CHAPTER – 5
SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION

FINDINGS

5.1 ORGANISED RETAIL OUTLETS

5.11 LOGISTICS DRIVERS

5.111 Location, Size and Layout

5.111.1 The organised retail outlets have spread all over the Bangalore City. They were not specific to a location, though about half of the organised outlets were located at prime places on the main roads. In a metropolitan city like Bangalore where the density of population is high, it is also true that the place where a large mall/outlet is located might be an indistinguished one at the time of starting the outlet, but in course of time, there are cases where these malls/outlets have become the landmarks and triggered the growth of an upscale neighbourhood.

5.111.2 The outlets were in the range of 1,000 – 3,000 square feet in terms of space. Of which, about one-third (33%) of the outlets were of 1,500 – 2,000 sq. ft. and another one-third (32%) were of 2,000 – 2,500 sq. ft. in size. It is interesting to note that about 8% of the outlets were more than 3,000 sq. ft. The size of the organised retail outlets is moderate in many cases compared to other metros largely due to the high real estate prices in Bangalore. Given the space constraint, many tried to optimise the size.

5.111.3 ‘Grid type’ is the widely practiced layout among the outlets surveyed. Grid type of layout uses space efficiently, allows easy stacking of merchandise, allows more customers in the store at any time etc. In the city like Bangalore, where the space is at premium, Grid layout might be the best option available to the retailers.

5.111.4 The catchment area of an outlet was about 2 – 3 square kilometres. The catchment area though apparently looks small, given the density
of population per square kilometre in Bangalore, the area could be sufficient in terms of number of households served by the outlets.

5.112 Merchandise Management (Inventory)

5.112.1 The number of SKUs by and large ranged from 1,500 – 3,000. Further, about two-fifth (36%) of the outlets were having about 1,500 – 2,000 units and in another one-third of the outlets, the SKUs were in the range of 2,000 – 2,500 units. The food and non-food items constituted about 30% each. The staples constituted about 20-22% of the total SKUs. The vegetables and beverages were about 3-5% each. About 10-12% of the SKUs were ‘other’ items. The total number of SKUs was moderate in number. The food, non-food and staples occupied majority of the SKUs in the outlets.

5.112.2 As far as inventory of SKUs are concerned, Vegetables were stocked for 2 days; food, non-food and staple items were stocked for 5 – 7 days and beverages for 9 days. The number of days the SKUs stored depended on the demand from the customers, lead time in ordering, replenishment and economic order quantity of ordering.

5.112.3 Majority (83%) of the organised retailers experienced a stock-out of 1-10% which is quite normal for the industry. At the same time, retailers need to take efforts to peg it at an average level of 5%.

5.112.4 As regards merchandise, it may be inferred that the private label was highest in staples category and lowest in the beverage category and the branded items were highest in beverage category and lowest in staples category. The underlying reasons may be quite evident from the kind of category of items itself. In the case of staples, as such in India, there is not much branded items and the customers are habituated to purchase from the traditional grocery shops. So they are not averse to buy private labels in this category as they believe they are of superior quality than that of traditional kirana stores. But in the case of beverages, customers find it risky to go for private labels. That is the reason, they go for branded products in
beverages. In the food and non-food items, there is avenue for further enhancement of private labels.

5.112.5 Shrinkage of about 1-3% in organised outlets is equivalent to India’s industry average. Shrinkage can be reduced through well-defined processes such as counting of inventory, digital surveillance, electronic tags, etc.

5.113 Transportation

5.113 a. In-bound Transportation

5.113.1 The vendors/suppliers supply the SKUs to the distribution centres (DCs) at their own cost. Most often, they use the ‘direct shipment’ option. Sometimes, when the demand from the outlets was insufficient to supply directly; the vendors supply the merchandise to the DCs using ‘milk-run’ method.

5.113.2 All shipments to the outlets were routed through DCs. Most often, the DCs were used as ‘Cross-Docking’ facility. The DCs have their own trucks to carry the SKUs to the retail outlets in the city. In this, they use the ‘milk run’ method to route the trucks to different outlets in a single trip.

5.113 b. Out-bound Transportation

5.113.3 The outlets used economical means of transport such as tricycles and motor vehicles like one-tonne truck. When they used the motor vehicle, they adopted milk run method to cover more number of households in order to cut down the cost. The home delivery as a practice is found to be paying rich dividends in terms of store image, customer loyalty and goodwill compared to the transportation cost.

5.12 CROSS-FUNCTIONAL DRIVERS

5.121 Sourcing

5.121.1 The Distribution Centre (DC) played a pivotal role in sourcing. The demand for different SKUs of the different outlets was aggregated at the DC and the order was placed to the vendors. DC was updated
about the requirement of merchandise through phone and also through automatic merchandise management software by the outlets.

5.121.2 The lead time between the order and the delivery of different SKUs was not too high (about 1-2 days). However, in the case of beverages, the lead time needs to be brought down.

5.121.3 The outlets used the option of buying on credit and sometimes they bought the merchandise on cash also. As regards the credit period available for the retailers, the period varied and mostly one month credit period was common.

5.121.4 The number of suppliers was minimum for vegetables and maximum for food and non-food items. The reasons may be because of the number of items, quantity, uncertainty in demand and the cost involved. But efforts need to be taken to involve optimal number of suppliers taken into consideration the reliability, confidentiality, dependability and flexibility.

5.122 Pricing

5.122.1 Most of the outlets have adopted either EDLP or Hi-Low pricing strategy.

5.122.2 About half of the outlets did not offer any price discount to the customers. Remaining half of the outlets offered 2 – 5% discount on MRP. It may be pertinent to offer higher discount by passing to the customers all the consolidated gains of the outlets in the form of low prices.

5.123 Information

5.123.1 All the outlets had PoS terminals and all the SKUs were bar-coded. Seventy percent of the outlets were using inventory management software interfaced with PoS terminals.

5.123.2 All the outlets were using the computers in different applications. To a larger extent, outlets used the computers for accounting and inventory. About half of the outlets used the computers for purchasing, CRM and order management processes.
5.123.3 The usage of information systems benefited the outlets with better availability of the information followed by reduced inventory level, more accurate costing and reduced lead time in procurement.

5.2 SUPPLY CHAIN PROCESSES

5.21 CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

5.211 External Customers

5.211. a. Customer Profile

5.211.1 In one-half of the sample outlets (45%), the customer base was 1,500 to 2,000 and in the case of another one-quarter (25%) of the outlets, the number of customers was 2,000 – 2,500. It could also be noted that about 3% of the outlets in the sample had a huge customer base of more than 3,500.

5.211.2 An overwhelming percentage of the outlets (89%) registered 100-250 footfalls per day. In other words, 100-250 customers visited the outlets per day. Of course, there were also outlets, though the number is small (about 11%), where more than 250 customers visited a day.

5.211.3 Customers across different age group come to outlets for their purchases, i.e., from 10 years to above 60 years of age. However, the customers in the age group of 21-40 constituted the major proportion of the outlets. Customers in this age group are modern, well exposed, like to spend, disparate and willing to experiment. The retail outlets need to induce the customers in the age group, by offering a wide variety of merchandise category and better shopping experience. At the same time, customers in the age group of 41-50 that constituted the next major group need also be targeted.

5.211.4 About 73% of the outlets had regular customers in the range of 46 – 75% with a mean of 58%. Of which, nearly 60% of the outlets reported regular customers was in the range of 46 – 60% and in another one-fifth (18%) of the outlets, regular customers was in the range of 61-75%.
5.211.5 Regarding the occasional customers, about one-fourth of the outlets reported that the customers were in the range of 11-15%. Further, it may be seen that two-fifth of the outlets (36%) had occasional customers in the range of 31-45% and another one-third (31%) of the outlets reported occasional customers in the range of 46-60%.

5.211.6 It was found that the customers who visited with their families were in the range of 31 – 60%, about 90% of the outlets reported. Of which, about two-fifth (40%) of the outlets reported that the group was in the range of 31-40% and in about 30% of the outlets, the group was in the range of 41-50%. In the case of another one-fifth (21%) of the outlets, the percentage was 51-60%.

The customers who visited with their families spent about 11-20 minutes in about one-fourth (24%) of the outlets, and in another 30% of the outlets, the time spent was 21-30 minutes. It could also be noted that in about one-third (34%) of the outlets, the time spent by the group was 31-40 minutes.

In about one-half (47%) of the outlets, the customers who visited with their families made purchases worth about Rs. 750-1,000 and in another one-fifth (18%) of the outlets, the customers purchased merchandise worth Rs. 1,001 – 1,250. Interestingly, in about 12% of the outlets, purchases made was more than Rs. 1,250/-. On an average, there were about 47% regular customers, spent about 45 minutes and made purchases worth Rs. 950. Naturally, when customers visit with family, they spend more time and purchase more. Hence, the outlets need to indulge them to buy more by offering better shopping experience and individual attention.

5.211.7 About one-half (49%) of the outlets reported that the customers who visited the outlets with their friends were in the range of 11 – 20% and in another two-fourth (40%) of the outlets, the customers were in the range was 21-30%. Regarding the time spent by the customers, in about one-fourth (24%) of the outlets, the customers spent about 11-20 minutes, in another 30% of the outlets, the time spent was 21-30 minutes. Further, in the case of one-third (34%) of the outlets, the time spent was 31-40 minutes.
In about 30% of the outlets, the customers who visited with friends made purchases worth Rs. 251 – 500 and in another one-third of the outlets, the customers made purchases worth Rs. 501 – 750. Further, in case of about 30% of the outlets the purchases made by the customers amounted to about Rs. 751-1,000. On an average there were about 25% customers who visited with friends, spend about 30 minutes and purchased merchandise worth Rs. 600/-. 

*When customers visit with friends, they may buy not only for them, but also for the family. So, there is a wide variation in the time they spend and amount of purchases also vary.*

About one-fourth (23%) of the outlets reported that the customers who visited alone was in the range of 11-20% and in another two-fifth (43%) of the outlets, the customers was 21-30%. Further, in about one-fourth (23%) of the outlets, the group constituted 31-40%. They data about the time spent by the customers show that in about 28% of the outlets, the customers spent about 11 – 20 minutes and in another two-fifth (39%) of the outlets, the customers spent about 21 – 30 minutes.

With respect to the purchases made by the customers who visited alone, about one-third of the outlets reported that the customers bought merchandise for less than Rs. 250/- and in another one-fourth (24%) of the outlets, the customers made purchases in the range of Rs. 251 – 500. Further, in about one-third (33%) of the outlets, the customers purchases was Rs. 501 – 750. On an average there were about 30% customers who visited alone, spent about 20 minutes and purchased merchandise worth Rs. 450/-. More so, when they visit for shopping, usually, they purchase not only for them but also for their family. So, there is a wide variation in the purchase amount and the time they spend.
5.211.b. Customer Contact, Services and Benefits

5.211.9 Outlets maintained the database about the regular customers. But they were not serious about contacting them regularly. Further, they did not take the feedback regularly. They need to take measures to keep the customers informed about new merchandise arrivals, discount schemes and customer loyalty programmes regularly. This would help keep the customers well informed. They need to take the feedback regularly and act on the suggestions and complaints, if any, given by the customers. The measure would help them to go a long way in satisfying and retaining the customers.

5.211.10 The outlets offered a plethora of services and benefits such as home delivery service, credit card remittance facility, price discount, gifts, gift vouchers, Loyalty Card Scheme, etc to enhance the sales. The measures need to be augmented and be focused on different customer segments which will lead to higher sales realisation.

5.212 INTERNAL CUSTOMERS (EMPLOYEES)

5.212 Employee Profile and Benefits

5.212.1 It could be seen that the number of employees in an outlet was in the range of 7-15. The number of male employees was in the range of 5-10 and the number of female employees was in the range of 3-6. Further, the average number of male employees of an outlet was 7 and number of female employees was 5.

5.212.2 It is interesting to note that Customer Service Associates (CSAs) constituted half of the employees. Moreover, about 70% of the employees were either S.S.L.C or H.Sc. qualified. The managers were either a graduate or a post graduate.

5.212.3 On an average, an employee was entitled for 30 days leave a year. About half of the outlets gave a month salary as bonus and another quarter of the outlets offered bonus on the basis of the outlet’s performance.

5.212.4 Majority of the outlets have adopted a work schedule of two shifts a day and had uniforms to all of their employees. An exclusive human
resources department was created in many organised retail chains to take care of the human resources development activities.

5.22 INTERNAL SUPPLY CHAIN MANAGEMENT (ISCM)

5.22.1 Retailers need to forecast the future demand for the merchandise for effective scheduling of the deliveries and forecasting helps capacity building and budgeting. There was no popular forecasting technique uniformly adopted by the outlets. About 40% of the outlets used time series method for forecasting demand. Qualitative forecasting technique was also used by the outlets in determining the demand. It will be better for organised outlets to follow a customised quantitative forecasting method to do planning.

5.22.2 Sometimes, the actual demand exceeded the forecasted demand and the outlets ran into stock-out. In order to tide over the situations, the retailers resorted to different measures to avoid the stock-out. Holding safety inventory, emergency call to suppliers and using substitute products were the major measures adopted by the outlets to meet the excess demand. These measures helped the retailers to alleviate the problem to a minimum extent. Therefore, it is imperative that better techniques need to be adopted by the outlets to forecast the demand accurately.

5.22.3 The wrong merchandise, pilferage and expired merchandise put together was in the range of 2.5% to 3.8% across different merchandise categories. Also, it has been found that about 83% of the outlets had well documented merchandise returning policy for the customers. It may be appreciated that the return rate of merchandise was well within the Indian industry standards of return rate, that is between three and five percent.

5.22.4 Order through internet is yet to reach the critical mass. Only a few outlets adequately equipped with the technology to attend to the online sales. As there is huge growth potential to further expand the sales by exploiting the new formats of order taking and delivery, retail outlets need to exploit this fully. Fulfilling orders through internet took almost one day which is a bit discomforting to the customers. The percentage of total business through phone and the internet for the outlets overwhelmingly at 92% was in the range of 5 – 15%.
5.3 COMPETITION

As of now, many of the sample outlets do not face tough competition. But with every increase in number of the outlets within the catchment area and international retail majors waiting on the wings, scenario may be different. So it is desirable that retail outlets understand the impending scenario and equip themselves to manage the future.

5.4 Kirana Stores

5.41 LOGISTICS DRIVERS

5.411 Location

5.411.1 The stores were more or less equally distributed throughout the prominent geographical areas of Bangalore city. All the stores invariably are located at vantage points of the main road or bylanes. Almost all the stores were located on the main road, or street corners or important junction points.

5.411.2 Kirana stores are typically small in size as they are located in the residential area zones. The size of the stores revealed that about half of the stores were less than 200 sq. feet. Some of them were relatively bigger.

5.412 Merchandise Management (Inventory)

5.412.1 With respect to the SKU categories maintained by the stores, majority of the stores had food items in the range of 11-60 items and some stores stored about 91-100 food items. The stores stored vegetables in the range of 1-20, non-food in the range of 11-50, staples in the range of 1-50 and beverages in the range of 11-20. Food, non-food and staples were the major category of items stored by all the kirana stores. The total SKUs were in the range of 125 – 150.

5.412.2 In kirana Stores, the food items were carried for about 1-7 days. Vegetables were carried for 1-4 days. The non-food items were carried for 4-7 days. The staple items were carried for 4-9 days. The beverages were carried for 4-13 days.
On an average, the stores held the stock of food items for about 4 days, vegetables for 2 days, non-food, staples and beverages for about a week. From the data, it is evident that the inventory turnover is high enabling stores to manage the working capital effectively.

5.42 CROSS-FUNCTIONAL DRIVERS

5.421 Sourcing

5.421.1 Kirana stores used more than one source namely wholesalers, dealers and salesmen to source their merchandise. Among them, procurement of merchandise by calling through phone to the wholesalers was the most popular (62%) one followed by placing orders with the salesmen who visited the stores (36%) at regular intervals.

5.421.2 As regards procurement of merchandise, kirana stores are showered with numerous benefits by the suppliers based on the order size, store relationship and image. Most of the kirana stores got the quantity discount and sometimes gift vouchers as well.

5.421.3 The kirana stores most often used the option of buying on cash as well as through credit (54%). About 38% of the kirana stores paid the cash whenever they bought the merchandise. Usually, cash purchases go with some benefits/incentives as compared to credit purchases. kirana stores most often got a maximum of 2 weeks credit from the suppliers.

5.422 Pricing

5.422.1 Among the stores who had given discount on purchases, about three-fourth of the stores had given discount on total items purchased and about 10% of the stores had given discount on the individual items purchased.

5.422.2 The discount did not exceed 10% and majority of the stores gave a discount of 2% or 5% on the M.R.P.
5.423 **Information**

It may be understood that computers have not been used in *kirana* stores extensively. Less than quarter of the *kirana* stores (23%) have only used the computers in management of their stores. Of which, 41% of the *kirana* stores used computers for managing inventory and 50% of the stores used for accounting applications. It is obvious that many of the *kirana* stores are not taking full advantage of the computer applications, more so with regard to customer database.

5.43 **SUPPLY CHAIN PROCESSES**

5.431 **Customer Relationship Management**

5.431.1 Customers for a *kirana* stores come from nearer areas. It may be seen that the customer base of a *kirana* store ranged from 101 – 300 (about 80% of the *kirana* stores). Further, about two-fifth of the stores (44%) were having a customer base of 101-200 and another two-fifth (39%) of the stores were having a customer base of 201-300. Interestingly, in the case of about 11% of the stores, the customer base was more than 300.

5.431.2 The customers per day were in the range of 26-100 for a majority of a *kirana* store (about 85%). Further, for about two-fifth (40%) of the stores, the footfall per day was in range of 51-75. Also, there were more than 100 customers in the case of about 11% of the stores.

5.431.3 The sales per customer was in the range of Rs. 1-100 with a mean of Rs. 69. More so, the sales per customer was in the range of Rs. 75-100 in about two-fifth (37%) of the stores. Interestingly, about 10% of the stores sold merchandise worth more than Rs. 100 per customer.

5.431.4 In about 10% of the *kirana* stores, the sales per day was less than Rs. 1,000. Further, in the case of about 10% of the stores each, the sales per day was Rs. 1,000 – 2,000 and Rs. 2,000 – 3,000 respectively and in another one-quarter (24%) of the stores, the sales was in the range of Rs. 5,000 – 6,000 per day. It may also be
noted that about 10% of the stores touched a sales of more than Rs. 9,000 per day.

5.431.5 In a *kirana* store, usually a customer spends less time. The data show that a customer spend time in the range of 1-15 minutes with a mean of about 8 minutes. It may also be seen that about a half of the stores (52%) reported that the customers spend about 6-10 minutes for purchases in the stores.

5.431.6 As *kirana* store evolves into an integral part of the neighbourhood, there exists a close bond between the store and the customers as a result of which extending credit to the customers at times is not very uncommon. The data show that about 80% of the stores had the customers in the range of 41 – 100% who bought their purchases on cash with an average of 77%. More so, about two-fifths of the stores each had regular customers in the range of 61-80 and 81-10 respectively.

5.431.7 The customers who bought on credit were in the range of 1-25% and the customers who bought on credit occasionally were in the range of 1-10%. About two-fifths (38%) of the stores had customers who bought on credit in the range of 6-10 and another two-fifth of the stores had customers in the range of 6-10% who bought their requirements on credit occasionally. The data show that about three quarters (77%) of the customers made purchases on cash and another quarter of the customers bought on credit.

5.431.8 Another important feature of *kirana* store is the familiarity of the customers to the *kirana* store owners. The data show that the owner of a *kirana* store knows closely 30% of the customers. It appears that the number of customers closely known to the store owner is relatively less in spite of the proximity of the store to the customers. It could be largely due to the urban context where the customers are busy with their tight home schedule and in more cases they may prefer privacy and may not be willing to share personal information with the store owner.
5.432 Internal Supply Chain Management (ISCM)

5.432.1 It is understood that the sales of *kirana* stores not only vary from season to season but from one week to another in the course of a month. To know the extent by which sales vary over a month, the month was divided into 3 periods of 10 days each. It is found that the sales during the first 10 days was higher (45%) than the other two periods of 10 days each (about 28%).

5.432.2 Ordering through phone and home delivery services were the services being offered by the *kirana* stores, of late, to facilitate the shopping requirements of working people, particularly the grocery requirements. On the whole, about half of the *kirana* stores offered phone order services and about 35% of the *kirana* stores offered the home delivery services. Whenever, home delivery as a service was offered, the stores ensured that the purchases were delivered within one hour.

5.432.3 Most of the *kirana* stores are proprietary concerns and generating funds for setting up the store and its expansion depends on the proprietor ability to raise funds. This involves not only the capital to be invested in getting a location for starting the store (capital) but also running the store (working capital), i.e. the finance required for procuring the merchandise, employee related expenses, electricity charges, rent and others. About three-quarters (73%) of the owners did not get any finance from outside and they managed the finance on their own. Others got the finance from banks, relatives and friends.

5.433 Competition

5.433.1 It could be seen that about half of the *kirana* stores faced competition from *kirana* stores (47%) only and another half of the stores (50%) faced competition from both the *kirana* stores and organised retail outlets. Further, the competition from the *kirana* stores affected the sales of about 9% and the competition from the organised retail outlets affected the sales of about 4%. It could be inferred that the
competition as of now is not affecting the sales much. But at the same time, this scenario may change with the new retail majors from the European and American continent entering the business and also more number of organised retail outlets being setup.

5.433.2 The major problem confronting the *kirana* stores was the declining sales margins. This may be because of the declining or stagnation in sales and the growing competition around. Eventually, all these fell on the profit margin of the store. As the *kirana* stores are relatively small in size, their weak bargaining power with the vendors is another factor for unimpressive margins.

5.433.3 Another major problem was with the limited space available in a *kirana* store. On one side, the *kirana* stores prefer to stock more SKUs in their stores in order to offer a wider range of SKUs to the customers and at the same time, the limited space in the stores is a constraint. As such, many stores face this conflict and it appears like a tight rope walking for many a store.

5.433.4 The third major problem faced by many stores relates to finance to meet the working capital needs of business. *Kirana* stores want to offer more merchandise but crippled by shortage of funds.

**5.5 PERFORMANCE METRICS**

**5.51 Organised Retail Outlets**

5.51.1 In majority of the outlets (81%), the operating expense was in the range of 71 – 85% of sales. At the same time, in the case of about 3% of the outlets, the operating expense was greater than 85%. Further, it could be seen that the operating expense was less than 70% in about 16% of the outlets.

It has been found that the expenses on SKU, employee salary and rent constituted a major portion of the total expenses of the sales. Continuous efforts need to be made to reduce these expenses. It could help the outlets to be cost efficient and at the same time enable them to devise innovative strategies to serve the customers better.
5.51.2 PBDIT was in the range of 20-25% in two-fifth (39%) of the outlets. Further, in the case of about one-fourth (24%) of the outlets, PBDIT was in the range of 25-30% and in another one-fifth (17%) of the outlets, PBDIT was 15-20%. Interestingly, in about 15% of the outlets, PBDIT was more than 30%.

5.51.3 The monthly sales of about 13% of the organised retail outlets was less than Rs. 5 lakhs. The monthly sales was in the range of Rs. 5 – 20 lakhs for about 70% of the outlets. Further, in about 30% of the outlets the sales was in the range of Rs. 10-15 lakhs and in another one-quarter (27%) of the outlets, the sales was in the range of Rs. 15-20 lakhs. Interestingly, in about 17% of the outlets the sales was above Rs. 20 lakhs.

5.51.4 Sales per square foot per month of was less than Rs. 250 for about 11% of the outlets. Further, in one-fifth (20%) of the outlets, the sales per sq. ft. was Rs. 500-750 and in another 32% of the outlets, it was Rs. 750 – 1,000. Interestingly, in about one-quarter (22%) of the outlets, it was more than Rs. 1,000.

5.51.5 PBDIT/month was less than Rs. 1,00,000 in about 10% of the outlets. For about 70% of the outlets the margin was about Rs. 1,00,000 - 5,00,000. Further, for about one-fifth (19%) of the outlets, the ratio was Rs. 3-4 lakhs and for another one-quarter (23%) of the outlets the measure was in the range of Rs. 4-5 lakhs. It could also be noted that the PBDIT/month was above Rs. 5 lakhs for one-fifth (18%) of the outlets.

5.51.6 PBDIT/Sq. ft. per month was less than Rs. 50 per sq. foot for about 9% of the outlets. For about 16% of the outlets the ratio was in the range of Rs. 150-200. Further, in the case of about one-quarter (24%) of the outlets PBDIT/Sq. foot was about Rs. 200-250 and in another 17% of the outlets, the ratio was about Rs. 250-300. More so, for about 10% of the outlets, PBDIT/Sq. ft. was more than Rs. 300.

5.51.7 Sales per employee was found to be less than Rs. 60,000 in about 14% of the outlets. Further, in one-quarter (21%) of the outlets it was in the range of Rs. 60,000 - Rs. 90,000 and in another one-quarter
(24%) of the outlets the ratio was Rs. 120,000 - Rs. 1,50,000. Thus, the amount was in the range of Rs. 30,000 - 1,80,000 for majority of the outlets (87%). Interestingly, in about 8% of the outlets the ratio was more than Rs. 1.8 lakhs.

5.52 Traditional Kirana Stores

5.52.1 The monthly sales varied from Rs. 25,000 - Rs. 3,00,000. There was no pattern in the monthly sales among the Kirana stores. In about 30% of the Kirana stores, monthly sales was less than Rs. 75,000 per month. In another 40% of the Kirana stores, the monthly sales was in between Rs. 1,00,000 - Rs. 1,75,000. Interestingly, in about one-quarter (28%) of the stores, the monthly sales was more than Rs. 2,00,000. The sales per month of the stores varied widely for the reason that sales is a function of the footfalls per day, number of households in the area, income of the households, the buying power, competition from the other outlets etc.

5.52.2 The sales per customer was in the range of Rs. 1-100 with a mean of Rs. 69. Further, the sales per customer was in the range of Rs. 50-75 in about one-fourth (25%) of the stores and another two-fifth (37%) of the stores reported that the sales was Rs. 75-100 per customer. Interestingly, about 10% of the stores sold merchandise worth more than Rs. 100 per customer.

5.52.3 In about 35% of the Kirana stores, sales per square foot was less than Rs. 250 and another 18% of the Kirana stores reported having sales per square foot in the range of Rs. 250 – 500. More so, the sales per square foot was Rs. 500 – 750 for about 11% of the stores. Interestingly, in the case of about 30% of the stores the sales per square foot was more than Rs. 1,000. The average of the sales per square foot of Kirana stores was Rs. 670.

5.52.4 The sales per employee was less than Rs. 10,000 in about 11% of the Kirana stores. In half of the stores (51%), the sales per employee was in the range of Rs. 10,000-50,000. Further, in a quarter (24%) of the Kirana stores, the sales per employee was in the range of Rs.
50,000-60,000. It could also be seen that about 2% of the stores were having the sales per employee of more than Rs. 1,00,000.

5.6 TESTING OF HYPOTHESES

5.6.1 The One-way ANOVA test showed that the mean time spent in the outlets by different groups namely a) family vis-a-vis friends and alone b) friends vis-a-vis family and alone and c) alone vis-a-vis family and friends were significantly different.

5.6.2 The One-way ANOVA test showed that the mean amount of purchases made by different groups namely a) family vis-a-vis friends and alone b) friends vis-a-vis family and alone and c) alone vis-a-vis family and friends were significantly different.

5.6.3 The One-way ANOVA test showed that the mean of the percentage of sales over the first ten days (1\textsuperscript{st}-10\textsuperscript{th}) differed significantly with second ten days (11\textsuperscript{th}-20\textsuperscript{th}) and also last ten days (21\textsuperscript{st}-30\textsuperscript{th}) of a month. At the same time, mean of the percentage of sales over 11\textsuperscript{th} – 20\textsuperscript{th} does not differ significantly with the last ten days 21\textsuperscript{st} – 30\textsuperscript{th} of a month.

5.6.4 The Chi-square analysis showed that the footfall at an organised retail outlet is independent of the location of the outlet. There may be other influencing factors that affected the footfalls.

5.6.5 The Chi-square analysis showed that the customer base of an organised retail outlet is not independent of the size of the outlet.

5.6.6 The Chi-square analysis showed that the number of footfalls for an organised retail outlet is not independent of the size of the outlet.

5.6.7 The competition for the retail outlets has affected the sales not more than 10%.

5.6.8 There is a strong positive relationship between the size of a kirana store and the number of customers.

5.6.9 The average time spent and average sales made by a customer in a kirana store are significantly correlated.

5.6.10 The average sales was dependent on number of footfalls per day and time spent by a customer in a kirana store.
5.7 **KIRANA STORES Vs MODERN ORGANISED RETAIL OUTLETS**

5.7.1 Mann-Whitney and Wilcoxon Tests showed that there is statistically significant difference between the underlying distributions of monthly sales of organised retail outlets and the kirana stores. The monthly sales of an organised outlet was higher.

5.7.2 Mann-Whitney and Wilcoxon Tests result showed that there is statistically significant difference between the underlying distributions of the sales per square foot of organised retail outlets and the kirana stores. The sales per square foot of an organised outlet was higher.

5.7.3 Mann-Whitney and Wilcoxon Tests showed that there is statistically significant difference between the underlying distributions of sales per employee of organised retail outlets and the kirana stores. The sales per employee of an organised outlet was higher.

| Table 5.1: Comparison of Traditional kirana Stores and Organised Retail Outlets |
|---------------------------------|---------------------------------|---------------------------------|
| **Parameter**                  | **Traditional kirana Stores**   | **Organised Retail Outlets**   |
| Location                       | Not specific to a place. They were spread over the main road, middle of the road and street corners | Spread across the city of Bangalore. |
| Size (Area in Square Feet)     | Mean area was about 320 square feet. Median area was about 200 square feet | Range 1,000 – 3,000 square feet. Mean and Median about 2,000 square feet. |
| SKUs (Total)                   | 125 – 150  
Food: 28%  
Vegetables: 10%  
Non-food: 20%  
Staples: 17%  
Beverages: 7%  
Others: 18% | 1,500 – 3,000  
Food: 30%  
Vegetables: 3-5%  
Non-food: 30%  
Staples: 20-22%  
Beverages: 3-5%  
Others: 10-12% |
| Inventory (in Days)            | 4 Days  
Food | 5-7 Days  
Food |
Vegetables: 2 Days  
Non-food: 1 week  
Staples: 1 Week  
Beverages: 1 Week  
Others: 1 Week | 5-7 Days  
Vegetables |
Non-food: 5-7 Days  
Staples: 5-7 Days  
Beverages: 9 Days  
Others: 5-7 Days | 5-7 Days  
Others |
<table>
<thead>
<tr>
<th>Parameter</th>
<th>Traditional <em>kirana</em> Stores</th>
<th>Organised Retail Outlets</th>
</tr>
</thead>
</table>
| Stock-out                 | 50% of the stores – 1 to 5 per cent  
                                      20% of the stores – 6 to 10 per cent  
                                      30% of the stores – Nil | 40% of the outlets – 1 to 5 per cent  
                                      43% of the outlets – 6 to 10 per cent  
                                      12% of the outlets – Nil |
| Sourcing                  | Wholesalers 62%  
                                      Dealers 28%  
                                      Salesman 36%  
                                      Personal visit 24% | DC 72%  
                                      wholesalers 42%  
                                      Manufacturer 37%  
                                      Mandi 15%  
                                      Govt. Market 3% |
| Mode of Payment           | Cash 38%  
                                      Credit 8%  
                                      Both 54% | Credit 50%  
                                      Credit and Cash on Delivery 24%  
                                      Cash on Delivery 16%  
                                      Regional Office 5%  
                                      Advance 5% |
| Credit Period             | <15 Days 51%  
                                      15-30 Days 49% | 1 Week 29%  
                                      2 Weeks 67%  
                                      > 2 Weeks 4% |
| Discount to the Customers | Same as MRP 14%  
                                      1% Less than MRP 1%  
                                      2% Less than MRP 31%  
                                      5% Less than MRP 37%  
                                      10% Less than MRP 17% | 56%  
                                      0%  
                                      31%  
                                      11%  
                                      0% |
| Computer Application      | Accounting 19%  
                                      Inventory 15%  
                                      Customer Mgt 1%  
                                      Purchasing 3%  
                                      Order Mgt 0%  
                                      Finance 1%  
                                      Supplier Mgt 0%  
                                      Other Applications 0% | 91%  
                                      85%  
                                      53%  
                                      51%  
                                      49%  
                                      31%  
                                      26%  
                                      3% |
| Customer base             | 1-100 6%  
                                      101-200 44%  
                                      201-300 38.5%  
                                      301-400 7.5%  
                                      401-500 3.5%  
                                      501-600 0.5% | 1,000 – 1,500 10%  
                                      1,500 – 2,000 45%  
                                      2,000 – 2,500 25%  
                                      2,500 – 3,000 8%  
                                      3,000 – 3,500 9%  
                                      3,500 – 4,000 1%  
                                      4,000 – 4,500 1%  
                                      4,500 – 5,000 0%  
                                      5,000 – 5,500 1% |
<table>
<thead>
<tr>
<th>Parameter</th>
<th>Traditional <em>kirana</em> Stores</th>
<th>Organised Retail Outlets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Footfalls per day (Number of</td>
<td>1-25 3%</td>
<td>101-150 35%</td>
</tr>
<tr>
<td>Customers and percentage of stores/outlets)</td>
<td>26-50 22%</td>
<td>151-200 35%</td>
</tr>
<tr>
<td></td>
<td>51-75 39.5%</td>
<td>201-250 19%</td>
</tr>
<tr>
<td></td>
<td>75-100 23.5%</td>
<td>251-300 5%</td>
</tr>
<tr>
<td></td>
<td>101-125 7.5%</td>
<td>301-350 3%</td>
</tr>
<tr>
<td></td>
<td>&gt;125 4.5%</td>
<td>351-400 1%</td>
</tr>
<tr>
<td></td>
<td>101-150 35%</td>
<td>400-450 1%</td>
</tr>
<tr>
<td></td>
<td>&gt;150 17.5%</td>
<td>500-600 1%</td>
</tr>
<tr>
<td>Sales per Square foot</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt;250</td>
<td>34.5%</td>
<td>11.3%</td>
</tr>
<tr>
<td>250 – 500</td>
<td>17.5%</td>
<td>14.7%</td>
</tr>
<tr>
<td>500 – 750</td>
<td>11.0%</td>
<td>20.0%</td>
</tr>
<tr>
<td>750 – 1,000</td>
<td>7.5%</td>
<td>32.0%</td>
</tr>
<tr>
<td>1,000 – 1,250</td>
<td>14.0%</td>
<td>14.7%</td>
</tr>
<tr>
<td>1,250 – 1,500</td>
<td>8.0%</td>
<td>4.7%</td>
</tr>
<tr>
<td>1,500 – 1,750</td>
<td>2.5%</td>
<td>1.3%</td>
</tr>
<tr>
<td>1,750 – 2,000</td>
<td>3.0%</td>
<td>0.7%</td>
</tr>
<tr>
<td>&gt;2,000</td>
<td>2.0%</td>
<td>0.7%</td>
</tr>
</tbody>
</table>

*Source:* Field Survey.

### 5.7 SUGGESTIONS

#### 5.8.1 Logistics Drivers

5.8.1.1. Though *air conditioning* was available in all the outlets, it was observed that they were either not working or switched off in order to save electricity charges leave alone occasional power cuts. With low roof, false ceiling and customer density in the store, the absence of effective air-conditioning systems, no doubt, was a cause of concern for many a customer. Sometimes retailers need to incur costs within the supply chain to deliver a benefit of greater value to the retail outlets. Retailers need to ensure that the A/Cs function during the working hours. This ensures that the customers shopping experience is good and result in more purchases.

5.8.1.2. Visit to the modern retail outlets these days is a planned one given the hectic life style, job stress and the time and effort that goes into the shopping exercise. Needless to say that ambience of the shop matters a lot in influencing the customers to step in, shop around and relax for a while. It is, in this context, a good *lounge* for the customers to relax and spend time over a cup of coffee/tea is
important. Lounge is an important facility/amenity that was not available in more than half of the outlets.

5.8.2 Cross-functional Drivers

5.8.2.1. One of the important cross-functional drivers of modern supply chain management is **sourcing**. An important component of sourcing is supplier scoring and assessment. The study reveals that the retail chains are not doing the process – **vendor assessment** enthusiastically. The assessment of the vendors need to be done regularly to ensure that the suppliers are adhering to different parameters such as quality of merchandise, on-time delivery etc.

5.8.2.2. Also, it has been found that the number of suppliers for certain merchandise categories is more. The modern supply chain management calls for limited and **efficient vendors**. So, it is necessary for the retailers to do the needful to prune the number of suppliers and have long term relationship with the suppliers. This will bring reliability, consistency and dependability between the retailers and vendors.

5.8.2.3. On **information technology** side, the retail chains are now only migrating from legacy or proprietary software to SAP, Oracle Apps or other systems. The study shows that there is a scope for further improvement in the usage or utilisation of the information technology or information system.

5.8.2.4. The literature shows that the modern retailers such as Wal-Mart, 7-Eleven, Carrefour, Tesco and others are successful because of their heavy investment on information infrastructure. Their supply chains are efficient because of this reason. In India, the retailers are **ambivalent in investing in the information infrastructure**. Many of the retailers have now only started ERP implementation. The retailers need to establish required information infrastructure to ensure information visibility, transparency, non-repudiation and traceability across the supply chain.
5.8.2.5. In the survey, it has been found that about a quarter of the organised outlets have not adopted Vendor Management Inventory (VMI) and Collaborative Replenishment Programme (CRP) merchandise management techniques. As these are proven techniques which results in lot of benefits to the retailers, the other outlets also implement any of the techniques depending upon their requirements and feasibility. These techniques help the retailers and vendors to work like partners than adversaries and accrue benefits from each other.

5.8.2.6. The **pricing of merchandise** in organised retail outlets needs a relook. It has been found that the outlets charge MRP from customers for most of the SKUs. Modern customers are clever and they hop from one outlet to another and buy the merchandise where in they get discount or other benefits. In a price conscious market, the customers always look at and compare the product prices between different outlets. Therefore, if the stores gain price advantage in procurement, the same could be passed on to the customers. This would help the outlets to achieve greater sales and also retaining the customers.

5.8.2.7. The study shows the **EDLP/Hi-Low pricing** techniques are not adopted in true sense. Even though the footfalls may be adequate, the revenue per customer is low. This could be improved only when the retail outlets adopt these modern retail pricing strategies and give discount on MRP across all the merchandise – both horizontal and vertical.

5.8.3 Customer Relationship Management (CRM)

5.8.3.1. To a larger extent, the modern organised retail outlets have managed the supply chain drivers efficiently. In managing customers, more efforts need to be made to attract them and retain them with a slew of measures which may include i) making them aware of new arrivals, ii) offering variable discount schemes depending on the size of the item, quantity purchased etc. iii) enabling them with loyalty schemes, iv) getting the regular feedback and taking remedial measures, v)
reducing the time spent by the customers at the PoS counters especially during the peak hours, week end days and festival seasons etc.

5.8.3.2. As in the west, in India too, of late, the number of nuclear families is increasing day by day. That apart, there has also been a dramatic change in the attitudes, tastes and preferences of the customers. Indian customer is becoming more quality conscious and less price sensitive. Nuclear family demands coupled with peer group pressure, growing incomes, and westernisation influence the Indian customer than ever before. All these changes invariably translate into business volumes to the modern retail outlets.

Further, in cities like Bangalore, both the partners of a family go for work and come late in the evening to their homes. They may not find time for shopping and they would like to deliver the provisions they wish to buy at their homes. Hence the outlets have to further invigorate alternative ways of order taking and delivery (phone and the internet orders). They need to build up the necessary e-business infrastructure in this regard.

5.8.3.3. **Segmentation of customers** is very important. The study shows that the percentage of customers who visit alone or who visit with his friends are less compared to customers who visit with family. When customers visit with family, they spend more time and made more purchases. As such the outlets need to have an irresistible ambience for the family members to shop around. The outlet needs to provide a pleasant shopping experience, which may trigger impulsive buying. An onlooker or passerby could be made to step in the outlet, a window shopper could end up in buying and an occasional visitor needs to be transformed into a regular customer.

At the same time, when a customer visits with friends or when he/she visits alone, he/she might be buying for him/her or might be for his/her family. Hence the time spent and the volume of purchases varies widely. Hence, these customers need to be targeted differently.

5.8.3.4. An important factor that influences the customer is **returnability**, i.e., the customer’s ability to return, swap or exchange the merchandise to
the outlets at ease, if there is any problem, defect etc. On this front, the traditional *kirana* stores do better because of their accessibility, personal rapport etc. In the case of organised retail outlets, customers find it difficult to return or exchange the merchandise if there was any problem. The merchandise return policy of the retail chains could be made customer-friendly so that the customers do not face hassles that they do face now, in returning/exchanging the merchandise that they have bought from the outlets.

5.8.3.5. The welfare and benefits given to the employees were fairly good. Employees were looked after well by the managements. However, in a few cases, it was learnt that the leave was not granted when it was required and also some of the managers were found to be highly stressed due to the job related pressures to meet the targets in sales and shrinkage of merchandise. Cases of penalisation of employees who failed to measure up to the expectations and meet the target set were also brought to the notice of the researcher. At the store manager level, employee turnover was also high. Therefore, the managements need to take measures to de-stress the managers and give training on motivation and stress management and focus on measures to retain the employees.

5.8.4 Internal Supply Chain Management (ISCM)

5.8.4.1. The sales during the first ten days was higher and the sales was almost equal during the second and last ten days of a month. So the retail outlets need to take necessary steps to ensure that there is enough stock during the first ten days to maximise their sales. At the same time, they might not neglect the sales over the remaining period also. Wherever possible, the outlets need to adopt an approach to balance or even out the sales throughout the months for optimum utilisation of the resources.

5.8.4.2. In some of the outlets, product (merchandise) variety, both horizontal and vertical are not high. Sometimes, they are much lower than the independent outlets. Also, in case of some of the merchandise, it has been observed by the researcher that empty shelves adore the
outlets. The management needs to take necessary measures to improve the service level (fill rate) and product variety. Also, the researcher has observed in some of the outlets, the signage are not put up for the merchandise.

5.8.4.3. **Forecasting** is an area that needs improvement. The SCM software such as SAP, Oracle and others has this process as part of the supply chain planning module. This module is robust with many analytical and simulation models which will help the retail outlets/DC to forecast better and plan for the merchandise well in advance.

5.8.4.4. Considering the loss due to shrinkage of the merchandise, it is high time that foolproof mechanisms are installed for the upkeep and safety of the merchandise in the outlets and godowns. Outlets have to ensure the security of the physical assets. It may be noted that India has the highest shrinkage rate. The theft of the merchandise by the outlet’s own employees is one of the major concerns faced by the retail outlets along with the theft or stealing by the customers. Shrinkage could be reduced through well-defined processes such as physical counting of inventory, digital surveillance, electronic tags, etc. Loss prevention from shrinkage calls for coordination among different stakeholders such as vendors, employees, management and also customers. Further, the employees need to be properly educated, trained and inculcated about the evils of the shrinkage.

5.8.5 **Kirana Stores**

From the study, it has been found that the *kirana* stores are also evolving and have started adopting some of the strategies such as phone orders and home delivery which are the domain of the services offered by the organised outlets. At the same time, they are also facing the heat of changing customers’ behaviour and also the competition from the organised retail outlets.

5.8.5.1. It has been inferred from the study that more than half of the *kirana* stores are facing ‘stock-out’. Customers visit *kirana* stores for fill-in, immediate purchases. If the *kirana* stores are not in position to meet the demand of customers, they lose their goodwill and also the
customers themselves. Therefore, adequate steps have to be taken to have sufficient stock to meet the demand.

5.8.5.2. Over three-fourth of the kirana store are not using computers for the management of kirana stores. The stores are not taking full advantage of computer applications in the field of SKUs management, accounting, etc, more so with regard to customer’s database. It is suggested that kirana stores start adopting computers for better management of the stores.

5.8.5.3. An important feature of kirana store is the familiarity of the customers to the kirana store owners. Traditionally, the kirana store’s owner knows the customers and their families very well and kirana store owner is invited for any occasion or function in the customer’s family and vice-versa. Such is the relationship between the kirana store and the customers.

From the study, it appears that the number of customers closely known to the store owner is relatively less in spite of the proximity of the store to the customers. It could be largely due to the urban context where the customers are busy with their tight home schedule and in more cases they may prefer privacy and may not be willing to share personal information with the store owner. It is also possible that the kirana store owners are getting engaged in their routines and are not finding sufficient time to enquire or inclined to get to know about the customers. In this regard, it is suggested that any sluggishness from the part of the kirana store owners in building a personal rapport with the customers need to be discouraged. Otherwise, this lead to customers migrating from kirana stores to organised retail outlets. This may be a bane for kirana stores survival on the whole.

5.8.5.4. Traditionally, the customers of a kirana stores don’t go to another store to buy the items even if some of the items are not available in the preferred store that they are used to purchase from. They would even wait for the store to procure and supply them. This may be attributed to the trust and bond that exists between the store and its customers. The study shows that majority of customers are not
willing to wait. It is obvious that the attitude of the customers is fast changing. As such, modern customer does not have the time to wait and they have huge choices around. In other words, modern customer is impatient to wait. Therefore, it is essential that the store keeps the various SKUs available (fill-rate) to customers as and when they visit the store. Hence a modern kirana store needs to adopt modern merchandise management. Otherwise, they loose the customers.

5.8.5.5. The study found that the major problem confronting the kirana stores was the declining sales margins. This might be because of the decline or stagnation in sales and the growing competition around. Eventually, all these impact profit margin of the stores. As the kirana stores are relatively small in size, their weak bargaining power with the vendors is another factor for unimpressive margins. This problem could be remedied by means of kirana stores by forming ‘co-operatives’ which will enable them to buy in quantity (Economy of Scale – EoS) and help them to bargain and get better price from the suppliers.

5.8.5.6. Another major problem faced by many stores relates to the working capital needs of business. Kirana stores want to offer more merchandise but crippled by shortage of funds. This could also be resolved through kirana stores forming ‘co-operative banks’.

5.8.6 Competition and Sustainable Growth

5.8.6.1. As of now, competition among the organised retail outlets is not fierce. But with every increase in number of the outlets within the catchment area and international retail majors waiting on the wings, tomorrow’s scenario may be different. So it is desirable that retail outlets understand the impending scenario and equip themselves to manage the future.

5.8.6.2. In India, organised retail is in the growth stage. At the same time, there were fallouts also. Two Indian retail chains namely Subhksha and Vishal Retail who were accelerating their growth and garnering
success have gone into oblivion for reasons such as improper working capital management, unplanned and unsustainable expansion of number of outlets etc. The other retail chains have many reasons to learn from the ‘tale of two retail chains’. The chains may need to revamp their supply chains drivers especially the information and sourcing. Also, on the customers side, three stage of CRM – identify, acquire and retain the customers could be managed better.

5.9. FURTHER RESEARCH

Although the research study answers some of the important aspects of retail supply chain in a convincing way, it also highlights several leads for further research. The researcher is of considerate opinion that the following linking threads may be useful in taking up research studies.

5.9.1. The research revealed that the sales during the first ten days was much higher than 11th – 20th and 21st – 30th of a month. Even though, some of the reasons attributed to this phenomenon such as salaried class of customers, more variety of the SKUs and schemes in different organised outlets in the first ten days of a month influence the sales, an in depth study in identifying the factors is necessary. This will help the retailers to adopt suitable strategies to balance or even out the sales throughout the months for optimum utilisation of the resources.

5.9.2. The extent of implementation of supply chain inventory management techniques such as Vendor Managed Inventory (VMI), Continuous Replenishment Programme (CRP) and Collaborative Planning, Forecasting and Replenishment (CPFR) techniques in the organised outlets and their effect on inventory and product availability need an in-depth study.

5.9.3. Indian retailers could join hands with each other in establishing the back-end (supply chain) which will mutually benefit them, though they may compete each other on the front-end operations. The avenue for collaboration and the impact on individual retailer’s performance on fill rate, logistics cost, coordination cost etc could be studied.
5.9.4. Optimisation Models for manpower planning at the peak hours especially at Point of Sales (PoS) and for merchandise management need to be developed by the researchers which happen to be the bane of customer satisfaction.

5.9.5. The sales contribution of private labels in various SKU categories to the total sales, the customers’ perception about private labels, the optimum fit between branded and private labels may further be studied.

5.9.6. Methodology adopted by organised retail outlets in sourcing related processes such as supplier scoring and assessment, supplier selection and contract negotiation, supplier collaboration, procurement and sourcing planning and analysis need an in-depth study to enumerate the best practices available in the industry.

5.10 CONCLUSION

According to the IMF forecast for the year 2011-2012, India might become the world’s third largest economy in 2011, overtaking Japan in terms of GDP as measured according to the domestic purchasing power of rupee also called as Purchase Power Parity (PPF). India is now the fourth largest economy behind the US, China and Japan.\textsuperscript{103}

A study by McKinsey Global Institute (MGI) suggest that if India continues its current growth, average household income will triple in the next 15 years and the private consumption will quadruple to reach Rs 70 trillion in 2025. \textit{Indian consumer spending will shift substantially from informal economy, with its individual traders, to the more efficient formal economy of organised businesses}. That transition will lower prices and further boost demand.\textsuperscript{104} This corroborates the fact that the organised retail in India will gain further momentum and have lot of potential for growth.

\textsuperscript{103} Rishi Shah, “India to Topple Japan as World’s 3\textsuperscript{rd} Largest Economy”, The Economic Times, 20\textsuperscript{th} September 2011

Retail industry in India has come of age as one of the most dynamic and fast paced industries with several players entering the market. As further liberalisation of the sector round the corner, Indian retail industry has to gear up and get its act together. Retailing is instrumental in economic growth of the country as it provides impetus to agriculture, manufacturing as well as services sector besides huge employment. Modern retail has a huge potential to not only benefit from India’s increasing consumption demand but also create demand for value-added products.\textsuperscript{105}

A healthy sign about the Indian economy is that private consumption in India is growing at about 20 per cent which is about 4 per cent over and above GDP growth and inflation put together. While Indian consumers are expected to spend Rs. 55 trillion in 2011-12, the share of retail would be over Rs. 25 trillion growing at above 15 per cent and the \textit{share of modern retail would be over Rs. 2.06 trillion growing at above 30 per cent with 8 per cent share in total retail.}\textsuperscript{106} Maintaining and pushing this growth in consumption will be extremely vital for overall economic growth of the country. Undoubtedly, the food retailing in India will continue to occupy a major segment of organised retail and is going to grow exponentially.

The research study shows that retailers are learning to adopt and manage supply chain techniques efficiently. With FDI in retailing in the offing and international majors such as Wal-Mart, Carrefour, Tesco and others waiting on the wings, the growth in the organised front is going to gain much more momentum. The retailers in order to survive in a fiercely competitive market, need to better equip with skills, processes, practices and methods which are contemporary without losing sight of the customer’s needs, preferences and expectations.

Retailers need to explore the ways to collaborate to create consumption demand and offer Indian consumers a better standard of living by providing better products at best prices. This calls for a \textit{sound understanding of the supply chain drivers} by all the stakeholders in the retailing. A fresh look at all the drivers will

\textsuperscript{105} Economic Times Bureau, “India Retail Forum (IRF) to equip retailers to give more to Indian Consumers”, The Economic Times, 16\textsuperscript{th} September 2011.

\textsuperscript{106} \textit{Ibid.}
further enhance the *efficiency of the supply chain* and in turn growth and sustainability of the retail outlets.

With challenging economic conditions in the western world and fear of prolonged slow growth, the focus is shifting to fast growing economies like India. The consistent resilience of Indian economy and healthy domestic consumption growth will accentuate organised food retail which can be sustained through better management of *retail supply chain*. This is the opportune time for the Indian retailers to establish, strengthen and exploit the supply chain to their advantage. As Government of India may introduce the FDI in multi-brand retail any time now, the retail majors such as Wal-Mart, Tesco and Carrefour will use the ‘carpet-bombing’ strategy to establish a number of outlets. With their innovate marketing and promotional strategies and the successful supply chain strategies, they try to woo away the Indian customers from the present retailers towards them within the shortest span of time available by ‘splitting the market’. So the Indian retailers need to ward off the forthcoming competition by entrenching their supply chain both independently and also collaborating with each other.