian furniture retail is increasing. Though furniture sector in India only makes a marginal contribution to GDP, representing about 0.5 percent of the total GDP. The home furnishing and furniture market in India is estimated at US $ 8 billion in the year 2011 and expected to grow to US $ 17 billion by the year 2016\(^6\). Major players in this segment are as followed:

**Godrej Lifespace:**

On April 1, 2003, Godrej & Boyce Manufacturing Company Ltd launched a new retail division. The division was established to present a new concept in retailing by displaying and selling under one roof the Godrej range of home and office furniture, appliances, security equipment and locks. Later in the year 2005, the showrooms were branded as Godrej Lifespace Stores.

**Home Stop:**

Home Stop is one of the premium home improvement stores that offers a wide range of merchandise. It stocks various national and international brands that cover all the home needs like home décor, furniture, bath accessories, draperies and health equipment. Home Stop currently operates three Home Stop stores, one each in Mumbai, Bangalore and New Delhi.

**Home Town:**

Home Solution Retail (India) Ltd (HSRIL), a subsidiary company of Pantaloon Retail, is designed to cater to the home furnishing and improvement
market. The format is designed as a one-stop destination that offers a complete range in consumer electronics, furniture and other home products. HSRIL operates five retail formats: Collection-i, Furniture Bazaar, Electronics Bazaar, Home Town and e-zone.

5. **Beauty, wellness and pharmacy**

Beauty and wellness category has been showing rapid growth over past few years. This category in India is primarily targeted at female audience, leaving a huge untapped potential for men’s products and services. Major beauty and wellness retailers are as followed:

**Reliance Wellness:**

In October 2007, Reliance Retail Ltd, owned by Mukesh Ambani, entered the beauty and wellness segment by opening its first store at Hyderabad. This store offers a wide range of products under the health foods, personal care, healthcare, and pharmaceuticals categories.

**Himalaya Drugs:**

The Himalaya Drug Company operates both exclusive retail outlet formats and shop-within-a-shop outlets. The stores offer an entire range of Himalaya drugs from pharmaceuticals, personal care, to baby care and animal healthcare products at competitive prices. The company emphasizes on service, trained personnel and a quality shopping experience in their stores. Himalaya has also launched its online shopping website to make all its products conveniently available to its customers 24*7 and to reach a wider market, where its stores are not present.

The Pharmacy market in India is estimated at US $ 14 billion in the year 2011 and expected to grow to US $ 23 billion by the year 2016. Pharmacy retail in India is largely dominated by traditional local chemists. This category has attracted a number of pharmaceutical companies venturing into retail. Critical
success factors include relationship building and meeting customer aspirations, talent management, service innovation, providing value added services, creating brand awareness as well as offering value for money proposition. Some of the pharmaceutical retailers are mentioned below:

**Apollo Pharmacy:**
In the year 1983, Apollo Pharmacy, a division of Apollo Hospital Enterprise Ltd, entered retailing by opening up its first store in Chennai. The retailer also took initiatives to provide medicines to the rural regions by tying up with ITC’s e-chaupal and Godrej Aadhaar. Apollo has also started expanding through the franchise route. It has recently launched a new concept, NurseStation, at its pharmacy outlets, where the nurses are available to attend the patients at their houses, or refer them to an Apollo Clinic nearby. As on December 2008, Apollo was operating at over 890 outlets across the country.

**MedPlus:**
In the year 2006, MedPlus Health Services Private Ltd was incorporated in Hyderabad to cater into the health care segment. The company has established a large number of pharmacy outlets chain across major cities in various states of the country, and majority of those are spread across four southern states. It has 980 pharmacy outlets spread across 63 cities/towns in the country. The company serves 1,30,000 customers daily.

6. **Mobile handsets, Accessories & Services:**
The increasing penetration of mobile phones have offered opportunities in handsets and accessories as well as recharge cards and repair service retailing. India had about 68 mobile handset players and it is expected to reach at 200. The mobile handset market expects the revenue to rise from US $ 255 billion to US $ 350 billion by the year 2016. The smartphone market is expected to grow ten times to 30 million units by the year 2016 from above 2.9 million units in the year 2011. According to Telecom Regulatory
Authority of India, India crosses 800 million telecom subscribers at the end of January 2011 and also added 18.99 Million new mobile subscribers in January to take total mobile subscriber count to 771.18 million. Few telecom retailers are as followed:

**The Mobile Store:**
The Mobile Store, promoted by the Essar Group, is one of the country’s largest mobile retailers. It’s a one-stop mobile solution shop that offers telecom products like mobiles, accessories, mobile connections and recharges, mobile bill payments, handset repairs, handset exchange, music and gaming devices and DTH, all under one roof, in a world-class shopping ambience. The shop had more than 1,300 stores spread across 200 cities and the vision is to establish network of 1500 stores by the year 2011\(^30\).

**MobileNXT:**
Bangalore-based MobileNXT Teleservices Pvt Ltd has a pan-India presence and operates in the following three major retail formats: standalone stores, store-within-a-store, and enterprise stores. This store is eyeing a pan-India network and hence has initiated a tie-up with Shoppers Stop, Star Bazaar, Mega Mart, and Landmark stores, for setting up store-within-a-store in their outlets across the country. As on December 2008, the company was operating more than 36 stores that were spread across major cities in India. The company was also targeting 500 stores by the year 2010\(^31\).

7. **Catering Services**
This segment constitutes about 7 percent of the Organized Retail Market. The key to success factor for Organized Retailers are quality, ambiance and differentiated product offerings. Due to change in life style, the life of people have become very fast. This lead to increase in number of restaurants and fast food joints to a large extent. Indian people prefer a change in taste from the routine Indian traditional taste and as such prefer international cuisines such
as Chinese, Italian, Thai and Mexican. So majority of multinational foodservice chains such as Pizza Hut, Mainland China have adopted franchising route to set-up their Indian operation. Few catering service retailers are mention below:

**Yum! Restaurants:**
Yum! Restaurants is present in India through its brands Pizza Hut and KFC. In 1995, KFC, which mainly serves chicken products, set foot in India. After taking into account the vegetarian population of India, KFC recently modified its menu and launched a vegetarian fare, which now constitutes 40 percent of the product categories. Pizza Hut entered India in the year 1996 and operates 35 standalone PHD outlets and about 145 Pizza Hut casual dine restaurants and is planning to open 300 exclusive outlets under its sub-brand, Pizza Hut Delivery (PHD), by the year 2015. The company wanted to expand business and planning to expand the KFC chain in the country to 110 restaurants by end of the period year 2010.

**McDonald’s:**
McDonald’s is a 50:50 joint venture partnership in India between McDonald’s Corporation (USA) and two Indian businessmen. Hardcastle Restaurants Pvt Ltd owns and operates McDonald’s restaurants in West India while Connaught Plaza Restaurants Pvt Ltd owns and operates these food outlets in the North.

**Café Coffee Day:**
Café Coffee Day is a division of India’s largest coffee conglomerate Amalgamated Bean Coffee Trading Company. Café Coffee Day sources coffee from 5,000 acres of estates and is the second-largest coffee shop in Asia. It has ventured into formats such as music cafes, book cafes, highway cafes, lounge cafes, garden cafes and cyber cafes.
8. **Books, Music and Gifts**

This segment constituted 3 percent of the Organized Retail market with most of the penetration being limited to urban areas. Key players in this segment include Planet M, Music World, landmark, Archies and so on. Pirated books and music have always been a source of problem for this sector and will continue to be so in near future. This segment is impacted by the growth of internet usage and mobile penetration as music download on mobile and e-retailers like Amazon are likely to offer competition to this sector.

9. **Footwear**

The footwear market in India is estimated at US $ 5 billion in the year 2011 and is expected to grow to US $ 8 billion by the year 2016\(^2\). The changes in consumer behavior and attitudes reflected in the increasing demand for newer styles and different types of footwear. The market currently offers many brands that cater to every target segment. The Indian footwear market is moving at a brisk pace presently to cater to the domestic demand. Moreover, the international brands are inducing the price-conscious customers to spend more money for their favorite brands. Footwear retailers are mentioned below:

**Reebok:**

In the year 1995, Reebok forayed into the Indian retail market. Today Reebok is one of the frontrunners in the Indian sportswear industry. Reebok’s offerings include apparels, footwear and fitness equipment and products. Its footwear offerings are mostly in the trainers and sneakers segment. Reebok recently has introduced its new lifestyle vertical Reebok Classic.

**Bata:**

Bata India is one of the most well-known and largest footwear retailers in India. The retailer manufactures and markets different types of footwear that includes rubber, canvas, leather, and plastic footwear. It markets footwear under the brand names of North Star, Power, Ambassador, Marie Claire
besides dealing in international brands like Dr Scholl and Hush Puppies. Bata has a strong distribution network structure of wholesalers and distributors.

10. Jewellery

India possesses world’s most competitive jewellery market. The Indian Gems and Jewellery sector is expected to grow at a CAGR of approximately 13 percent during the year 2011-2013. The sector is expected to see huge demand and will reach at US $ 30 billion in the year 2015. Major jewellery players are:

**Gitanjali:**

Gitanjali Gems Ltd (GGL) is one of the largest, integrated diamond and jewellery manufacturer and retailer in India. It sources rough diamonds from primary and secondary source suppliers in the international market, cuts and polishes the rough diamonds and exports the diamonds to its international markets. GGL sells diamonds and other jewellery through retail operations in India as well as in international markets. Its brand extensions include Gili, Asmi, Sangini, D’Damas, Giantti, Nakshatra, Collection G, Gold Expressions, Vivah Gold & Kiah.

**Tanishq:**

In mid-1990s Titan Industries Ltd - promoted by the TATA Group - entered jewellery retailing through Tanishq. Tanishq has set up production and sourcing bases by researching the jewellery crafts of India. Its factory, located at Hosur, Tamil Nadu, is spread across 135,000 square feet and is equipped with all modern machinery and latest equipment. As on year 2011, there are 310 Tanishq stores spread across major cities in India.
Reliance Jewels:
Reliance Retail Ltd entered jewellery retailing by opening its first store in Bangalore. The company aims to make Reliance Jewels a one-stop destination that offers consumers a wide range of gold and diamond jewellery.

11. Entertainment
The contribution of this segment in organized retail industry is around 3 percent. This segment has been driven by the increasing base of young population in India, whose entertainment needs has been surging with the influx of malls and multiplexes that provide leisure retail, gaming, and cinema. Players in the segment are likely to gain greater market share as the consumers spend on entertainment is increasing. PVR cinemas, Fun Cinemas, Inox are the major players in the entertainment retailing space.

1.17 Unorganized Retail in India
Retail in India is essentially unorganized. More than 90 percent of industry is made up of counter-stores, street marketers, hole in the wall shops and roadside peddlers. Every 20 families in India have one kirana store accessible to them thus store count to over 12 million outlets with an average size of 50 sq.ft.

Unorganized retail is characterized by
1. Family-run stores
2. Lack of best practices related to inventory and supply-chain management
3. Lack of standardization
4. Essentially a sector populated by anyone who has something to sell.
The term unorganized retailing refers to the traditional formats of the retail industry involving examples, the local kirana stores, owner manned general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors etc.

1. Kirana Stores
   Indian retail is dominated by family run counters that stock a range of branded/unbranded items. Rural kirana stores are multi-purpose stores and sell items of essential need both food and non-food. These stores are often located in rural homes.

2. Kiosks
   They are small, roadway stall that stock a limited range of food and beverage items. Kiosks are convenient for emergency purchase and they are located in commercial area.

3. Street Markets
   They are held at fixed centres in urban and rural area on daily or weekly basis. Street markets comprise multiple stalls selling wide range of food and non food products. These markets are giving competition on both variety and price and also sell counterfeit goods and smuggled goods (known as Godi’s item) or first brand. Traditionally street markets were the place of social gathering. The Fashion Street at Mumbai is example of street market. The bazaars in Poland and open-air wholesale market in Russia are the foreign equivalent of this format.

4. Street Vendors
   A street vendor is broadly defined as a person who offers goods for the sale to public without having a permanent build-up structure from which to sell. These mobile retailers sell perishable items such as milk, vegetables, fruits and even fast food at the customer’s doorstep. Though the price of the products they sold is high but they compete on convenience.
It would be hard to find an urban Indian consumer who does not purchase goods from street vendors. The lower and middle class consumers specially prefer purchasing goods from, along with them upper class people also prefer to purchase from them.

The unorganized retail sector has also continued to grow at about 10 percent per annum with sales rising from $ 309 billion in the year 2006-07 to $ 496 billion in the year 2011-12\(^3\). The unorganized retail sector employees about 33 million people. One of the major reasons behind the higher contribution of unorganized retail sector lies in deep routed poverty and a large number of educated unemployment and superfluous labor takes refuge in retailing in the face of joblessness and glaring poverty. Retailing in unorganized sector is thus not a profit oriented occupation but just a source of income. The basic infrastructure is required to set up a small shop as such the amount of capital to be invested is also very less.

1.18 Advantages of Unorganized Retail Sector

1. Employment Impact

According to ECR report, unorganized retail outlets employ more family labor than hired labor; on an average they employ 1.5 persons per shop from family. So it is a way of income for Indian people.

2. Location Advantage for the Unorganized Retailers

Location is a competitive advantage for unorganized retailers as the mean distance to the residence for consumers at unorganized outlet is 1.1 km compared to 2.6 km. for consumes at organized outlet\(^3\). So a number of consumers prefer to go to traditional retailers as it is near to their home and also convenient.
3. **Credit Facilities**

Unorganized players provide credit facilities and can make a deferred payment which is not possible in organized retail store.

4. **Purchase on small quantities**

Consumers can even purchase in small quantity from unorganized retailer too which is not possible in organized retail.

1.19 **Impact of Organized Retail on Unorganized Retail**

Different people have different opinion regarding the impact of organized sector on unorganized sector. Available evidence suggests that the arrival of organized retail chain has displaced smaller retailer worldwide. A note from Communist Party of India –Marxist (2007) to the prime minister reads “Expansion of the Wal-Mart chains has caused massive closure to small stores and pauperization of poor communities even in US.” Natawidjaja et al. (2006) found that in Indonesia the sale of supermarkets is growing at the rate of 15 percent a year as against the decline in sales of small retailers at 2 percent a year. Faiguenbaum et al. (2002) noted that between the year 1991 and year 2005 15,777 small shops disappeared from urban Chile due to organized retail chains. In South Korea, there was a decline of around 11,400 family-run small shops from 107,365 in 2001 to 95,967 in the year 2005, while that number of supermarkets and convenience stores rose from 78 to 707 during the same period (The Hankyoreh 2007).

In India also the National Sample Survey Organization indicated the decline of 12.5 lakh self-employed retailers in urban India during period of year 1999-2000 to year 2004-05. Though the government said that there would be no negative impact of organized retailing on the unorganized retail sector. In the year 2009, The Commerce Minister Anand Sharma said that the unorganized sector is expected to grow at 10 percent per annum. He further added that farmers too would get
maximum return for their produce, even more than what they get in mandis. In the year 2007 left parties have strongly opposed to the entry of Multi National Companies in retail trade in India.

Joseph; M., Soundararajan; N., Gupta; M., and Sahu; S. (2008) have done a study on “Impact of Organized Retail on the Unorganized Sector.” Their study reveals that unorganized players who are situated in the area of organized retailers experienced decline in sales volume of business and profit too in the initial years after the entry of large players. A study by Indian Council for Research on International Economic Relations (ICRIER) indicates that despite the impressive growth of organized sector, the unorganized sector, mostly dominated by Small and Medium Enterprise (SMEs), will continue to remain pertinent across the country.

Chetan Choithani (2009) studied “Entry of Corporate Retail: Impacts on Hawkers & Small Retailers, A case study from Mumbai”. He studied impact of organized food and grocery retail chains on the kirana shops and street vendors. He found that a significant number of kirana stores and street vendors were losing business after the arrival of organized retail outlet in their respective area. So there is an impact of organized retail on unorganized retail in terms of volume and profit.

Some of the unorganized retail players have already begun implementing their capacity building strategies in order to reap maximum benefits from growth. Unorganized players have to focus on developing innovative formats and introducing smart pricing policies to capitalize on the sector’s growth.
1.20 Popular Retail Formats in India

It is difficult to fit a successful international format directly and expect a similar kind of performance in India. Before adopting a format it is necessary to access local conditions, culture, buying behavior of consumer and so on. In country like India the taste and preference of consumer vary from time to time, to match with the same the retailers have also done experiments by launching more than one format to identify the winning format suited to different geographies and segment. Apart from geography even rural and urban divide poses different kind of challenges to retailers. Pantaloon has adopted several retail formats to cater to a wide segment of consumer in the market. With the help of different formats the retailer can segment the market. With over 12 million outlets, the country has highest retail outlet density in the world. The major retail formats available in India are as followed:

**Figure 1.11:- Format-wise Brake-up of expected investment in Indian Retail in Next 3-5 years**

1. **Kirana Stores (Mom and Pop Stores)**

   It is a retail outlet that is owned and operated by individual. The range of products are very selective and few in numbers. These stores are normally located in local community area. These stores are usually family run business.
Due to the growth of organized retail sector, the existence of Kirana stores is in danger. According to S.Ramesh Kumar, professor from IIMB said that Kirana shops which number around 15 million to 20 million are a part of Indian shopping culture. They are spread throughout the country and cannot be completely eliminated by modern retail formats.

Due to increasing competition from organized retailers, Kirana stores have also tried to improve themselves by increasing product category, providing services like home delivery and also improved aesthetics of store plus they are also giving credit too. Further during the time of sale or discount in hyper market, local kirana store owners purchase goods in bulk and then sell them at their store without providing discount to the customers.

According to ICRIER the unorganized sector will retain around 84 percent of the total retail market till the year 2013. Though the share of unorganized retail sector will reduce with the growth of large format stores but any negative effect will be less with time.

Recently Future Group has started to sell staples, dry grocery and FMCG products through SKS’ network of kirana stores in the north. Due to this kirana stores get quality products delivered at their outlet at a reasonable price.

2. Street Markets

Held at fixed centres in urban or rural areas on a daily or weekly basis, street markets comprise multiple stalls selling wide range of food and non food products. These markets compete on both variety and price and also sell smuggled goods too. Street markets have traditionally acted as a place for social gathering. Even today also these street markets in majority of cities on weekends.
3. Departmental Stores

A departmental store is a large trading organization. It has a number of departments which are classified and organized accordingly. Departments are designed as per different types of goods to be sold. In departmental store, individual departments are established for the purpose of selling groceries, garments, stationery, cutlery, cosmetics, computers, furniture and so on. Here the motive is to make available everything under one roof so that it is convenient to customers.

Departmental stores are also known as ‘Universal Providers’ or ‘One spot shopping’. The concept of departmental store is first originated in France. All the departments run under the same ownership, managed and control. In departmental store all the goods are sold on a cash basis.

Generally the size of departmental store is in a range of 20000-50000 square feet\(^3\). In India departmental stores were less as compare to hypermarket and supermarket. In the year 1991 Shopper’s stop opened its first departmental store at Andheri which was selling only menswear and in the year 1995 they opened their second store at Bangalore and currently they have 40 stores in 18 different cities with over 2.05 million square feet area in India\(^3\). The store strongly focuses on lifestyle retailing and mainly divided into apparel, accessories, footwear, mother care, toys, and cosmetics and so on.

Another player is the Dubai base Landmark Group’s store chain, lifestyle India which began its operations in the year 1998 has opened its first store at Chennai in 1999 and in March 2006 they have opened one of the largest departmental stores in the same city. Currently they have 26 stores. Lifestyle is divided into five major departments under one roof which are apparel, footwear, children’s
wear & toys, furniture & home furnishing and personal grooming. Lifestyle is providing wide range of national and international brands.

In the year 1987, India’s first branded trousers company, Manzwear Pvt.Ltd, was launched by Future Group. Later the company’s name was changed to Pantaloon Retail (India) Ltd. in year 1999. The first Pantaloons was opened in Garihat, Kolkata in year 1997. Initially the store mostly sold external brands. Gradually, it started retailing a mix of external brands while at the same time introduce its own private brands. Initially it was positioned as a family store; it finally changed its focus towards a fashion store with focusing on youth and clear focus on ‘fresh fashion’. Pantaloons stores have wide variety of categories like casual wear, formalwear, party wear and sportswear for men, women and kids. Currently Pantaloons is having 56 outlets in 27 cities.

Ebony Retail Holdings Ltd. A part of the DS Group is a Delhi-bases retailer with five stores in five cities spread across 97000 sq feet total retail space. Ebony, the word that is synonymous with the retail revolution in India, was promoted with an aim of bringing a global shopping experience to its customers. The format includes categories like Apparel for men, women and children; household goods and lifestyle products.

4. Hypermarket

Hyper markets operations are expected to spread throughout India. According to KPMG and Associated Chamber of Commerce and Industry of India, there will be around 315 hypermarkets established in tier I and II cities by the year 2011 and opening of hypermarket is expected in tier III cities after year 2011.

The pioneer of hypermarket concept was Fred Meyer chain, which opened the first hypermarket in the year 1931 in Portland, Oregon. Hypermarkets were very
controversial in US and face opposition from preservationists who feel they destroy conventional grocery. The world’s largest chain of hypermarket is Wal-Mart. The first hypermarket in the UK was opened by Tesco in the year 1976.

In country like India hyper markets emerged as the biggest crowd pullers as Indian people tend to enjoy shopping and weekly shopping is a trend in India. Hypermarkets provide an extensive merchandise mix which involves FMCG to electronics, value apparels, house ware, and furniture and so on. Normally the size range of hyper market is between 15000 square feet to 1, 00,000 square feet. Number of players operating in hypermarket is increasing day by day. One of the leading players in this format is Pantaloons Retail India Limited which operates. Big Bazaar was launched in September 2001 with the opening of three stores in Calcutta, Bangalore and Hyderabad in 22 days. Today Big Bazaar has more than 100 stores (133 stores) in 80 cities and towns across India with total occupied space are over 10 million square feet. Most of Big Bazaar stores are multi-level and are located in stand-alone building in city centers as well as within shopping malls. More than 30,000 small and medium Indian manufactures and entrepreneurs are connected with Big Bazaar and over 200 million customers visiting its stores.

Another major player is HyperCity Retail (India) Ltd. which is a part of K.Raheja Corp. Group, has introduced country’s largest hyper market having area of 1,24,000 square feet. The product range covers: Food and Grocery, Home ware, Home Entertainment, Hi-Tech, Appliances, Furniture, Sports, Toys and Fashion. Currently HyperCity has established 9 hypermarkets located at Mumbai, Thane, Jaipur, Hyderabad, Ludhiana, Bangalore and Bhopal and planning to invest Rs. 1500 crore for development of 68 hypermarket till year 2012. The company has set the target of INR 10.00 billion turnover in 2011. HyperCity has not limited itself to only retail customers but also extended its
services to the corporate clients by providing them value and range that fulfills their corporate requirements.

Reliance Mart which is another major player in this format launched itself on 14th August 2007 at Ahmadabad. The hypermarket offers a large variety of products in every category ranging from fresh produce, food and grocery, home care produces, apparel and accessories, non food FMCG products, consumer durable and IT, lifestyle products, footwear and so on. RelianceMart offers some of the services to customers such as tailoring, shoe repair, laundry service. The store also offers ice-cream train for the kids, a chakki and pickle for housewives.

Avenue Super Marts Pvt Ltd. owns and operates hypermarkets and supermarkets by the store name D-Mart. D-Mart opened its store in year 2000 in Mumbai and today are established in 45 locations across Maharashtra, Gujarat, Andhra Pradesh and Karnataka. D-Mart offers a wide range of products in the categories like food, toiletries, garments, kitchenware, bed and bath linen, toys and garments, stationeries, home appliances and footwear.

Spencer’s hyper is another major player in hypermarket format owned by RPG (Rama Prasad Goenka) Group. In year 2001, they have established their first hyper market in Hyderabad. Spencer’s hyper are megastores which combine a superstore with a departmental store. They have more than 70,000 items stocked in the area of 15,000 square feet, which provides fantastic deals to shoppers across food, fashion, home and entertainment under one roof. Currently they have 20 hypermarkets operating in 16 cities.

Aditya Birla Group in March 2008 entered into hypermarket segment by launching more. MEGASTORE. more. MEGASTORE offers a wide range of
products that includes grocery, fruits and vegetables, electronic products, computers and accessories, mobile phones, apparels, footwear, sports and FMCG products etc. Currently nine hypermarkets operate under the brand more.MEGASTORE in Mysore, Vadodara, Aurangabad, Indore, Bangalore, Mumbai, New Delhi, Hyderabad and Vashi. Company is also targeting to open 65 hypermarkets in India by the year 2016\textsuperscript{38}.

In country like India, Hypermarkets holds a great potential to grow. Majority of hypermarkets use food and grocery as crowd puller, so price is one of the major factors. Apart from price, service providers must focus on offering right product mix. Service providers must focus on development of store aesthetics to pull the crowd. Hypermarkets will be successful if the retailer understands the shopper better and design product offering tailor-made for specific segment of consumer. One of the better ways to improve margin is to increase percentage of private label or store brand.

5. Supermarket

A concept of supermarket is not new to Indian consumers. The British colonial government introduced the idea of supermarket to facilitate its officers with access of household goods under one roof. The first supermarket in the United States was opened by a former Kroger employee, Michel J Cullen, on 4\textsuperscript{th} August 1903. The supermarkets largely concentrate on selling food related products and are considerably from hypermarkets. The supermarkets offered relatively less assortments but focus on specific product categories. Their main focus is on convenience and affordability of customers.

Normally Indian people use to purchase vegetables and fruits from Sabji mandi or local mobile vegetable seller. So in the beginning people hesitate to purchase vegetables and fruits from supermarkets because of which the growth of
supermarket hinders. But situation is changing and slowly supermarket operators are coming to their own. The typical size of supermarket is in the range of 3000 to 15000 square feet.

A supermarket normally sells grocery, fresh cut vegetables, fruits, frozen foods, toiletries, cosmetics, utensils, cutlery, stationary and gift items. In India Food World, Food Bazaar, Nilgiri, more. for you and Reliance Fresh are the leading supermarket operators.

Foodworld which is previously known as Spencer’s Daily is a chain of supermarket store. It was started in May 1996 as a division of Spencer’s &Co, a part of RPG Group. In August 1999 it became a separate company. Currently it operates 67 stores in Bangalore, Hyderabad and Chennai. Foodworld supermarket has a size of 3000 to 5000 square feet. The company is targeting 200 Foodworld stores across the country in different formats. Foodworld is focusing on delivering convenience, quality fresh food, and wider range of products at lower price.

Nilgiris “At the heart of great taste.” Since year 1905 is another player in who has supermarket chain in South India. Nilgiris is one of the oldest supermarket formats with origins dating back to year 1905. Nilgiris which began from a single store in Bangalore with butter as its basis product; today it has more than 90 stores spread across India’s southern states. Nilgiris is offering wide range of grocery, general merchandise and personal care products.

Aditya Birla Group launched its first supermarket, ‘more. for you’ in May 2007. ‘more. for you’ is a neighborhood supermarket which takes care of everyday household. The supermarket has wide range of products of food and non-food items, ranging from basic necessities such as fruits and vegetables, staples,
personal care, home care, household care products, general merchandise and dairy products. With a range of over 4,000 products, the supermarket is able to fulfill all the needs of customers under one roof. Till the end of year 2009, company has established 640 supermarkets and company plans it to increase it to 1300 by year 2016.

Food Bazaar which is another player entered supermarket format in April 2002. Food bazaar is providing Western as well as Indian values to provide satisfaction to the customers. The western values of convenience, cleanliness and hygiene are offered along with the Indian value of “See-Touch-Feel” are offered to the customers. Further Food Bazaar has also created “bazaar-like” atmosphere and also selling at economic and affordable prices without compromising on quality. Currently Food Bazaar has more than 190 outlets in India.

Reliance has entered retail segment with the launch of the first retail format called Reliance Fresh at Hyderabad on 3rd November 2006. Reliance Fresh is spread over 2000-5000 square feet. The Reliance Fresh supermarket chain is RIL’s 25,000 crore venture and plans to add more stores to make its presents in India. The supermarket sells fresh fruits, vegetables, grocery, fruit juice and dairy products.

6. Convenience Stores

Convenience stores are relatively small in size ranging from 500 to 2000 square feet are located near residential area. They stock a limited range of high-turnover products and the price is average to above average depending on the product category. Normally convenience store remain open for extended periods during a day, seven days a week and shoppers use it for buying fill-in merchandise and emergency purchase. In India convenience stores occupied
retail space of 23 thousand sq.meter in the year 2005 and were expected to occupy 85 thousand square meter of selling space by the year 2010 and during same period sales was expected to reach at Rs. 5271 million and number of outlets were expected to reach at 2434\(^{38}\). The “In & Out” store at Bharat Petroleum petrol pumps, which was launched in the year 2001, offered wide range of services which include ATMs of leading banks, beverages from Pepsi, coffee and snacks from Café Coffee Day and Coffee Day Xpress, other FMCG products, toiletries and selected range of branded groceries. Currently they have more than 240 In & Out stores across India\(^{45}\).

7. Discount Stores:

Stores offering discounts on retail price through selling high volume and reaping economies of scale are known as discount store. According to Gibson G.Vedamani, the CEO of Retailers Association of India “Any store that sells 60 percent to 70 percent of its merchandise at 15 percent to 25 percent or more, below the maximum retail price, all through the year, qualifies to be a discount store. Wal-Mart, the largest retailer in the world is a discounter operates 1300 discount stores in the U.S is extremely successful in U.S but the same retailer struggles in Asian countries like china.

Along with lower price, discount stores also offer wide range of products with quality assurance. Earlier discount outlets sold factory/store rejects or seconds which are also odd in size or last season leftover stock. But today the situation is different. They said that they offer fresh stock and also are able to provide discount because they buy at reduced price and often make payment in cash to the manufacturer or distributor. Though Indian consumers are highly price sensitive and look for saving in terms of money while purchasing grocery still there is hardly any national level discount chain operating in India. One of the major failures of discount store in India was Subhiksha. It began operations in
the year 1997 and expected to reach 1600 stores has taken huge debt. It was close in the year 2009 amid accusation of mismanagement and fraud.

Other players in the same format are Arvind Mills Ltd’s Megamart. The chain has spread over 60 cities with around 160 stores across the country. Provogue India which opens its discount chain Promart “Big Brands, Big Discounts, 365 Days” in May 2007. The store is available at Ahmedabad and Indore focus on five C’s which are competitive prices, change, choice, convenience and customer service. The store offers real brands at discount price and they have National as well as International leading brands across Men’s, Women’s, Footwear, Kids, Home and accessories under one roof.

The LOOT is another Mumbai base discount store established in 2004. The LOOT is a multi-brand, multi-location discount chain offering customers a wide range of apparels, footwear and accessories for Men, Women and kids with discount ranging between 25 percent to 60 percent throughout the year. In the year 2011, they have 145 stores in 24 states and more than 3,00,000 square feet area is under construction.

Future Group’s Brand factory is offering Indian and International brands at smart price. The brand list includes Levis, Pepe Jeans, Wrangler, Arrow, Reebok, Louis Philip, Allen Solly, Reid and Taylor and so on. Brand factory presents the brands in a fully air-condition environment. Currently they have around 12 stores operating at Ahmedabad, Aurangabad, Bangalore, Ghaziabad, Hyderabad, Kolkata, Mumbai and Pune.

As the organized retail penetration in rural area is increasing. And people from rural area are also becoming brand conscious. In this situation discount stores can open their outlet in rural area and cover the untapped rural market.
8. Category Killer

Category killer is a term used in marketing to describe a product, service, brand or company that has developed distinct sustainable competitive advantage that competing firms find almost impossible to operate profitably in the industry or in the same local area. Category killer offers less variety but deep assortment of merchandise. By offering deep variety of merchandise at low price, category specialist can be able to “kill” that specific category from other retailers.

9. Dollar Stores

A dollar store is a retail store that sells inexpensive items, often with a single price for all items in the store. Basically the products sold under dollar stores are not branded. Some chains sell all their good at $1 or less. Others offer selected items at higher price. The product category the dollar store sold include paper products, health and beauty products, cleaning products, household goods, toys and so on.

US based My Dollar Store has launched its first store in the year 2004 in Mumbai through master franchise agreement with Sankalp Retail Value. My Dollar provides consumer with International brands and merchandise at a fixed selling price of INR 99 only. There are around 20 categories of products which include food, beverages, chocolates, bath and beauty products, apparels, kitchen utensils, home and décor products, toys, sunglass and so on. Today they have more than 40 stores in India.

In India 49 to 99 gift shop is a type of dollar store that sells whole range of accessories, stationeries, gift items, games, toys, purses, watches and many other products that they sell for Rs.49 (approximately account $1) or Rs.99 (approximately account $ 2).
Though dollar stores provide products at a less price but the reasons behind their survival is the power of buying in bulk. Manufacturers of less expensive consumer items such as plastic toys, paper goods, cosmetics often face a problem of surplus inventory. Buyers for dollar shop negotiate and purchase those surplus and outdated products at very cheaper rate and sell at rate which attracts customers. Further there were very few employees in these stores handling more than one task.

10. Malls

A shopping mall is a building or set of buildings that contain stores and have interconnecting walkways that make easy for people to walk from store to store. In India malls are known as “Latest Temples”. As two decades earlier people went to temple for the worship of god and after the worship people used to meet their relatives and spend time. Today for the later purpose people prefer malls. Mall development in India is phenomenal. According to CB Richard Ellis Report, shopping malls in India is growing at a tremendous pace by showing unbelievable growth of 50 percent by growing 280 malls in the year 2011 from 190 in the year 2010. CN Richard said that India has added 5 million square feet retail space in the year 2010 and approximately 15 million square feet is ready to get operational in the year 2011-12. Shopping Malls normally ranges from 60,000 sq ft to 7,00,000 sq ft and above and generally provide everything from necessarily to luxury. It provides facilities like multiplex, food courts, entertainment under one roof which attracts a lot of people to visit mall. Sheth Developers & Realtors, Mumbai’s leading real estate developers has launched India’s largest mall Vivacity in the year 2011. Some of the major players are Central Mall owned by Pantaloon retail launched in Bangalore in the year 2004 currently have 16 Malls established in Ahmadabad, Bangalore, Hyderabad, Pune, Mumbai, Vadodara, Gurgaon, Indore, Surat and Jaipur. Other players are Spencer mall, DLF mall, Sahara Ganj mall, Ansal Plaza mall, Inorbit mall and so on.
1.21 Rural Retail in India

Rural India accounts for roughly 70 percent of population located in almost 6, 27,000 villages. The rural Indian economy is growing at 8 to 10 percent every year and it will add around $ 90 to 100 billion of new consumption till the year 2015 over the current base of $ 240 to 250 billion and is expected to reach at US $ 400 billion by the year 2017. There are number of factors supporting this growth which are increasing income due to good monsoon, increasing level of education, better infrastructural facilities, incentives provided by government and so on.

According to MGI forecast, rural market will nearly triple till the year 2025 creating a vast potential of $ 577bn. According to Mr. Ramesh Srinivas, national industry director (consumer market), KPMG India “Overall there is a huge market which is waiting to be served, ready to splurge , willing to explore new products and services, and retailers can tap their wallets”. In rural markets consumer are practical and price sensitive. So to become successful, it is necessary for retailers to understand the need of rural consumers and serve the products. Service providers must focus on developing brand loyalty in the rural market by providing new and innovative products to rural market.

Figure 1.12: Average Rural Consumption per Household (1985 to 2025*)

(Source: MGI Indian Consumer Demand Model, v 1.0)
A number of retailers tried to grab the opportunity by launching their outlet in rural area. ITC has launched “Chaupal Sagar” which is one of the first organized retail foray into rural area. Though the size of the store is only 7000 square feet, still it has huge variety of products ranging from toothpaste, hair oil, mixer-grinder, water-pump, television to motorcycle, shirts to fertilizers and so on. They are selling most of the national brands which include Marico, LG, Philips, torches from Eveready, bikes from TVS and so on. They have adopted innovative idea by setting up warehouse near to store in which with the help of e-chaupals, ITC communicate the latest commodity prices to the farmers via internet. If farmers find the price attractive than they will sell their products to chaupal. The farmers will get money immediately from chaupal and that money they will spend to buy products from chaupal. ITC spent 3 years and Rs. 80 crore on research and development of e-chaupal including investment in e-chaupal.

Hariyali Kisaan Bazaar (HKB) is an innovative chain of rural agricultural supermarkets set up in India since year 2002 by DCM Shriram Consolidated Ltd. The objective of Hariyali Kisaan Bazaar is to empower the farmers by providing solutions to the farmers under one roof. The store offer quality inputs (fertilizers, seeds, pesticides, veterinary products, animal feed, irrigation items), agronomic services, financial products (crop insurance, money transfer), fuel, FMCG, apparels and also provide information regarding weather forecast, market prices and farmers’ database. Though company has closed its 30 stores in the year 2009, hired TCS to improve inventory management and also appoint AT Kearney to facilitate consolidation. Each HKB centre caters to communities within a 25-30 km perimeter and impacts the life of about 20,000 household. The company has established over 275 Hariyali outlets across eight states which includes – Haryana, Punjab, Uttar Pradesh, Rajasthan, Uttarakhand, Madhya Pradesh and Andhra Pradesh. The company is also planning to open 300 stores more till year 2012.
Mahindra ShubhLabh established in 2000 for the purpose of serving rural base farm equipment customers. The company work as a single source channel for farmers where they can access all the products, service and knowledge required to run productive farms. The company helps at every stage from planting to selling with seed supply, crop care and fresh produce distribution service. The company provides distribution service to fresh produce both domestically and International. The company export to a number of retailers in Europe, UK, China, Middle East and Southeast Asia and import foreign fruits to India.

Future Group also entered rural retail by picking up 70 percent stake in Aadhar Retailing Limited which was a subsidy of Godrej Agrovet in year 2008. The company operates 51 stores in Gujarat, Haryana, Maharashtra and Punjab. The company mainly sells wheat and paddy apart from daily need products. The company also provides help to the farmers to achieve better output. Further the group also plans to open 20,000 franchisee outlets in villages that would be serviced by wholesale stores. The reason behind adopting franchisee route for the rural market can be as rural market entrepreneurs will understand their market better. And another reason can be as rural market is geographically scattered so it is difficult for the company to operate. But the franchisee person can build relationship with the customers and increase business. Further the space occupied by these wholesale stores will be ranging from 15,000 sq. ft to 20,000 sq.ft and group is planning to sell its own affordable private labels in villages.

Rajkot based Champion Agro Ltd. is also planning to enter with single window shopping facility for farmers. The company has 35 agri-retailing outlets in Saurastra region, and they will now open around 400 outlets by the year 2014 at a taluka level across Gujarat in the coming five years. They will open 50 new outlets by the end of year 2011 for an investment of Rs 15 crore. The overall investment planned is between Rs 300 to 400 Crore. The company is targeting taluka and village level
market. The company has also tied up with Israeli company to start green housing farming.

Tata Kisan Sansar is another company operating in rural retail, is a network of nearly 600 farmer resource centers that caters to more than 3.5 million farmers in 22000 villages in the northern and eastern part of India. The objective of the company is to identify critical needs of farmers which include access to market, credit facility and advice or information. Tata Kisan Sansar is a center that provides value added services to farmers which will help farmers to improve quality of living. The company has wide range of agricultural inputs such as fertilizers, seeds and pesticides along with agricultural services such as soil testing, crop advisory etc. Further company wants to develop long term relationship with farmers for which they offered paid membership to farmers and current membership stands at about 40,000 plus.

Champion Agro deals in cotton, ground nut, cumin, wheat, maize and vegetable seeds besides making insecticides, fungicides, and herbicides from bayer Crop science, Dow Agro Science etc. Vadodara based ACIL Cotton Industries is ready to enter with around 40 outlets of “ACIL Krishi Store” in Gujarat. ACIL stores sell all types of seeds, fungicides, fertilizers, micronutrients.

Further Reliance Rural Hub, Escort rural store, Warnabazaar are also some of the players who are operating successfully in rural area. Along with the opportunity, rural retail also poses some challenges which include poor infrastructure facility, scattered population.
1.22 Major Players in Indian Retail Industry

1.22.1 K Raheja Group

K Raheja Corp are the pioneers in the organized retail by taking the first giant step to successfully establish a retail store known as “Shopper’s Stop”. The group has expanded itself across the country by collecting the feedback from customers regarding their taste and preference along with culture, customs, tradition and income.

1. Shopper’s Stop

The aim of Shopper’s Stop is to provide shopper a truly international shopping experience and to achieve that they have an excellent assortment of leading International and national brands in clothing for men, women and kids; accessories, fragrances, cosmetic, footwear; home furnishing and décor products. Shopper’s stop is the only Indian member of the “International Group of Departmental Stores” Shopper’s Stop was also declared as the winner for Customer & Brand Loyalty in the Retail Sector in Loyalty Summit Award 2010 and “Most admired Fashion Retail Destination of the Year” in year 2009 by Images Fashion Forum. Shopper’s Stop is also into e-retailing as they are also selling their products online. As a loyalty programme Shopper’s Stop also offer First Citizen which will earn customers reward points and also exclusive benefits and offers. Company also provides gift vouchers.

2. Homestop

Homestop is a complete home solution chain that offer high quality products required for homes with a large product range. Presently Homestop is established in Bangalore, Delhi, Mumbai and Navi Mumbai. From the kitchen to dining room, bathroom to the drawing room, Homestop has everything which will provide exclusive look to the home. It has most reputed national and international brand under one roof. Some of them
include Corelle in crockery, steel utensils from Magpie and Art d’nox, bed linen and furnishing from Stop, Lvy, Portico and so on.

3. HyperCITY

HyperCITY provides a truly international shopping experience, where customers can shop in comfort in a large, modern and exciting environment. The product range includes food, Homeware, Home Entertainment, Hi-Tech, Appliances, Furniture, Sports, Toys and Fashion. It includes facilities like ATM, Consumer Finance, Disabled access to store, Trail rooms, Free gift wrapping and Faster checkouts. HyperCITY also has specialty areas which include Exclusive imported food, Gaming Zone, Cricket net, Demo Kitchen and Home Theatre Demo room too.

K Raheja Group has also introduced new formats which include Crossword Book Store, Mothercare & Early Learning Centre, Estee Lauder group, Airport Retailing, TimeZone Entertainment.

1.22.2 Tata Group

Trent-one of the subsidiaries of Tata Group was established in the year 1998. It operates Westside, a lifestyle retail chain; Star Bazaar, a hypermarket chain; Landmark, a books and magazine chain; Fashion Yatra, a complete family fashion store.

1. Westside

They entered in market in April 1998 at Bangalore with its first store. Westside offers latest in style products, International shopping experience and value for money pricing. The Westside stores are an exciting mix with a range extending from stylish clothes and accessories for men, women and children to home accessories and furnishing. Westside stores have
departments which include Menswear, Women’s wear, Lingerie, Kidswear, Household accessories, Cosmetics, Perfumes and other accessories. In Menswear the range of products is from formal to casual to sporty and the range of price will vary from value for money to premium. The range of variety in Women’s wear includes Western casual, Western formal and classy ethnic wear. The store also offers range of handbags, jewellery, scarves and other accessories. In household section the company offers colorful towels and bathroom sets to bed linen, table linen and crockery. The Westside stores are open on 365 days. In the year 2008, the company uses the franchise route to penetrate tier-II and tier-III cities. Westside has also added gourmet and chocolate section in its Mumbai store whereby they provide products such as vegetables, fish and meat. Currently 53 Westside stores are there in India and company wants to achieve the figure of 100 till year 2015. Westside has also tied up with international brands such as Italian kids wear from Chicago, Woolworth Bath and Body, GIVe from UK and Aerologh from US. Westside operates stores in Mumbai, Navi Mumbai, Pune, Ahmadabad, Bangalore, Delhi, Faridadabad, Chennai, Kolkata, Hyderabad, Surat, Vadodara, and Jaipur.

2. Star Bazaar

Tata’s hypermarket chain ‘Star Bazaar’ entered in 2004 with its first store at Ahmedabad to cater cost conscious buyers. The hypermarket stocks a whole range of products including staple foods, beverages, personal care products, fresh dairy products & durables, fresh vegetables and fruits and household at affordable price and in a comfortable environment. Star Bazaar also has live bakery which will offer delicious pastries, a variety of breads hot out of oven and puffs both veg. and non-veg. and much more. The store stock goods according to regional customer preference as customers from different region favour different essentials. The company’s main focus is on understanding customers- who they are, what they want and what is relevant to them, so that they can serve the customers as per their need and increase
loyalty. In the year 2008, Trent has also announced to invest Rs. 20,000 crore for hyper market. Further during the time of slowdown, when the price of property was down, the company has purchased property and now the company is using it to open more stores. Star Bazaar stores are about 70,000 square feet each. The Trent hypermarket has done joint venture with UK-based retailer giant Tesco in the year 2008. Due to this JV, Tesco used to sell some of the FMCG products, mainly in personal care such as shampoo, deodorants, household cleaners and diapers in Trent’s hypermarket chain-Star Bazaar. Further company has also announced in the year 2010 that they will soon be selling range of food products consisting biscuits, juices, pasta and snacks initially in Mumbai and Bangalore. Till now company has 10 Star Bazaar stores and company wants to double it till the end of 201151.

3. Landmark

Landmark is one of the leading retailers of books and music in India which established in the year 1987 as a book retailer in India. It became a part of Trent in the year 2005. Today Landmark has 13 stores across India in addition to seven hotel bookstores and five airport stores. The product line of Landmark includes books (over widest range of over 12,000 titles), Music (English, Hindi and regional language), Movies and games, Stationary (office utilities, diaries, files, gift wrapping paper), Magazines, Gifts, Home store (from candles to crockery and furnishing), Electronics and Toys.

Currently the stores are operating in Ahmadabad, Bangalore, Chennai, Gurgaon, Lukhnow, Mumbai, Pune and Vadodara. The company is also into e-retailing as it has its own e-store called landmarkonthenet.com and its own distribution business that supplies to all Landmark stores as well as other retailers.
4. Croma

Infinity Retail operates a national chain of multi brand electronic stores under the brand name of Croma. Croma stores are spread at over 12,000 to 20,000 square feet and have more than 6,000 products and 180 brands. They are dealing in eight categories that include white goods, home entertainment, small appliances, computers, communication, music, imaging and gaming software. The company has a technical and sourcing agreement with Australian retail giant Woolworths. Croma’s stores are located at Mumbai (17 stores), Pune (5 stores), Aurangabad (1 store), Gujarat (6 stores), Delhi NCR (17 stores), Bangalore (11 stores), Chennai (3 stores) and Hyderabad (2 stores). The company plans to reach over 100 stores by 2011.

5. Titan

Titan Industries sells more than 9 million watches every year through 12,000 retail outlets, exclusive Titan showroom and franchises. With over 665 retail stores covering 8,107 square feet, Titan Industries has largest retail network. Titan Industry is also largest jewellery retailer in India over 120 Tanishq boutiques and Zoya stores.

1.22.3 Future Group

Future Group, led by its founder and Group CEO, Mr. Kishore Biyani, is one of the India’s leading business houses with multiple businesses spanning across consumption space. Future Group’s retail network touches the lives of more than 220 million Indians in 85 cities and 65 rural locations across India. The group currently operates around 1000 stores spread over 16 million square feet of retail space. The company’s headquarter is in Mumbai and it employs around 35,000 people. The group’s philosophy is “Rewrite rules, Retain values”.
Led by Pantaloon Retail, the group’s flagship company, the group manages some of India’s most popular retail chains like Pantaloons - a chain of fashion bazaar, Big Bazaar, Food Bazaar, Central, Ethnicity, Brand Factory, Planet Sports, aLL, Top 10 and Star and Sitara. The group has also penetrated in e-retailing by launching www.futurebazaar.com. The group also received awards and recognition from Images Fashion Forum as “Most Admired Fashion Group of the year 2009”.

1. **Pantaloons**

   The first store of Pantaloons was opened in Gariahat in the year 1997. Initially store is positioned as a family store, later on they focused on ‘youth’ and clear focus on ‘fresh fashion’. Pantaloons stores have a wide variety of categories like casual wear, ethnic wear, formalwear, party wear and sportswear for Men, Women and Kids. Pantaloons won the recognition from Images Fashion Forum as Most Admired Private Label. Pantaloons Fresh Fashion has established itself as fashion trendsetter and company has taken its ‘fresh fashion’ very seriously as company is making available to its customers latest fashion every week. Pantaloons mainly focuses on private labeling and some of the private brands in Men’s wear are John Miller, JM Sports, Bare Denim, Rig, Ajile, Lombard etc. and for Women’s wear have Honey, Annabelle, Mix and match, Ajile, Rig etc.

2. **Big Bazaar**

   In September 2001 PRIL launched its first hypermarket format “Big Bazaar”. The product mix of hypermarket includes home furnishing, utensils, crockery, cutlery, sports goods, apparels, electronics and much more at an affordable price. The company operates 148 big bazaar stores in India. Big Bazaar has achieved CNBC Awaaz Consumer Awards 2009 for “Most Preferred Multi Product chain” and “Most Preferred Multi Brand Food and Beverage Chain”. Company focuses on launching private label for Men’s wear which includes Knighthood, AFL etc and in Women’s wear they have Srishti, DJ&C etc. With a slogan of “Is Se Sasta aur Accha kahin
"nahi", the company is clearly targeting itself to price sensitive consumers. Further company is also doing promotional activities such as “Sabse Saste Din” and “Purana Do, Naya Lo” to pull the crowd.

3. Ethnicity
Ethnicity is the first concept store in India to offer everything Indian under one roof. Ethnicity celebrates Indianness through its different products and design. The product categories offered are Chota India (a colourful section for kids), Sona Chandi (Costume jewellery, fashion jewellery and semiprecious jewellery for women), Ghar Aangan (From Puja ka saman to bed linen), Thoda Aur (Accessories and more). Currently they have six Ethnicity stores in India.

4. Future Bazaar
Futurebazaar India Limited is set up as e-retailing format of the Future Group for providing on-line shopping experience. Futurebazaar.com was launched on January 2, 2007 and has emerged as one of the most popular online shopping portals in India. It was awarded with “Best Indian Website” award in the shopping category by the PC world Indian Website Award.

5. Central
Central Mall was launched in May 2004 at Bangalore and the thought behind launching mall was to give customers an unobstructed and pure shopping experience. Further Central malls are located in the heart of city as they believe that customers should not travel a lot to reach at Central. Central Mall have more than 300 brands and categories include apparels, footwear and accessories for women, men, children and infants, apart from whole range of Music, Books, Coffee shops, Food Courts, Fine Dining Restaurants and Discotheques.
6. **Brew Bar, Café Bollywood, Food Bazaar and Sports Bar**

In food business the group has Brew Bar located at Mumbai which offers 15 brands of domestic and imported beer. Brew Bar also offers Beers-on-tap and set meals. Café Bollywood is a national chain of eateries which serve fast food at delicious prices. They serve Indian street food, burgers, pizzas, juices and more and company has also taken care of hygiene factor too. Food Bazaar, a chain of large supermarket established in April 2002 having unique ambience which include best Indian and Western values together for the satisfaction and comfort level of customers.

Along with above the other formats include Brand Factory which serves Indian and International fashion brands includes Levis, Pepe Jeans, Dockers, Wranglers, ProVogue, Louis Phillip, Allen Solly, Reid and Taylor etc., Blue sky which offers wide range of branded and private sun glasses, aLL, a first exclusive format dedicated to the fashion needs of plus size men and women and Star and Sitara, a unique beauty salon for men and women.

1.22.4 **Bharti Group**

Bharti Retail, a subsidiary of Sunil Mittal-promoted Bharti Enterprise, on 16th April 2008 launched its operations by opening first store in Ludhiana, Punjab. The store which is known as ‘Easy Day’; is a one stop shop to fulfill every day to day need of family. Easy Day neighbourhood stores are spread at over 2,500 to 4,500 square feet. The product range of company include personal care products, stationary, household articles, hosiery items, staples, processed food, bakery and dairy products, meat and poultry and fresh produce. In its first phase of operations till the end of year 2009, Bharti Retail has opened 59 Easy Day stores across northern India i.e Punjab, Haryana, Rajasthan, Uttar Pradesh and New Delhi as a plan to focus on operations in one region at a time. Bharti has also employed people from local communities and company. Also structured training has been provided to them by Bharti Academy of Retail, set up by Bharti Retail. Ashiana
Housing Ltd launched Bharti Retail’s easyday store at Village Centre at Bhiwadi, Rajasthan which is of 4,800 square feet and offer wide assortment of quality products including general merchandise, home ware, toys, books, food and grocery, fresh fruit and vegetables at low price.

Bharti Retail also entered in hypermarket format by launching Easyday market at Ludhiana. The Easyday market spread across 25,000 square feet and stocks items ranging from apparel for men, women and children, home ware, cosmetics, mobile phones, stationary and so on. They also have live bakery, meat shop, poultry, fish, Fruits, vegetables, grocery and general merchandise. In the year 2010 company has 9 hypermarkets situated at Punjab, Rajasthan, Madhya Pradesh, Chhattisgarh and National Capital Region. The company has adopted “Sabse Kam Daam, Her Din” and offer extensive product mix which prices are relatively lower by at-least 3 to 5 percent compared to other stores. The supply chain management of Bharti EasyDay will be run by the joint venture, where as the front –end will be fully owned by Bharti as per FDI policy of India, which says that for foreign retailers, 100 percent investment is allowed in cash and carry. That means Wal-Mart can sell only to Bharti and not directly to customers. The first such wholesale location opened in Amritsar.

The company wants to expand by investing 2.5 billion dollars by the year 2015 in retail operations including multi-format retailing outlets across all cities which have population more than one million and also targeting around 10 million square feet of retail space.\textsuperscript{55}.
1.22.5 Reliance Group

Reliance is aggressively working on introducing a pan-India network of retail outlets in multiple formats. With a motive of providing better returns to Indian farmers and manufacturers and providing greater value to the Indian customers, both in quality and quantity, group entered in retail sector. Reliance Retail Ltd. has a number of company-owned outlets along with a franchisee format that would be in collaboration with Kirana shop owners. Its various divisions are:

1. Reliance Fresh

Reliance Fresh is the retail chain division of Reliance Industries of India which is headed by Mukesh Ambani. Reliance entered in retail segment by launching new retail store at Hyderabad on 3rd November 2006. In December 2009, it has 453 operational stores in India. The stores would typically be an area of around 3000 to 5000 square feet and The Company’s product line includes fresh fruits and vegetables, staples as well as company’s in-house brands.

2. Reliance Mart

Reliance Retail has launched its first hypermarket on 15th August 2007 at Ahmedabad which occupies around 1.65 lakh square feet over 3 floors. The store has more than 80,000 units across various categories which include fruits, vegetables, grocery, apparels, durables, stationary, toys and music. Reliance Mart is targeting returns of $ 23 billion by the year 2011.

3. Reliance Super

Reliance super is a smaller version of hypermarket format. It has more than 10,000 products in various categories like grocery, home care, stationary, pharmaceutical products, apparels and accessories, FMCG, consumer durable & IT, automotive accessories and life style products and footwear.
Further Reliance super will also sell fine jewellery and fashion jewellery as a part of its life style section. Reliance super has spread with an area of 4,000 to 10,000 square feet. Along with pleasant atmosphere inside the store, it will also offer promotional schemes like easy and attractive finance options which include zero percent financing on selected products. Company also has membership card and focus on loyalty programs work on the philosophy on “Earn anywhere, spend anywhere”.

4. **Reliance Digital**

Reliance Digital is a consumer electronics concept mega store ranges more than 15,000 square feet. It is a one stop shop for all technology solutions in the field of consumer electronics, home appliances, information technology and telecommunication. The store offers over 4,000 products and has more than 150 branches. Reliance Digital plan to enter into more than 70 cities in India in near future. Reliance Digital is also backed by Reliance ResQ, the service arm which is available for support all 7 days to provide end to end solutions which includes product installation, repairing and so on. Reliance Digital is also into effective promotional strategies which include Summer Carnival and Anything and Everything @ Rs. 26.

5. **Reliance Trend**

Reliance Trends is a specialty apparel store that will sell men, women and children’s garments. It has begun its operations in the year 2008 with an objective to offer the common man quality and fashionable clothes at low price. The company received excellent acceptance in smaller cities and towns of India. Currently there are around 35 Reliance Trends stores across the country and Company plans to open 58 stores by the end of the year 2011 and company has targeted to open nearly 150 stores by March 2012.
6. **Reliance Wellness and Reliance Footprints**

Reliance Wellness is a chain of Specialty wellness stores that would offer curative as well as health and beauty solutions. The store adds value to the people’s lives, by providing products and services that will improve people’s body, mind and spirit. The company sells world class products under one roof and also educates consumers regarding health need. Reliance footprint is a specialty footwear store that offers a range of over 20,000 products which will fulfill the entire family’s need. The store offers over 50 international, national and Reliance brands including Buckaroo, Franco Leone, Ganuchi, ID, Lee Cooper, Provogue, and Red Tape and so on. Reliance Footprint has established its stores at Chennai, Hyderabad, Kochi, Noida, Ludhiana, Mangalore, Mumbai, Jallunder, Vizag, Nasik, Ahmedabad, Vadodara and two stores in Bangalore.

7. **Reliance Jewels and Reliance Timeout**

Reliance Jewels is a jewellery format that has launched new collection of jewellery articles under name of “Raj-V Jewels”. Company’s aim is to create innovative products with wonderful designs that have not been attempted yet. Company focuses on to interact with the customers to create personalized design. Company’s focus is to create rare but unique jewellery collection. Reliance Timeout offer an extensive range of merchandise in books, music, toys, stationary and gifts.

The company has announced that they will invest around Rs 25,000 crore till the year 2012 in the retail business. The company plans to establish 4,000 retail outlets across various formats and targeting sales of Rs. 1, 00,000 crore over next five year period from retail business.
1.22.6 Aditya Birla Group

The group entered in the retail sector in December 2006 by acquiring south India based chain of stores Trinethra. And in May 2007, Aditya Birla Retail Limited (ABRL) launched their own brand of stores called ‘More.’

1. More

Aditya Birla Retail launched its first supermarket, more. for you in May 2007 with a vision to be among the leading retail players in India. The “more. for you” promises a world class shopping experience with a modern store layout, easy to shop with friendly staff who are ready to provide assistance and colourful ambiance. With a range of over 4,000 products, More is ready to fulfill daily shopping need of customers under one roof. The company offers branded food and grocery products and also has private label brands from their own portfolio. In May 2009, ABRL introduced value proposition for its supermarket by which they are into promise of giving customers “Hamesha Extra”. This means that customers will always feel that they got something extra while they shop at More.

2. More.Mega Store

Company launched its first hypermarket more.MEGASTORE in March 2008, which features both food and non food products. Till the end of 2009, company has launched five hypermarkets and currently they have nine hypermarkets. Hypermarkets are located in large area and encourage mass consumption with discount price and substantial depth of assortment with an average store is 55,000 square feet of shopping area. Company also has more than 1.6 million members as a part of its loyalty programme.

Aditya Birla Retail was presented the ‘Retail Best Employer of the Year’ award at the Reid and Taylor Award for Retail Excellence, by the global jury of the Asia Retail Congress the year 2009. Aditya Birla Retail was also
recognized for impactful retail and visual merchandising at the same forum. During the Indian Retail Forum at Mumbai, the company achieved ‘Most Admired Retailer of the Year’ award in the Smart Strategy category at the prestigious Images Retail Award 2009.

Aditya Birla Group’s brand portfolio includes brands such as Van Heusen, Allen Solly, Peter England, Louis Phillipe and Trouser town. Also Madura Garment is subsidiary of Aditya Birla Nuvo Ltd.

1.22.7 Landmark Group

The Landmark Group was founded in the year 1973 in Bahrain. It established itself as one of the largest and most successful retail organization in the Middle East. Landmark Group was launched in India in the year 1998. The Landmark Group provides value-driven products for the entire family through a diverse portfolio of core retail brands. Landmark brands are:

1. SPAR

SPAR is the world’s largest independent food retail chain with 13,785 stores present in 37 countries. SPAR hypermarket and supermarket in India are the result of a license agreement between Landmark Group’s Max Hypermarkets India Pvt. Ltd and SPAR International. Currently SPAR has three stores in Bangalore and one each at Hyderabad and Mangalore. SPAR has huge variety of quality products that include grocery, fruit and vegetables, bakery, dairy, take away foods, meat, poultry and fish, wine, beer and spirits, home textile, personal care , crockery, electronics and IT accessories and more.
2. Max
Max is one of the largest fashion retail chain in middle east which offers private clothing for men, women and children as well as footwear and home accessories. Max currently has its presents across UAE, Jordan, Kuwait, Bahrin, Qatar, Turkey, Egypt, Yemen and India with 114 stores and Max plans to expand its networks within Middle East.

3. Life style Department Store
Life style entered in India in the year 1999 and has positioned them as trendy, colourful and vibrant store. It has five departments which include Apparel, Footwear, Children’s wear & Toys, Household and Furniture, Health and Beauty tips and also offering convenient shopping. The group has also introduced Home Centre, a one stop destination for affordable furniture, home décor and soft furnishing that represents style and comfort.

Along with above, The retail ventures of Landmark Group includes- Centrepoint, Baby shop, Splash, Shoe Mart, Lifestyle, Beautybay, Emax and so on.

1.22.8 RPG Group
In the year 1989 RPG Enterprises became a majority stake in Spencer’s.

1. Spencer’s
Since year 1863, Spencer’s has been a part of the Indian retail landscape. In the year 1920, they have launched first grocery chain in India. In the year 1980, they became first supermarket chain and in the year 2001 they have introduced hypermarket.
As a pioneer in organized food retailing in India, the modern day Spencer’s started its operation in early 1990’s in South India. Currently Spencer’s have more than 200 stores across 35 cities of India.
Spencer’s has two retail store formats:

a) Convenience stores, called Spencer’s

b) Hypermarkets, called Spencer’s hyper

Spencer’s are neighborhood stores that fulfill the daily requirements of customers. Spencer’s convenience stores spread over 1,500 to 15,000 square feet in size and they stock, at minimum, an assortment of fruits and vegetables, food and non-food FMCG, staples and frozen food. And those stores which are larger in size having floor area more than 10,000 square feet offers selected range of baked, chilled and frozen foods, personal and home care products, baby care , basic apparels and electronics and electrical.

In the year 2001, first hypermarket was inaugurated in Hyderabad. Spenser’s hyper are mega markets, spread across the area of 15,000 square feet in size. They stock above 70,000 items which will provide shoppers wide range of variety across food, fashion, home and entertainment under one roof. Spencer’s private brands offer a wide range of products from food, personal care, fashion to home utilities items. Spencer’s Smart Choice, Tasty Wonders (FMCG food only.Currently in breakfast and snacks), Clean Home (Home Cleaning Product) and Maroon (brand for premium home care solution) are some of them. Spencer’s also have loyalty programme for customers by launching Smart Rewards by which customers can earn reward points by shopping from Spencer’s.

Spencer’s also has tied up with famous apparel brand Beverly Hills Polo club in the year 2008. Its product category include T-shirts, polo’s, sweat shirts and sweat pants, casual shirts and trousers, denims, winter wear, eyewear and watches for men and women.
In the year 2010 Spencer’s Retail has tied up with Au Bon Pain, the Boston –base fast casual dining and bakery café chain whose presence is in USA, South Korea, Taiwan and Thailand with more than 200 outlets. A joint venture has been formed between Spencer’s Retail and Varin Narula which would be the master franchisee of Au Bon Pain in India. The outlet will offer healthy and nutritious food, bakery products and beverages in relaxed environment.

Spencer’s currently occupies a million square feet of trading area, plans to reach at 2.5 million square feet by March 2014. Company also announces that they will reach at break even by the year 2013.

2. Music World
Music World Retail Ltd is a part of RPG enterprise which has grown to be India’s premiere Audio and Video retailer. Music world also retails vast range of gadgets and accessories which complete the home entertainment experience for customers. Music World’s product portfolio comprises of CDs, DVDs and VCDS, CD-ROMs, gaming consoles and software of all leading brands. The company also offers DVD players, home theatre systems, speakers and headphones. Music download is also available at selected stores. The company also provides recharge vouchers of all telecom service providers, DTH service providers and world calling cards. Music World has more than 250 retail stores across India and Music World also provides best ambiance to the customers in the store with great customer service. Music World is also planning to enter in e-retailing by selling their services online.
1.23 Space Occupied by Retailers in India

India has the highest retail outlet density in the world with an average of 5.5 stores per thousand people.

Table 1.9:- Total Number of Retail outlets in India (in 000’s) (Year 2003-07)

<table>
<thead>
<tr>
<th>Countries</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>12049.8</td>
<td>12408.8</td>
<td>12770.8</td>
<td>13122.1</td>
<td>13488.5</td>
</tr>
<tr>
<td>China</td>
<td>5208.1</td>
<td>4854.1</td>
<td>4635.7</td>
<td>4503.2</td>
<td>4496.3</td>
</tr>
<tr>
<td>Brazil</td>
<td>1006.6</td>
<td>1071.5</td>
<td>1122.9</td>
<td>1157.6</td>
<td>1188.3</td>
</tr>
<tr>
<td>Russia</td>
<td>447.4</td>
<td>456.3</td>
<td>466</td>
<td>475.1</td>
<td>480.8</td>
</tr>
<tr>
<td>USA</td>
<td>923.7</td>
<td>934.3</td>
<td>945.8</td>
<td>946.5</td>
<td>946.2</td>
</tr>
</tbody>
</table>

(Source: Euromonitor)

Today, India has the highest number of retail outlets in the world at over 13 million retail outlets, and the average size of one store is 50-100 square feet. It also has the highest number of outlets (11,903) per million inhabitants. The per capita retail space in India is among the lowest in the world, though the per capita retail store is the highest. Majority of these stores are located in rural areas. The number of shopping malls is expected to increase at a CAGR of more than 18.9 percent from the year 2007 to the year 2015.
Table 1.10:- Space occupied by Retailers in India (in Million Sq-ft)

<table>
<thead>
<tr>
<th>Space Occupied by Retailers (Million Sq.ft.)</th>
<th>As on Dec 3 2006</th>
<th>Year 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pantaloon</td>
<td>3.4</td>
<td>30</td>
</tr>
<tr>
<td>Shopper’s Stop</td>
<td>1.06</td>
<td>5-6</td>
</tr>
<tr>
<td>Trent</td>
<td>0.6</td>
<td>1.5-2</td>
</tr>
<tr>
<td>Reliance</td>
<td>NA</td>
<td>100</td>
</tr>
<tr>
<td>Bharti</td>
<td>NA</td>
<td>15-16</td>
</tr>
<tr>
<td>Aditya Birla Group</td>
<td>NA</td>
<td>12-15</td>
</tr>
<tr>
<td>Provogue</td>
<td>0.1</td>
<td>1.5</td>
</tr>
<tr>
<td>Max Retail</td>
<td>0.12</td>
<td>1</td>
</tr>
<tr>
<td>S Kumar</td>
<td>0.053</td>
<td>0.2</td>
</tr>
<tr>
<td>Spencers (RPG)</td>
<td>0.5</td>
<td>1</td>
</tr>
</tbody>
</table>

(Source: ET Survey)

According to India Organized Retail Market 2010, published by Knight Frank India, during the year 2010-12 around 55 million square feet of retail space will be ready in Mumbai, NCR, Bangaluru, Kolkata, Chennai, Hyderabad and Pune. Report also added that between the year 2010 and 2012, the organized retail real estate stock will grow from existing 41 million sq.ft to 95 million sq.ft. With over 1000 hyper markets and 3000 supermarkets projected to come by the year 2011, India will need an additional retail space of 700,000,000 sq.ft. According to reports India need to fill gap of 500,000,000 sq ft, at a cost of US $ 15-18 billion.
1.24 Impact of Global Meltdown on Indian Retail Industry

Global meltdown has adversely affected the growth of retail industry in India. As per the Cartesian survey, almost all key industries in India have been negatively impacted by slowdown and retail is one of them.

**Figure 1.13:- Industry Wise Impact Of Global Melt Down**

![Industry Wise Impact Graph]

(Source: Cartesian Economic Meltdown Survey, Dec 2009)

As the Mean Impact for retail industry is between 31 to 50 which indicate that the impact is moderate. Due to slow down a number of retailers have postponed their expansion plans. The organized retail penetration which was expected to touch 16 percentages by the year 2012 from the current 5 percentage is now likely to touch 10.4 percentages. Due to slowdown the sales of the retail stores decline drastically, resulting in lower inventory turnover and increasing working capital requirements for retailers. This resulted in liquidity pressure for a number of retailers. Though retailers tried to compensate for falling sales by reducing expenses. This has countered the effect of the top line on operating margins leaving it largely
unaffected. However with working capital requirements and expansion capital being financed through sizable debt, interest costs have significantly spoiled bottom-line.

Figure 1.14: Impact of Interest Burden on Margin

A high amount of leverage was there on the balance sheet of a large number of retailers and they rely on fresh equity funding for growth, which was also difficult due to crash of financial market as retailers couldn’t come with IPO. Further banks also hesitate to support retailers as the demand was falling along with the profit
margins. At the same time retail rent also touches unsustainable levels which are contributing to reduce the profit margins of retailers.

**Figure 1.15:- Impact of Rent on Profit Margins of Retailers**

![Bar chart showing Impact of Rent on Profit Margins of Retailers](image)

(Source: Indian Retail: Time to change lanes KPMG India)

Retailers tried their best to fight against slowdown through constant promotional schemes and by providing discounts but consumers due to uncertainty of recession, also have adopted the strategy of saving rather than spending their discretionary income.
“Consumers are currently sitting on the fence and the challenge for retailers will be to offer the right baits to get them back to stores. Retailers have to focus on growing through sales growth and not mere cost-cutting strategies. There will be a sharp cut in overall sales growth this year, but a marked improvement in bottom lines with players focusing on efficiencies” - Kishore Biyani, Chief Executive Officer, Future Group

Source: The Economic Times, 30 January 2009

Retailers have developed following strategies to fight against slowdown.

1. Cost Cutting:

   Cost cutting is inevitable during slow down but the strategic decision was how to cut the cost. Some of the retailers made mistake of cutting cost which were easy and fastest. For example by reducing manpower and by compromising with store aesthetics. These strategies may work for short term but in long term it will affect business of company. So retailers must identify needs of customers and then take the decision of cutting cost.

   By adopting same strategy, Kishore Biyani announced a new strategy for his group: “Garv se bolo hum kanjoos hain”

   With this campaign, the company aimed to save USD 36.5 million in a period of one year. The company has adopted cost cutting strategy by eliminating inefficiencies. The company focused on eliminating the overlapping of functions at various departments. Human Resource department and information technology department were integrated in a proper manner.
2. **Resource Optimization:**

Different companies have adopted different strategies under resource utilization. Vishal Retail made some of its operations centralized. They have closed large distribution centers in Mumbai and Kolkata and opened a centralized warehouse at Gurgaon, near Delhi. Future Group merged back office operations of its different stores to lower cost and also closed some of them worst performing stores.

3. **Improving Labor Productivity:**

Retailers focused on increasing the productivity of their employees. They provide training to the employees to increase productivity. During the recession, a number of retailers have adopted strategy to reduce the staff but at the other hand it is necessary for companies to retain its most desirable staff for future development. So companies focus on providing training to their employees to increase productivity.

4. **Bringing Down Retail Estate Costs:**

Rent of the real estate is a major cost for retailers to pay. And during the time of slowdown it was very difficult to pay high rent. So retailers have adopted revenue sharing model as against fixed rental model. Revenue sharing model increases the responsibility of the developer in maintaining proper infrastructure. The model was sustainable during the downturn as retailers do not have to take the hit only.
1.25 Growth Drivers for Retail Industry in India

Currently organized retail is in a nascent stage of growth in India as it has just has 6 percentage of share in the total Indian retail trade. However in recent years, organized retailing has been growing at a robust rate due to rise in the number of shopping mall as well as number of organized retail format.

The key factors of growth of organized retail in modern India are as followed:

1. **Changing Demographics**

   India is one of the youngest and largest consumer markets in the world. India’s population is expected to reach at 1269 million by the year 2016 from 1108 million in the year 2006. The overall population is expected to grow at an annual growth rate of around 1.4 percent while India’s urban population is expected to grow at around 2.3 percent in the same period and will reach around 400 million.

![Figure 1.16:-Population Age-Range Estimates](https://via.placeholder.com/150)

(Source: New Economy, New Consumer, And New opportunities in Textile and Apparel in India, Arvind Singhal 17th March 2011, Technopak)
In the year 2010 there were 721 million people in the age group 15 to 59 years which is expected to reach at 855 million that means that India will add almost 130 million people in the age group 15 to 59 years. According to estimates, India’s median age would be 28 years by the year 2020. This population is more aspirational and with higher spending power and they will consume more categories than their parents which means that the potential for Indian retail segment will be enormous. Another plus point about this population is that they will be more dynamic than previous generation because their consumption is driven by wants rather than needs. Thus the organized retailing, which thrives on lifestyle products, is expected to receive a boost because of the young population by the year 2020.

2. Emergence of large, distinct consumer income segments

Between the year 2005-06 and year 2013-14, the number of household with annual income greater than Rs. 12 lakh will grow nearly four times. At the same time those house hold having income above 24 lakh will reach at 3.4 million. By year 2014, the middle – high income category will reach at 11.4 million household.

Table 1.11:- Income based Household Classification

<table>
<thead>
<tr>
<th>Annual Income Rs. Lakh</th>
<th>Income Level</th>
<th>Year 2005-06</th>
<th>Year 2013-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than 24</td>
<td>High</td>
<td>1.1</td>
<td>3.4</td>
</tr>
<tr>
<td>12-24</td>
<td>High</td>
<td>1.1</td>
<td>4.9</td>
</tr>
<tr>
<td>6-12</td>
<td>Medium High</td>
<td>3.2</td>
<td>11.4</td>
</tr>
<tr>
<td>2.4-6</td>
<td>Medium Low</td>
<td>13.8</td>
<td>35.4</td>
</tr>
<tr>
<td>Less than 2.4</td>
<td>Low</td>
<td>185.5</td>
<td>181.3</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>205</td>
<td>237</td>
</tr>
</tbody>
</table>

(Source: NCAER, TATA STRATEGIC)
A positive trend is likely to see in medium-low income category also where the number of household having annual income between 2.6 to 6 lakh will reach at 35.4 million from 13.8 million. While low income household will remain largest segment, though their numbers are expected to decrease by around 4 million in the same period.

3. **Increasing personal disposable income**

Personal disposable income means the amount of income left to an individual after taxes have been paid, available for spending and saving.

**Figure 1.17:- Personal Disposable Income of Indian Consumer (2009-2014E)**

![Graph showing Personal Disposable Income of Indian Consumer (2009-2014E)](source)

(Source: EIU data tool, accessed on September 6, 2010) (Figs. are round off)

As per EIU data, the personal disposable income of Indian consumer is steadily increasing from year to year and expected to reach at around US $ 2100 billion by the year 2014. Along with that the retail sales is also increasing which shows that there is a direct relationship between personal disposable income and retail sales.
4. Increasing Consumer Confidence

The degree of optimism that consumers are expressing for the state of economy through their saving and spending activity is known as consumer confidence. The Nielsen Consumer Confidence Index provides a single indicator of consumer sentiment towards the current economic situation as well as intentions and expectations for the future.

**Figure 1.18:- Nielsen Consumer Confidence Index 2010 (Fourth Quarter)**

(Source: The Nielsen Company)

Level above a baseline of 100 indicates degree of optimism. India leads the world with the highest consumer confidence index- showing optimism of consumers in economy, while at the same time globally consumer confidence fell in 25 countries out of 52 and the global average is 90. So growing consumer confidence is also a positive development for Indian retail industry.
5. Changing Priorities in Consumer Spending

India has seen a spending of almost US $ 435 billion in the year 2010 and is likely to reach at US $ 530 billion by the year 2012 and US $ 850 billion by the year 2020. So those who were talking about recession or even downturn in consumer spending, should consider looking at these broad economic indicator that shows a robust growth in consumer spending in last two years and the trend will continue for coming years too.

Figure 1.19: Comparison of Amount Spend on Private Consumption

(Source: New Economy, New Consumer & New Opportunities in Textile & Apparel in India, Technopak)
The non-retail spend covers transport, communication, recreation, cultural services, education, rent and utility while the categories which account for 94 percent of retail spend includes food and grocery, apparel, footwear, Consumer Durable and IT products, home, health and wellness, jewellery and watches, books, magazines and entertainment.

**Table 1.12: India Consumer Spending in the year 2009**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Food and Grocery</td>
<td>260</td>
<td>325</td>
<td>1</td>
</tr>
<tr>
<td>Health Care</td>
<td>34</td>
<td>55</td>
<td>2</td>
</tr>
<tr>
<td>Apparel and Home Textiles</td>
<td>32</td>
<td>43</td>
<td>4</td>
</tr>
<tr>
<td>Education</td>
<td>28</td>
<td>45</td>
<td>3</td>
</tr>
<tr>
<td>Telecom</td>
<td>25</td>
<td>41</td>
<td>5</td>
</tr>
<tr>
<td>Jewellery and Watches</td>
<td>25</td>
<td>34</td>
<td>7</td>
</tr>
<tr>
<td>Personal Transport</td>
<td>240</td>
<td>37</td>
<td>6</td>
</tr>
<tr>
<td>Travel and Leisure</td>
<td>12</td>
<td>20</td>
<td>8</td>
</tr>
<tr>
<td>Consumer Durable and IT Product</td>
<td>11</td>
<td>17</td>
<td>9</td>
</tr>
<tr>
<td>Home (Furniture, Furnishing etc)</td>
<td>10</td>
<td>15</td>
<td>10</td>
</tr>
<tr>
<td>Personal Care</td>
<td>10</td>
<td>14</td>
<td>11</td>
</tr>
<tr>
<td>Eating Out</td>
<td>5</td>
<td>7</td>
<td>12</td>
</tr>
<tr>
<td>Footwear</td>
<td>4</td>
<td>5</td>
<td>13</td>
</tr>
<tr>
<td>Health and Beauty Service</td>
<td>1</td>
<td>2</td>
<td>14</td>
</tr>
</tbody>
</table>

(Source: Changing India, Changing Consumption, Changing Consumers, Technopak perspective Vol 3)
As income rise, the share of wallet of consumer spending will also change significantly. Previously “roti”, “kapada” aur “makaan” has been the primary needs and drivers of private consumption. But with the impact of the sustained economic growth, consumption has moved beyond basic survival need.

While food and grocery continue to account for the largest quantum of spending about US $ 260 billion in the year 2009 is expected to reach at US $ 325 billion in the year 2014 followed by health care and then textile clothing which is expected to reach at US $ 43 billion by the year 2014. The surprising element in the list is telecom which is expected to reach at US $ 41 billion by the year 2014. Spending on non basic needs is growing much faster now and it is likely that by the year 2012, spending on textile and clothing could be relegated to sixth spot and the hierarchy will be roti, mobile, personal transport and jewellery and watches ( excluding healthcare ).

Along with this it is interesting to see that how Indian consumer spending priorities have changed over last 18 years and how they may change further in next four years. In the year 1991 there were only seven categories on which average Indian household spent 80 percent of their discretionary income. In the year 2009 there were 19 categories that account for this discretionary spending budget and till year 2015, there may be addition of two or more categories.

Due to the shift in consumer spending now competition is not limited between businesses which are operating within same category but also from those in other categories. It means that a soft drink brand will not now only compete with rival brand or local players but also across categories like mobile service too. So it is necessary for manufacturers and marketers to gain deeper understanding of
consumer behavior and deliver appropriate value propositions for their basket of goods and services.

**Table 1.13:- Categories of Consumption (Year 1991-2015)**

<table>
<thead>
<tr>
<th>Year 1991</th>
<th>Year 2009</th>
<th>Year 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food and Grocery</td>
<td>Food and Grocery</td>
<td>Food and Grocery</td>
</tr>
<tr>
<td>Clothing</td>
<td>Clothing</td>
<td>Clothing</td>
</tr>
<tr>
<td>Footwear</td>
<td>Footwear</td>
<td>Footwear</td>
</tr>
<tr>
<td>Consumer Durable</td>
<td>Consumer Durable</td>
<td>Consumer Durable</td>
</tr>
<tr>
<td>Home Linen</td>
<td>Expenditure on DVD and VCD</td>
<td>Expenditure on DVD and VCD</td>
</tr>
<tr>
<td>Movies &amp; Theatre</td>
<td>Home Linen</td>
<td>Home Linen</td>
</tr>
<tr>
<td>Eating Out</td>
<td>Home Accessories</td>
<td>Home Accessories</td>
</tr>
<tr>
<td>Accessories</td>
<td>Gifts</td>
<td>Take-away/RTE meals</td>
</tr>
<tr>
<td>Gifts</td>
<td>Take-away/RTE meals</td>
<td>Movies and Theatre</td>
</tr>
<tr>
<td>Take-away/RTE meals</td>
<td>Movies and Theatre</td>
<td>Eating Out</td>
</tr>
<tr>
<td>Movies and Theatre</td>
<td>Eating Out</td>
<td>Entertainment Park</td>
</tr>
<tr>
<td>Eating Out</td>
<td>Entertainment Park</td>
<td>Mobile Phone &amp; Services</td>
</tr>
<tr>
<td>Entertainment Park</td>
<td>Mobile Phone &amp; Services</td>
<td>Household Help</td>
</tr>
<tr>
<td>Mobile Phone &amp; Services</td>
<td>Household Help</td>
<td>Travel Packages</td>
</tr>
<tr>
<td>Household Help</td>
<td>Travel Packages</td>
<td>Club Membership</td>
</tr>
<tr>
<td>Travel Packages</td>
<td>Club Membership</td>
<td>Computer Peripherals &amp; Internet</td>
</tr>
<tr>
<td>Club Membership</td>
<td>Computer Peripherals &amp; Internet</td>
<td>Beauty and Spa</td>
</tr>
<tr>
<td>Computer Peripherals &amp; Internet</td>
<td>Beauty and Spa</td>
<td>Gaming</td>
</tr>
<tr>
<td>Personal Transport</td>
<td>Gaming</td>
<td>Personal Transport</td>
</tr>
<tr>
<td>Coaching/Training/Learning</td>
<td>Personal Transport</td>
<td></td>
</tr>
</tbody>
</table>

(Source: Changing India, Changing Consumption, Changing Consumers, Technopak perspective. Vol 3)
1.26 Challenges Faced By Retail Industry in India

1. Supply Chain

The role of supply chain in Indian organized retail is very important for the significant growth of the sector. Though Indian Retail Industry is showing enormous growth and expected to grow more than US $ 879 billion by the year 2018, the country loses US $ 65 billion every year due to inefficient supply chain system. According to the report published by Confederation of Indian Industry (CII) and Amarthi Consulting, India is ranked 47th on logistics. Inadequate supply chain infrastructure, complex taxation laws, high level of intermediaries and lack of supply chain visibility are some of the supply chain challenges faced by retail industry in India.

The Indian retail industry is experiencing problems in supply chain because there is a lack formal collaboration between retailer and supplier. India is the seventh largest country (land mass: 3.2 million square Kms) with changeable climatic conditions over the country. Taste and preference of the people also vary across the country. So it is very difficult to maintain smooth flow between demand and supply. Demand uncertainty in the supply chain results in access inventory and inefficient supply chain. Excess inventory also increase the cost of retailer.

At the company level other challenges that retail industry faces are product proliferation, high level of intermediaries, and large number of retail outlet and lack of supply chain visibility. A number of retailers entering into food and grocery segment which need cold supply chain as they are perishable. So companies have to develop effective supply chain.

However despite these challenges faced by the retail industry in the supply chain system, analysts feel that India has the potential to build the best supply
chain across the world. Improving supply chain infrastructure, reducing intermediaries and adopting green supply chain practices are some of the solutions to build effective supply chain.

2. **Location and Rental**

Finding the right location with the right rental for the stores has been a challenge for all the retailers. Rent has a high contribution in the total expenditure (around 6 to 11 percent of the revenue) in the retailer’s income statement. The challenge in front of the retailer is to find right location for their store either in malls or as a standalone store so that they can generate revenue.

3. **Attrition**

Attrition is another major problem that the organized retailers are currently facing at a huge scale. According to Sanjay Jog, Head-HR, Future Group reveals that the attrition rate in retail industry is 30 to 35 percent. The main reasons behind high attrition rate are it is difficult to be on the feet for the whole day and smile at the customers and the job is reaction intensive and the business is mainly transactional.

4. **Retail Theft**

One of the major concerns in retail is shoplifting. A significant portion of retail shrinkage is attributable to retail fraud, theft and crime. Global retail has shown the sign of improvements and retail theft has shown a 5.5 percent decline in 2010 and reached at US $ 107.284 billion but India has topped the list in retail shrinkage rate.
According to the Global Retail Theft Barometer 2010 survey, the Indian retail industry loses around USD 2.2 billion due to pilferage. The cases of theft in hypermarkets and departmental stores are more as compared to smaller format stores. According to Subir Sarkar, general manager of Citimart departmental store, 80 percent thefts are committed by female shoplifters, who are generally students and teenagers. Women are fond of cosmetics and FMCG products like fairness cream and shampoos etc. Also the theft by staff is another major problem which accounted for 26.4 percent of shrinkage causing revenue loss of USD 590 million. Though with the use of technologies like CCTV and RFID, the shrinkage reduced from 3.2 percent to 2.7 percent.

5. Private Labels

Private labels are a win-win for both retailers and consumers. Retailers can achieve high profit margins from private labels. Private labels also help retailers to differentiate themselves in the market. Consumers are also in benefit as they are also purchasing competitive priced products that meet
fairly good standards for quality. Penetration of private labels in emerging market is expected to be around 6 percent of total retail sales (Source: Indian Retail Report), which in India is estimated to be around 10-12 percent. But in India, this concept is still at a nascent stage. Few players have already introduced private labels in the category of Food and Grocery, Apparel, Consumer Durables etc. but Indian consumer still hesitate to purchase private label products. In India, private labels are becoming a major component of retailers’ long-term strategies encompassing product development and sales. Private labels offering competitive pricing proposition has helped to generate interest and slow but steady acceptance from Indian Consumer.

6. Unfriendly Labor and Tax Laws
A study shows that in India 27 percentage of the stores find labor regulations as a problem for their business. A World Bank study ranks India at 112 of 175 countries on the rigidity of employment regulation. Currently, manpower cannot be employed on hourly basis as is done in advanced countries. For retail sector to thrive, grow and expand state laws need to be amended and made less rigid. Similar is the case with the sales tax structure with different states following different structures and slabs. Though the central government introduced Value Added Tax to do away with multi-point taxes, not all states have adopted the same. The end result is that customer has to share burden by paying higher price for the end product.
1.27 FDI in Retailing in India

Foreign Direct Investment, or FDI, is a type of investment that involves the injection of foreign funds into an enterprise that operates in a different country of origin from the investor. An investment abroad, usually where the company being invested in is controlled by the foreign corporation. Between April 2000 to March 2010, Indian retail sector witnesses FDI inflows of nearly US $ 1.8 billion (INR 7,799 crore) which comprised 1.54 percent of the total FDI inflows received during the period.

In the year 1997, FDI in cash and carry wholesale trading was first permitted, to the extent of 100 percent, under the Government approval route (approval/license required). It was brought under the automatic route (no permission required) in the year 2006. As per the ‘cash and carry' structure commonly employed in India, the wholesale and retail entities are maintained as separate entities without any cross-shareholdings. The retail entity is owned and controlled by the Indian partner while the wholesale entity can be owned by the foreign partner up to 100 per cent. According to new comprehensive guidelines, whether a transaction is wholesale or retail would depend on the type of customers to whom the sale is made and not the size and volume of sales.

Prior to January 2006, Direct Investment (FDI) in retail trading was prohibited. On January 24, 2006, the Union Cabinet approved a major rationalization of the policy on FDI. Amongst various measures of rationalization and simplification was the partial opening up of the FDI route in the retail sector. The Cabinet approved FDI up to 51 per cent with prior government approval for retail trade in 'single brand' products. An FDI inflow of nearly US $ 194 million (INR 900 crores) was received between April 2006 and March 2010, comprising 0.21 percent of the total FDI inflows during the period, under the category of single brand retailing.
On 24th November 2011, the government announced new FDI policy which states that FDI in multi-brand retailer will be allowed up to 51 percent foreign equity through government approval route and 100 percent in single brand retailing. The policy rollout will cover only cities with a population of more than 1 million (As per 2011 census, there are only 53 such cities). The policy mandates a minimum investment of US $ 100 million with at least half of the amount invested in back end infrastructure, including cold chains, refrigerator, transportation, packing, sorting and processing to considerably reduce the post harvesting losses and bring remunerative prices to farmers. Both multi-brand and single brand stores in India will have to source nearly 30 percent of their goods from small and medium sized Indian suppliers.

The government also added that new FDI regulations will attracts huge investment in Indian retail sector and employment opportunities will also increase a lot in India as 10 million jobs will be created in next three to five years in retail sector. But opposition is protesting against 51 percent FDI in multi-brand retail with an argument that it will lead to large scale job losses. Parliament has remained paralyses since November 22, 2011 as the entire opposition protested the FDI decision.67

On December 5, 2011 Finance Minister told that the decision on allowing FDI in retail was being put on hold and final decision will be taken only after consulting all opposition parties.68
1.28 Multi-Channel Retail-The Future

A multi-channel retailer is a company that sells directly to the public via more than one distribution channel. Today a number of multichannel retailers sell online as well. With throat cut competition and evasive shopper loyalty, retailers globally have adopted multichannel retailing thus interacting, engaging and transacting with the customer via multiple touch points. Some of the popular channels along with ‘brick and mortar’ include e-tailing, m-tailing, interactive TV, catalogue and telephone. These channels can complement each other to serve customers and to acquire new customers.

As per the report by Jeffrey Grau (2008), any retailer who isn’t using online channel to promote offline sales – as well as online sales- is missing a huge opportunity. In US from the year 2007-2012, Web influenced store sales are forecast to grow at 19 percent average annual rate, compared to 12 percent rate for retail e-commerce. With an average shopper internationally uses at least three channels, alternative retail channels are yet to catch on in India. However multi-channel retail is a reality that slowly but surely will be a part of India retail. The major benefit of multi-channel retail besides consumer demand is cost saving through higher efficiency and infrastructure leverage and effectiveness. Some of the Indian Retail players have adopted multi-channel concept. Retail Giant Future Group has ‘brick and mortar’ format and along with online portal FutureBazaar. ‘Mom and Me’, a venture of Mahindra group, which extends beyond the ‘brick and mortar’ store with a well-developed and interactive portal, a catalogue and sales assistances to help customers place orders over the phone.

While multi-channel retail offers a large set of benefits, the challenges in implementing multi-channel strategy are not small. The biggest challenge is the ability and the maturity of the retailers to provide a seamless customer experience and maintain consistent service levels across various channels.
Some of the other challenges that multi-channel retail poses are as follows:

1. **Inventory Issue:**

   With some channels online and some offline ability to fulfill orders booked, often becomes an issue.

2. **Pricing:**

   Pricing of products may have to be varied based on channel costs. e.g the cost of home delivery of far away places is high. Some retailers charge extra for this and this may upset some customers.

3. **Technical Capabilities:**

   Delivering a seamless multichannel experience requires seamless integration of databases and systems across channels and also with other key front end and back end business functions.

Thus, while multi-channel retailing might be easy to adopt as a strategy, delivering the multi-channel experience will need a long term view and planning and commitment. If multi-channel retailing is executed poorly; retailers could end up with dissatisfaction from customers and loose image. However the approach is sure to generate long term value and competitive advantage to retailer if executed well and most retailers will be seen taking cautious step toward creating a multi-channel retail environment.

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