CHAPTER I
INTRODUCTION AND DESIGN OF THE STUDY

1.1. Introduction

Globalization and liberalization of the Indian economy has increased competition and resulted in creating new markets. Liberalization of economy in the nineties and entry of large players in the retail business have brought the Indian retail industry into spotlight. In the retail arena, new emerging markets such as India and China are replacing saturated western markets. Over the last few years, India is experiencing a revolution in the retail market. The retail sector is at an inflexion point, with many enabling conditions coming into existence viz. favourable demographics, rising consumer incomes, real estate developments especially with emergence of new shopping malls, availability of better sourcing options both from within India and overseas, and changing lifestyles that bring the Indian consumers closer to the consumers in more developed markets. The organized retail sector has been witnessing winds of changes in the last couple of years. Malls and large-size department stores have become a fixture in the urban landscape across the country.

---


retail outlets, India has the highest retail density in the world. Thus, India is popularly referred to as “nation of shopkeepers”. However, only 4 per cent of these outlets are more than 500 square feet in size. In the name of retailing, the unorganized retailing has dominated the Indian landscape so far. With rapid urbanization, and changing patterns of consumer tastes and preferences, it is unlikely that the unorganized outlets will survive the test of time. Despite the large size of this market, very few large and modern retailers have established specialized stores for products.

India is a land of retail democracy. Hundreds of thousands of weekly haats and bazaars are located across the length and breadth of the country by people’s own self-organizational capacities. India has the highest shop density in the world, with 11 outlets per 1000 people. This does not include the village haats. Indian retail market is very large as well as swelling. The huge scope and vast potential for the prosperity of organized retailing are also increasing day by day. Retailing in India is gradually inching its way to becoming the next boom industry. Modern retail has entered India as seen in sprawling shopping centres, multi-storied malls and huge complexes offer shopping, entertainment and food all under one roof. In the post-liberalization period, fuelled by a fast growing information technology and other economic forces, the retailing sector in India is transforming rapidly. The post-liberalization era witnessed new wave of entrants in the sector with large conglomerates like Tatas, the RPG Group, Rahejas and the
Piramals investing in the sector. Various other behemoths of the Indian corporate sector like the Birlas, the Hero Group and Reliance have expressed their intention of joining the Indian retail foray. Hero Group has recently declared its plan to enter retailing by opening retail stores on the lines of 7-11 stores. The Birlas have marked their presence by acquiring Madura Garments, while Reliance plans to develop its retail venture and fuel retail network simultaneously. Even the public sector oil companies like HPCL, IOCL and BPCL realized their potential for entering into retailing by leveraging their supply chain network.

Retailing currently contributes 10% of India’s GDP and 6-7% of employment.\(^3\) Given the size, the geographical, cultural and socio-economic diversity of India, there is no role model for Indian suppliers and retailers to adapt or expand in the Indian context. Penetration of organized retail into the lower income groups and increasing consumer demand for value for money has improved the prospects of these formats. It offers customers a wide array of low-priced products ranging over categories like groceries, processed food, apparel and customers durable. On an average in India, hypermarkets are spread over 50000 sq. ft. Indian retail industry is still a “protected industry” from the foreign direct investment.

1.2. Concept of Retailing

The word “retail” is derived from the French word “retailer” meaning to ‘cut a piece off’ or ‘to break bulk’. This means a firsthand transaction with the customer. Retailing includes all the activities involved in selling goods or services to the final consumer for personal, non-business use. Retailing involves a direct interface with the customer and the coordination of business activities from end to end, right from the concept or design stage of a product or an offering to its delivery and post-delivery service to the customer. Retailing has been defined as business activities involved in selling goods and services to consumers for their personal, family or household use. In the complex world of trade today, retail would include not only goods but also services that may be provided to the end consumer. Although retailing has been around for millennia, the 20th century witnessed a lot of changes in the retail sector, especially in the developed countries. Modern formats such as department stores, discount stores, supermarkets, convenience stores, fast food outlets, specialty stores, warehouse retailers and hypermarkets have emerged. Examples of modern formats include department stores like Akbarallys, supermarkets like Food World, franchise stores like Van Heusen and Lee, discount stores like Subhiksha, shop-in-shops, factory outlets and

---

service retailers. Modern formats also tend to have higher levels of sales per unit of space, stock turnover and gross margin but lower levels of net margin as compared to traditional formats.

1.3. Organized and Unorganized Retail

Indian retailing is undergoing a process of evolution and is poised to undergo dramatic transformation. India is the country having the most unorganized retail market. Traditionally it was a family's livelihood, with their shop in the front and house at the back, while they run the retail business. The popular traditional form of retail has been the so called ‘unorganized’ form of retailing mostly represented by family-owned stores, selling one particular category of product. Examples are kirana shops, drug stores, located in the market place or residential areas, road-side stalls, hand-cart and pavement vendors, etc. The Indian retail industry has been dominated by millions of unorganized retailers, who have used consumer proximity and home delivery as their operating ideals to cater to the Indian consumers that have become accustomed to this convenience. The Indian retailing sector has been largely unorganized in the post-independence period, to the most part untouched by corporate business principles. It was only in 1980s when the economy was opened, the situation began to

---


change. Retailing in India, for a long time, had been dominated by street corner stores and other unorganized players. But in recent years, the country has been witnessing a sea change in the retail landscape. Retail in India is essentially “unorganized.” 98% of the retail industry is made up of counter-stores, street-markets, hole-in-the-wall shops and roadside peddlers.

Organized retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. In common parlance organized sector usually denotes unionization. They mainly include: hypermarkets, supermarkets, convenience stores, exclusive outlets, departmental stores, and cash-n-carry. Organized retail refers to a form of retailing whereby customers can buy goods in a similar purchase environment across more than one physical location for verticals from food, grocery, apparel, consumer durables, jewellery, footwear, beauty care, home décor, books to music. The organized retail formats are generally owned by the corporate. Convenience, enjoyment and price are the important factors that motivate customers to purchase from an organized retail store. As organized retailers sell a large variety of products and brands, customers find it particularly convenient to purchase goods in bulk.

---


Organized retailing was absent in India till the 1990s, though the roots can be traced back to the late 1800s with the establishment of the ‘Spencer’s’ departmental store in South India in 1897, which had a different sub-division within itself, a phenomenon common in hypermarkets and large retail stores today. India’s organized retail market is likely to grow from the current $4 billion by the financial year 2015. Taking into consideration the employment generation potential of corporate retail houses and benefits to consumers, the Centre is likely to stick to its stand of backing organized retail. However, state governments are empowered to take action against retail players under the Shops & Establishment Act.

1.4. Corporate Retailing

Corporate retailing means a single concentration of capital in one or a few companies and controls the entire 'system of provision', from production through distribution and consumption. In recent years, corporate retailing in India is witnessing considerable growth. A number of large domestic business groups have entered the retail trade and are expanding their operations aggressively. Several formats like hypermarkets, supermarkets and discount stores are being set up by big business groups.

---

the National Conference on Strategies for Creating Effective Global Organization, Shri. Shankaracharya Institute of Management and Technology, Bhilai, October, pp.143-149.

Over the last few years, Indian retail has witnessed rapid transformation and the consumers are evolving and accepting modern retail formats. Entry of the corporate houses in the retail market is popularly perceived to be a part of economic growth. The increasing participation of the private sector is considered as one of the instruments of economic growth and job creation. Entry of the corporate houses into the retail market is a part of the delicensing policy which was started in 70s. Before the 70s most of the industrial production was handled by the public sector. Corporate retail business is perhaps the best news for India's retail revolution. The main advantages of corporate retailing are: lower prices; wider range of products; higher and more consistent quality; and convenience and saving of time. Companies like Bombay Dyeing, Raymond and Grasim from the textiles sector were the first ones from the corporate world to step into the retailing by opening their own outlets. Titan's is another successful story of a corporate creating a great retailing concept, by establishing a series of elegant watch showrooms across the country.

1.5. Need for the Study

The perception of consumers regarding the products, prices and promotion strategies of corporate retailing will give a true picture of the consumers’ mind. Retained customers produce higher revenue than new customers. The return on investment for retention strategies is higher than
for acquisitions. Therefore, the retail firms use their marketing resources to keep existing customers. As part of its strategy to gradually open it up to foreign competition, the government is also in the process of increasing foreign direct investment in the retail sector. The success of corporate retailing mainly depends on delivery of services through quality improvements. This requires a thorough understanding of the perception of consumers. The study has an academic significance considering the new and emerging trends in the field of marketing, especially corporate retailing. The corporate retailing has acquired a great significance in terms of contribution to economy, generation of employment, as well as expansion of marketing activity. The study of corporate retailing shall be of some use to professionals and practicing marketing managers. Besides, the study shall help the policy makers to decide various policies related to governance of retail houses. It shall also help the policy makers to decide as to how the corporate houses are working in the present context and what should be the government's response to various retailing activities. Factors influencing the consumers to choose the particular corporate retail outlet, consumers’ satisfaction towards working of corporate retail outlets and problems faced by the consumers at the corporate retail outlets are studied in this regard. Since the study has been done on the end users, it will really be very beneficial for the corporate retailers as they will be able to understand the

psyche of consumers and can build their products and policies accordingly. Therefore, an attempt has been made to investigate the impact of corporate retailing on consumers and small traders.

1.6. Statement of the Problem

India’s retail sector represents two sides, both optimism and skepticism. To the optimists, India’s retail market opportunity is unchallenged with huge, untapped middle market, critical to any company with global aspirations. Consumer spending has risen sharply as the youth population has seen a significant increase in its disposable income. On the other hand to the skeptics, India is still too poor by global standards, with 29% of the population below the poverty line; 70% of these people reside in rural areas; 86% of the population live under $2 per day. This is providing opportunity for mass-market retailers to rush in. Several challenges have emerged that could potentially slow the pace of growth for new entrants viz. stifling regulations, soaring real estate prices and fiercely competitive domestic retailers. Broadly speaking, both the optimists and skeptics are right.

The emergence of new trends in retailing is a significant event in the Indian marketing scenario. Besides, the Indian retail scene has witnessed too many players in too short a time, crowding several categories without looking at their core competencies or having a well thought out branding strategy. The most important debate concerning the implications for the
expansion of the organized retailing in India revolves around whether it is going to have positive impacts on the economy as a whole as compared to the traditional unorganized form of retailing. One such major change was allowing large scale retailers, chain shops and department stores to operate and promote a large scale marketing activity. However, India still predominantly houses the traditional formats of retailing, that is, the local kirana shops, weekly haats, convenience stores, and bazaars, which together form the bulk. Traditional retailing has been deep rooted for the past few centuries and enjoys the benefits of low cost structure, mostly owner-operated, therein resulting in less labour costs and little or no taxes to pay. The growth of corporate retailing is having a direct bearing on marketing environment and changes in the marketing system.

The corporate retailers started attracting in the name of promotion, not only high class people but also middle class and lower middle class with some entertainments and fun to have along with shopping and also showing some attractive offers and benefits. So people started flowing towards the corporate retail shops. The most appealing argument in favour of the entry of the corporates in the retail market is that the “consumer will benefit”. The changed shopping outlets are seeing success due to fair pricing, large assortments, supported by large moving spaces, self-services, free packing, and the idea of getting everything under one roof has conquered customers. Today’s price sensitive, time-starved customers are looking not only for the
best deal but also a convenient and user friendly shopping experience at corporate retail outlets.

The presence of the corporate retail outlets would affect the business performance of the smaller traders. Despite the economy showing signs of recovery, many retailers who have only traditional stores are finding it extremely challenging to maintain profit and market share. Small traders face problems like price, lack of employees, lack of management training, lack of marketing training, unsafe location, etc. due to the emergence of corporate retailers in the area. As against this view, the critics of this emerging phenomenon point to the inevitable negative impacts of corporate chains on the small retailers who are under the threat of simply being wiped out by the powerful organized networks of giant retail chains. According to the ICRIER Report, 2008, unorganized retailers in the vicinity of corporate retail outlets have been adversely affected in terms of their volume of business and profit. The impact of corporate retailers on the small business is really very big, since the corporates use their money power to buy more stock and bargain to reduce the price and sell the same of at lower rates for certain commodities only, whereas they do not do the same with all products and the customer are cheated and they do not move to small business people feeling that the corporates are the true people.
The entry of corporate houses into retail business affected greatly the small traders, those who are trading a particular type of goods. Their businesses started declining. They start facing the threat of losing customers. Many shops closed after failing to tolerate the competition. A few classes of shops are still surviving because certain items are not sold in malls or super bazaars. Only finger counting few small traders who are able to tolerate the pressure of competition survive but hardly. The individual retailers are still trying hardly to survive, by giving home service, offering discounts, showing offers, etc. But still it becomes faint against the strength of the malls. Having studied the relevant literature and preliminary data gathered, the researcher thought it would be best to conduct an extensive research to understand the impact of corporate retailing on consumers and small traders. Therefore, how do the consumers and small traders view the corporate retail outlets in the emerging India? How do they perceive the impact of these corporate retail formats? To answer these questions, the researcher has made an attempt to find out the impact of corporate retailing on consumers and small traders in the state of Kerala.

1.7. Objectives of the Study

The main objective of the present study is to examine the impact of corporate retailing on consumers and small traders in Kerala. Besides, the study has the following secondary objectives:
1. To study the growth and progress of retailing in India.

2. To review the retail operations of the select corporate retail outlets in Kerala.

3. To assess the impact of corporate retail outlets on the consumers in Kerala.

4. To understand the perceived impact of corporate retail outlets on small traders in Kerala.

5. To offer suitable suggestions for the effective functioning of corporate retail outlets in Kerala based on the findings of the present study.

1.8. Testing of Hypotheses

In order to examine the perception of the consumers and small traders towards the impact of corporate retailing, the following null hypotheses were formulated and tested:

\( H_{01} \): There is no significant association in the satisfaction levels of the consumers belonging to different socio-economic profiles towards working of corporate retail outlets in Kerala.

\( H_{02} \): There is no significant difference between the average amount spent per purchase by the consumers at the unorganized retail outlets and corporate retail outlets.
1.9. Operational Definitions of Concepts

Consumers

Consumers are individuals who are purchasing goods from corporate retail outlets.

Consumers’ Satisfaction

Satisfaction denotes a set of attitudes about a particular thing. Thus, the term “satisfaction” for the purpose of the study connotes the attitude of consumers towards corporate retail outlets.

Attitude

Attitude refers to the feelings, beliefs and opinions of the consumers towards corporate retail outlets.
Impact

Impact refers to the effect of the corporate retailing on the consumers’ socio-economic status and small traders’ business operations.

Retailing

Retailing refers to business activities which involve selling goods and services to consumers for their personal, family or household use.

Unorganized Retailing

Unorganized retailing refers to retailing activity which is not regulated by any statue or legal provision, and/or those which do not maintain regular accounts.

Organized Retailing

Organized retailing refers to a form of retailing whereby consumers can buy goods in a similar purchase environment across more than one physical location.

Corporate Retailing

Corporate retailing means a single concentration of capital in one or a few companies and controls the entire system of provision from production through distribution and consumption.
1.10. Scope of the Study

The present study attempts to examine the impact of corporate retailing on consumers and small traders in Kerala. This study is confined to three major retail segments namely, food and grocery, fashion and accessories and pharmaceuticals. These three retail segments cover nearly 55 per cent of retail business in recent years. The present study is restricted to three corporate retailers, namely Reliance Fresh, Megamart and Himalaya Drug. In the present work, the most common aspects namely, consumers’ motivating factors to prefer corporate retail outlets, their satisfaction level with the working of corporate retail outlets, and the perceived impact of the consumers and small traders towards corporate retail outlets are mainly emphasized.

1.11. Sampling Design

In order to collect primary data for the purpose of the study, multi-stage sampling technique is adopted. At the first stage 3 municipal corporations namely, Calicut, Cochin and Trivandrum were selected randomly. In the second stage, from each location, three major retail segments namely, food and grocery, fashion and accessories and pharma were selected. Moreover, three different corporate retailers namely, Reliance Fresh, Megamart and Himalaya Drug were chosen out of the retail segments selected. Thus, for the survey of consumers, the study interviewed
9 corporate retail outlets, of which 3 are food and grocery stores, 3 are fashion and accessories and 3 are pharma shops. In the final stage, from each of the retail outlets, 50 consumers were selected on the purposive basis for the study. Therefore, the sample consists of 450 consumers from 9 retail outlets of the 3 corporate retailers. The following table shows the sampling distribution of the present study.

**TABLE 1.1**

**Sampling Distribution**

<table>
<thead>
<tr>
<th>S.No</th>
<th>Name of the Corporation</th>
<th>Reliance Fresh</th>
<th>Megamart</th>
<th>Himalaya Drug</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of Retail Outlet</td>
<td>No. of Consumers</td>
<td>No. of Retail Outlet</td>
<td>No. of Consumers</td>
</tr>
<tr>
<td>1.</td>
<td>Calicut</td>
<td>1</td>
<td>50</td>
<td>1</td>
</tr>
<tr>
<td>2.</td>
<td>Cochin</td>
<td>1</td>
<td>50</td>
<td>1</td>
</tr>
<tr>
<td>3.</td>
<td>Trivandrum</td>
<td>1</td>
<td>50</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>3</td>
<td>150</td>
<td>3</td>
</tr>
</tbody>
</table>

For small traders, by using non-probability sampling, 225 respondents i.e. 25 small traders from the above mentioned each retail category was taken, with the criterion that these outlets must be operating within a five kilometre radius of the select corporate retail outlets.
1.12. Tools for Data Collection

The present study is empirical in character, based on survey method. The first-hand information for this study was collected from the select corporate retail outlets. As an essential part of the study, the primary data were collected from 450 consumers with the help of exit interview and from 225 small traders with the help of interview schedule for a period of 6 months from May 2013 to October 2013. Taking into consideration the objectives of the study, two types of interview schedule i.e. one for consumers and another for small traders were constructed based on Likert scaling technique. Pre-testing of interview schedules was done during April 2013, involving 25 consumers and 10 small traders to know the relevance of the questions. The secondary data were collected mainly from journals, magazines, government reports, books and unpublished dissertations. The more relevant secondary sources of information were collected from the Indian Institute of Management, Bangalore; School of Economics, Delhi University, New Delhi; and Karnataka University, Dharwad. The data so collected have been entered into a master table and tabulated to arrive at useful conclusions.

1.13. Framework of Analysis

The ultimate objective of the study is to examine the perceived impact of consumers and small traders towards corporate retailing in Kerala. In order
to study the perception of the consumers, chi-square test, multiple regression analysis, paired t-test, student t-test, analysis of variance, analysis of coefficient of variation, factor analysis and percentage analysis have been employed. The chi-square test is employed to measure the association between the demographic variables of the consumers and their satisfaction towards select corporate retail outlets in Kerala. Multiple regression analysis is used to measure the effect of selected independent variables on the satisfaction level of the consumers towards corporate retail outlets. The paired t-test is employed to compare the average amount spent by the consumers per purchase at the traditional retail outlets and corporate retail outlets. Student t-test and analysis of variance were employed to find out the relationship among the acceptance levels of the consumers belonging to different demographic profiles towards impact of corporate retail outlets in Kerala. The coefficient of variation is employed to find out the consistency in the acceptance level of the consumers towards impact of corporate retail outlets. Multiple regression analysis is also used to measure the effect of selected independent variables on the acceptance level of the consumers towards impact of corporate retail outlets. The factor analysis is applied to find out the underlying marketing practices in the set of statements relating to the perception of the customers towards corporate retail outlets.

In the same way to understand the perception of the small traders, paired t-test, analysis of variance, student test, analysis of co-efficient of
variation, multiple regression analysis, and percentage analysis have been employed. The paired t-test was employed to examine the changes in the businesses of the small traders between before and after the entry of corporate retail outlets in Kerala. Student t test and analysis of variance were employed to find out the relationship among the acceptance levels of the small traders belonging to different socio-economic and business profiles towards impact of corporate retail outlets. The coefficient of variation is employed to find out the consistency in the acceptance level of the small traders towards the impact of corporate retail outlets. Multiple regression analysis is used to measure the effect of selected independent variables on the acceptance level of the small traders towards impact of corporate retail outlets. To arrive at possible solutions, simple percentage analysis is also employed in this study.

1.14. Limitations of the Study

The present study is concerned with the perception of consumers and small traders towards impact of corporate retail outlets, rather than how it is reported by the corporate retailers. The study has the following limitations:

1. In any study bearing on attitude of the respondents, incomplete and non-responses to some questions could not be avoided. However, considerable care was exercised in making the study as objective and systematic as possible.
2. The study has the limitation of time and resources, usually faced by the researchers. The results from the survey are hard to generalize to the national population, since the survey is limited to 450 consumers of the 3 corporate retailers and 225 small traders in Kerala.

1.15. Scheme of the Report

The thesis is presented in six chapters.

The first chapter, “Introduction and Design of the Study” presents introduction, concept of retailing, organized and unorganized retail, corporate retailing, need for the study, statement of the problem, objectives of the study, hypotheses, operational definitions of concepts, scope of the study, sampling design, tools for data collection, framework of analysis, limitations of the study and scheme of the report.

The second chapter “Review of Literature” presents the previous studies related to the objectives of the present study.

The third chapter “Corporate Retailing: An Overview” focuses on the conceptual framework of corporate retailing and the profile of the select corporate retailers.

The fourth chapter “Consumers’ Perception towards Corporate Retailing” furnishes the profile of the sample consumers, their satisfaction level, and the perceived impact of corporate retailing in Kerala.
The fifth chapter “Small Traders’ Perception towards Corporate Retailing” furnishes the profile of the sample small traders and their perceived impact of corporate retailing in Kerala.

The final chapter “Summary of Findings, Suggestions and Conclusion” presents the summary of the findings of the present study and offers appropriate suggestions for the effective functioning of the corporate retail outlets in Kerala.