CHAPTER - I

RETAIL IN DETAIL
INTRODUCTION

The concept of retailing draws strength from the French word ‘retailer’, which means ‘to cut a piece off’. Invariably, this term is defined and interpreted in many ways, however, the most acceptable approach and to explain precisely by many ‘as the business activity of selling goods or services to the final consumer’\(^1\). Retail industry in India is one of the flourishing sectors in Indian economy. Indian retailing industry has seen a phenomenal growth in the last few years. Organized retailing is emerging from the shadows of unorganized retailing and is contributing significantly to the growth of Indian retail sector.

DEFINITIONS

The retail activity is also defined as: “Any business that directs its marketing efforts towards satisfying the final consumer based upon the organization of selling goods and services as a means of distribution”\(^2\). The crux of this definition links the activity of selling and satisfying to final consumer leaving the intermediaries involved in the selling process.

While another definition to Retailing states that, “as all activities in selling goods or services directly to final consumer for their personal, non-business use via shops, markets, door-to-door selling, mail order or over the internet, where the buyer intends to consume the product through personal, family or household dues.”\(^3\)

Thus, it is important to note that purchases for business or industrial use are do not normally fall under the domain of retail transactions. Furthermore, retailing includes more than the sale of tangible products involving services whether it be air ticketing services or House maintenance services or Air-conditioners repairs.

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1 David Gilbert “Retail Marketing Management” - Pearson Education Ltd., Delhi, 2003, p.6
2 Opic p. 6
The key attributes that assumed within this definition are:

- The final consumer within the distribution chain is of paramount importance
- Purchases for business or industrial use do not fall under domain of retailing
- Retailing includes more than the sale of tangible products, involving services like financial services, hair cutting or dry cleaning etc.

**Differences between retail and wholesale:**

Retailers are often referred to as ‘middlemen’ or ‘intermediaries’. This suggests that they occupy prominent position as an intermediary, receiving and passing on products from Producers and wholesalers to the final customers. The retailer carries out a specific service and this should not be confused with the wholesaler. Retailers and wholesalers are different in nature and perform distinct functions.

Some specific differences between them are:

1. The interface with the customer is predominantly service based, by using sales techniques such as computer and internet based ordering, stocking and transactions systems.

2. Retailers sell small quantities of items on a frequent basis, unlike wholesalers who sell in bulk but on a less frequent basis.

3. Retailers attempt to provide convenience in terms of location, payment and credit facilities, range of merchandise, after sales service etc.,

4. Retailers offer selection – an assortment of merchandise

To have insights into the retail trade, it is important to understand the different types and different formats involved in retail activities. Primarily, the retail trade is divided into two segments, i.e., organized retailing and unorganized/traditional retailing. It is not the size, volume or the place, and the variety of goods offered, but it is the way in which the trade is organized makes all the difference.
SEGMENTS OF RETAILING

The following are the two segments of retailing:

Organized Retailing: Any retail outlet chain (not a one shop outlet) which is professionally managed (even if it is family run), has accounting transparency (with proper usage of Management Information System and accounting standards) and organized supply chain management with centralized quality control checks for both inbound and outbound material movement, and sourcing (certain part of the sourcing can be locally made and some are of foreign origin) and offering value to the customer money by offering the best possible product length and width can be termed as organized retailing in India.

Unorganized Retailing: Any retail outlet which is run locally by the owner or the caretaker of the shop. Such outlets lack technical and accounting standardization. The supply chain and the sourcing are also done locally to meet the local needs.

In order to understand the growing importance of the organized retail activities, data on some selected Asian countries, US including India is provided hereunder

Table 1.1-Percentage of organized retail across the world (in %)

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<th>Unorganized</th>
<th>US</th>
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<th>Malaysia</th>
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Source: Naukrihub.com website (extracted on 23-12-2008)

It can be understood from the above table 1.1 that Indian markets are yet to take off and become mature, as compared to many advanced countries. The penetration of organized retailing in India is barely 3 per cent. It is evident from the above table; the organized retailing is yet to take its place in the Indian markets. While in other markets it is widely prevalent, and of late it is gaining prominence.

FORMATS IN RETAILING

In modern retailing, a key strategic choice is the format. Innovations in formats may at times be able to provide a competitive edge to retailers. Until the 1940s, the
American retail was primarily centered around the city high street, or downtown areas, with an array of independent stores, such as departmental stores, drugstores and coffee shops.

The markets world over are highly becoming independent and expanding, thereby each part of the city has become important as commercial activities are growing, necessitating starting of stores to connect the requirements of the far off localities of cities. Indian retailers are trying out a variety of formats, to catch up this trend of increasing clusters of independent localities in each city. They are trying to expand by starting small stores in each locality by strengthening their supply chains.

The 1960s has witnessed the emergence of new trend by setting up of enclosed malls, providing an end-to-end shopping and entertainment experience from food courts to entertainment malls. The last phase of American retail landscape was emergence of giant size discount chain stores such as Wal-Mart which were considered a different retail boom.

Following are the different kinds of retail formats operational across the world:

**Mom-and-Pop Stores**

These are, generally, family owned business catering to small sections of society. They are relatively small, individually run and handled retail outlets. They are also called as ‘convenient stores’.

**Supermarkets/Hyper markets**

These are large (20000 square feet plus) self-service stores selling a variety of products at discounted or non-discounted prices. They are fairly large in terms of size and Stock Keeping Units (SKUs) and are usually located on the outskirts of major cities.

This is the mother of all retail formats and offers everything from foods to dry grocery to hardware to electronics. Typically, would span more than 100,000 sq. ft. of space and preferably located outside of the city center. Metro Cash and Carry and Spar can be cited as Indian examples for this format.
The best practice chains in this format on global scale are: Carrefour (France), Wal-Mart (US), Kroger (US) Target (US), Tesco (UK), and Metro (Germany).

Supermarkets are focused on foods, grocery and household items, and located in residential areas. Some of the supermarkets have a chain of stores tend to be located in key residential markets and malls, and offer competitive prices due to economies of scale in logistics and purchasing. This format is witnessed even in small towns in India and some important Indian players in this format are: Big bazaar, Subeeksha, Reliancefresh, Foodworld, Nilgiries, Vishal Megamart, Fabmall, Narullas, Spencer's etc., Indian supermarkets are smaller than those in other countries, with fewer cash registers and sizes that are at least a fifth of the global players' selling area (3000 to 4000 square feet versus 20000 to 25000 square feet in case of foreign players).

**Department Stores**

As the name implies, this format carries various 'departments' such as apparel, house ware, furniture, jeweler and appliances, but is much smaller than a hypermarket in terms of space and SKUs (stock keeping units).

These large stores primarily sell non-food items such as apparel, footwear and household products. They stock multiple brands across product categories, though some of them focus on their own store labels. Shoppers' Stop, Westside and Lifestyle fit into this format. These are the general merchandise retailers offering various kinds of quality products and services.

Department stores are found on high streets and as anchor shops of shopping malls. Several departmental store chains have been opened in India (e.g., Shoppers stop, Westside, and Ebony).

**Specialty Chains**

These retail outlets focus on a particular brand or product category, usually, non-food items, and are located on high streets and in shopping malls. While most specialty chains compete on service, a segment called 'category killers' offers price as an advantage. Examples of specialty chains include Gap, Levi Strauss, and Benetton. This format has seen the highest levels of adoption in India, with several chains
establishing a strong presence, mostly through franchising, e.g., Locaste, and Allen Solly, Arrow, Van Huessen in apparels category.

With the changing marketing dynamics, specialty chains also started offering a host of services like food joints, multiplexes inside their premises, to attract the shoppers as a weekend shopping cum relaxing, entertainment destinations. Some of the mall developers in important metropolitan cities started offering the business centers inside their malls, as it would attract many outsiders to attend to their business meetings, product exhibition. This business centers inclusion has made the visitors not only attend to their official jobs, but also shopping in shortest possible time. This trend is widely prevalent in Singapore and it is spreading to other markets faster. Especially, when the mall developers are developing new complexes, they try to conceive many innovative and attractive features under one roof and matching the perceptual dynamics of the modern day shoppers.

Discount Store

This format proposition is that it offers no-frills such as spacious, well-lit and air-conditioned retail space, but makes up by marking down MRP (Maximum Retail Price). It is a general merchandise retailer that offers a wide variety of merchandise, limited service, and low prices. Subeeksha in South and Mega Mart across India, Margin free markets are operating in this format in India.

Wholesale and Cash and Carry

This is basically a Business to Business (B2B) format, where the retailer sells to shopping establishments, large institutional customers for resale or for their captive consumption. The wholesale cash and carry operation is defined as any trading outlets where goods are sold at the wholesale rate for retailers and businesses houses to buy. The transactions are only for business purposes and not for personal consumption as in the case of retailing. Metro Cash and Carry GmbH of Germany has entered India in this format.

Convenience Store

Accessibility is what this format offers and therefore, is conveniently located in crowded neighborhoods. Examples to suit to this format are: Subeeksha, Spencers,
Foodworld Nilgiri’s in the south, 24/7 in Delhi. It is a retail business of less than 5000 square feet with primary emphasis on providing the public a convenient location to quickly purchase an assortment of good, gasoline and other consumable products usually open seven days a week for extended hours.

**Exclusive Outlet**

It stocks a single brand and could be either company-owned or franchised. Everyone from Raymond and Madura Garments to LG and Samsung to Maruti and Hyundai have it.

**E-Tailers**

These are retailers that provide online facility of buying and selling products and services via Internet. They provide a picture and description of the product. A lot of such retailers are booming in the industry, as this method provides convenience and wide variety for customer. But it does not provide a feel of the product and is sometimes not authentic. To quote a few successful e-tailers are Amazon.com and Ebay.com etc.

**E-Tailing versus Retailing**

- E-tailing is a form of retailing utilizing the Internet, the World Wide Web, the other electronic forms of commerce to take the place of or supplement a physical retail location.
- E-tailing is a specialized form of E-Commerce.
- E-commerce is “the conduct of selling, buying logistics or other organization management activities via the Web.

**Kiosk / Vending**

Kiosk as a store often termed as standalone or make shift store placed within a mall/shopping centre, a bus station, airport etc. It is a free stand alone pavilion open on one or more sides. For instance, in a bookstore kiosk, customers are provided with

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4 www.LGezbuy.com — an interesting case in e-tailing

5 ibid
online catalogue service to help them to identify titles and read reviews before making a purchase decision.

This kind of retailing is making foray into the industry. As the cost of employees and quality of their services becoming prohibitive, industries looking up and resorting to new ways as a means of cost reduction and convenience. Smaller products such as beverages, snacks, communication, Bill payment services are some of the services that are influenced to a larger extent: STD and Local coin booths, Juice vending stations, coffee, tea vending machines, ATM counters, Bill payment machines in case of water, electricity, telephone and taxes etc.,

**Video Kiosks**

The video kiosk is a freestanding, interactive, electronic computer terminal that displays products and related information on a video screen. It often uses a touch screen for consumers to make selections. Video kiosks can be situated in high traffic zones such as store aisles or hotel lobbies. They enable consumers to place orders, complete transactions, pay mostly with a credit/debit card, and arrange for products to be shipped. Kiosks can be linked to retailers' computer networks or tied in to the web. World-wide, nearly 80 per cent of kiosks are involved with retail-related transactions.

**Shopping Plaza**

The shopping plaza is a complex of various stores by using space of 1,000 square feet or so for putting up stores within a single building. For instance, Fountain Plaza (Chennai), Royal Arcade Plaza (Bangalore) etc.

**Factory/Seconds Outlet**

The factory stores are owned and operated by the manufacturers who sell discounted merchandise or factory seconds or cancelled orders to consumers at low prices. For instance, the *Bata factory Outlet, Indigo Nation/Peter England* factory outlet etc.
Shopping Mall

A shopping mall is an arrangement of retail stores and providing the right mix of shopping, food courts and entertainment and parking facilities. The retail space is shared by anchor stores and other retailers (tenants), who pay the developers of the mall – rent or lease payment for putting up the shop within the mall premises. For instance, in Bangalore – The Forum, Central, Sigma mall etc.

Seamless Mall

Seamless mall is a format which is relatively new in India. In this format, various brands operate their retail areas without any wall between them, providing a seamless shopping experience. This makes it possible for shoppers to compare brands with ease while they shop. This format has the advantage to reallocate store space more easily based on merchandise/brand performance and customer feedback. Besides, offering apparels, accessories and lifestyle products these malls are also equipped with entertainment and Leisure facilities. Bangalore Central located in Bangalore is an example of a seamless mall.

Chain of Stores

A single manufacturer or retailer establishes a chain of stores in different cities by using a unique-store design, synergistic merchandising plan, promotion and service strategy and so on. For instance – Raymond chain of stores, Khazana Jeweler, Bata outlets etc.

Franchisee

Retail stores owned and operated by individuals on behalf of, and licensed by a big supporting organization. For instance, Pizza Hut, Baskin Robbins, Aptech, NIIT, Nirula’s, McDonald’s etc.

Non-Store Retailing

This is the ultimate form of retailing directly targeting at the final consumer by avoiding stores. A direct relationship with the consumer is the basis of any kind of non-store retail venture. It may be broadly classified into direct selling and direct response marketing. While direct selling involves direct personal contact, direct
selling activities, the customer becomes aware of the products/services offered through a non personal medium like mail, catalogues, phone, television or internet.

Direct Selling

Direct selling involves making a personal contact with the end consumer, at his home or place of work. Cosmetics, jeweler, food and nutritional products, home appliances and educational materials are some of the products sold in this manner.

The direct selling industry, which started out in India in the mid-1990s, is estimated to have achieved a turnover of over Rs.2, 400 crores in the year 2004. An interesting aspect of direct selling in India is that women comprise up to 70 per cent of all sales people in India, couples account for 20 per cent and males account for 10 per cent. The number of men is expected to go up, because companies like Modicare, Amway and Herbalife, and all Insurance companies have been encouraging men in their sales force.6

Direct selling may follow the party plan or the multi level network. In the party plan, the host invites friends and neighbors for a party. The merchandise is displayed and demonstrated in the party atmosphere and buying and selling takes place.

In the multi level network, customers act like master distributors. They appoint other people to work with them as distributors. The master distributor earns a commission on the basis of the products sold and distributed by the distributors under him.

Direct Response Marketing

Direct response marketing includes various non-personal forms of communication with the consumer like:

- Catalogue retailing or Mail order;
- Television retailing; and
- E-tailing

6David Gilbert “Retail Marketing Management”, Pearson Education Ltd., 2003, p. 18
Mail order retailing/catalogue retailing

This form of retailing eliminates personal selling and store operations. Appropriate for speciality products, the key is using customer databases to develop targeted catalogs that appeal to narrow target markets. The basic characteristic of this form of retailing is convenience.

Television shopping

Asian Sky Shop is amongst the first few to introduce television shopping in India. In this form of retailing, the product is advertised on television and details about the product features, price and things like guarantee/warranty are explained. Phone numbers are provided for each city, where the buyer can call in and place the order for the product. The products are then home delivered.

Electronic shopping

It allows the customer to evaluate and purchase the products from the comfort of his home. The success of this form of retailing largely depends on the products that are offered and the ability of the retail organization to deliver the product on time to the customer. Strong supply chain and delivery mechanisms need to be in place for this to be a success. Many retailers are opting for the brick and mortar option where, they also sell some of their products or ranges on the internet. Though most of the large retail organizations in the world have already adopted this model, it is yet to catch on in India.
Information kiosks

These are relatively latest entrants into the latest forms of retailing. They have emerged in the western markets as a new type of electronic retailing. These kiosks, comprising of computer terminals housed inside and a touch screen on the outside, provide customers with product and company information and may actually aid the customer in making a purchase. A large number of international cosmetic companies have used the technology to their advantage by using this format. The terminals also serve as a market research tool for the retailers. A large amount of information about the people who have interacted with the system can be collected and programs and products developed accordingly.

Recycled Merchandise Retailers

Recycled merchandise retailers sell cast-off clothes, furniture, sporting goods, and computers. They include pawnshops, thrift shops, consignment shops, and operate on fleet markets. A fast growth of this format has been observed over the past five years. Even as a large number of retailers were closing down in the mid-1990s, recycled merchandise retailers were growing.

Liquidators

Liquidators are retail formats that come in and liquidate leftover merchandise when an established retailer shuts down or downsizes. They are often called retailing undertakers or vultures. They earn by buying the merchandise at throw away price with an intention to clear the stocks in time to assist closure of the shop than the wholesale price for the closeout retailers. Retailers utilize the services of liquidators because running closeouts requires some special retailing skills. Liquidators also have to develop special incentive plans to make it more profitable for store personnel to stay and work rather than quit or walk off with merchandise.

Car Boot Sales

Car boot sales are becoming increasingly popular, where often a vehicle is modified for the sale of a variety of merchandise like books, magazines, clothes, music cassettes, export surplus and/or rejects, and fast food items. The boot sale boom has
given vendors such as software pirates ‘an ideal outlet and quick getaway’. It also provides opportunities for small traders who may lack the capital for permanent premises. They are often situated near university campuses and commercial areas. Their target audience is lower middle class and middle class customers looking for ‘value for money products’.

**Mobile vans**

Mobile vans are modified vehicles that usually sell books, newspapers, poultry, and meat products. They move from location to location, for fixed periods of time, thus providing convenience by coming closer to customers.

**Players across Verticals**

![Logos of various companies]

**Food and Grocery**

![Logos of various companies]

**Clothing and Textiles**

![Logos of various companies]
Jewelry and Watches

Footwear

Home Décor and Furnishings
New retail chains and formats could not significantly transform nor influence India’s retail topography. Particularly the last decade, the Indian retail landscape has witnessed a fast-track with experimentation of formats suitable to Indian consumer profile. For selecting an appropriate format, retailers have taken recourse to careful segmentation at the geographic consumer as well as product assortments. Food
World, with its successful supermarket format, happily coexists with the ubiquitous kirana stores. The rising demand for more choice in terms of brands and prices culminated in the evolution of multi-brand outlets. Corporates entered the retailing arena pioneering the concept of a hypermarket (e.g. Giant and Big Bazaar). While the Forum and Globus malls changed the concept of shopping experience to a pleasant experience, by mixing the entertainment with shopping and ushered a new era of Shoppertainment with multilevel shopping, food court and video games for children, has taken the country by storm. On the other hand Tanishq and Pantaloons have demonstrated the potential of ‘Specialty’ stores in India.

With new shopping-malls having become operational in many cities across India, it is interesting to observe how the shopping-behavior of consumers in the vicinity of these malls has changed and thereby draw some lessons that could be of some use to the developers of hundreds of new malls that are currently under planning or construction across India. The Indian retailers need to get familiarized with the new concepts like footfalls, conversions, and average transaction value, and repeat customers, creation of customer value to make best use of the retail revolution in offing. ITC e-Choupal has gone one step ahead, in luring the agriculturists from rural markets to gain an access to the Supply chain mechanism of retailing. While Godrej Adhar marketing campaign has made rapid strides in another route to market its products through micro marketing in the retail sector.

From the retailers perspective, it is difficult to expect customers loyalty to be built up overnight. Similarly, the cultural gap between the customer expectations and retailers perceptions needs to be understood to make retailing successful.

Secondly, most mall developers looking out for winning formula’s to attract customers by offering a blend of services like shopping, entertainment (Multiplex) and food (MacDonald’s/Pizza Hut, Domino’s as the main draws), a common meeting place, convenient weekend destination. It is no surprise to find many mall visitors having no shopping-bags since they have been enticed to visit only for watching a movie and/or having a burger or a pizza or even a cup of coffee. This has set in a new culture and trend into the marketing scenario and the life style of selected segments of the society. The marketers have left no area untouched starting commercial arcades to petrol filling stations to gain access to the shoppers.
The following factors illustrate the growing importance of the retail sector in India.

a) From the economy’s perspective
   - Large and increasing contribution to GDP
   - This sector also serves as a major employer, contributing employment directly and indirectly to about 7% of the population

b) From the consumer’s perspective
   - Retailers serve as cultural gatekeepers
   - They try to showcase the world class products and to make customers aware of new trends in various product categories
   - They also serve as launch pads for new products to building brand equity, a place to compare similar products at a single location on price, quality and other related aspects
   - Utilizing their strength of Supply chain, they eventually make the products competitive and make products to sell

In the world of cut-throat competition the Indian retail sector is at an infliction point. Especially, the organized retail sector is growing at an ever increasing pace, with a Compounded Average Growth Rate (CAGR) of over 30 per cent. The business models are changing with the progress of days, and it is often stated that the only constant in retailing is change and it is certainly true that the pace of development within retailing is unprecedented and unexpected.

The range of activities carried out by a modern retailer encompasses sourcing a wide variety of products at huge volumes, and through intelligent use of systems and processes, getting them across to consumers at attractive prices. Today, retailing is the largest private industry in India and second largest employer after agriculture. The sector contributes to around 13 per cent of GDP and 6-7 per cent of employment. With over 15 million retail outlets, India has the highest retail outlet density in the world. Over a period of 10 years, the share of organized retailing in total retailing has
grown from 10 per cent to 40 per cent in Brazil and 20 per cent in China, while in India it is only 2 per cent (between 1995-2005).\textsuperscript{7}

**Profile of Indian retailers**

Retail industry in India accounts for 10 per cent of its GDP and 8 per cent of the employment to reach $17 billion by 2010. About 300 new malls, 1,500 supermarkets and 325 departmental stores are being built in the cities and metropolitan cities. India has undergone a shopping revolution and a large population between 20-34 age groups in the urban regions, was boosting demand by 11.1 per cent in 2004-05.

To give the current picture of the Indian retail, views expressed by different management consultancies on retailing are furnished hereunder

\begin{center}
\textbf{Fig: 1.1: The rise of Indian Retail Malls}
\end{center}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{fig1.png}
\caption{Indian Retail Landscape}
\end{figure}

\textit{Source: Retail in India-ACII-AT Kearney report}

\textit{No of malls}

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\textit{Source: The Bird of gold: The rise of India’s consumer market, McKinsay quarterly journal}

\textsuperscript{7} FDI in Retail Sector India – Arpita Mukerjee, Ms Nitisha Patel, Indian Council for Research on International Economic Relations (ICRIER) New Delhi, 2005, First Edition, P.17
KEY RETAIL PLAYERS FROM INDIA

Pantaloons Retail India Limited

Pantaloons Retail India Limited (PRIL), a Future Group venture started its operations with Pantaloons Shoppe in 1993 and has since emerged to be the retailing giant of India with over 5 million square feet of retail space spread over 450 stores across 40 cities in India.

Pantaloons Retail has many firsts to its name in the Indian market, with discounted store formats like Brand Factory etc. setting benchmarks for new players entering the market. Innovative store formats like Hometown- a one stop shop for all the home requirements, Sports Bar- a sports theme restaurant complete with game courts and screens for match viewing, Health City- a value segment targeted spa and beauty care venture etc., are hitting the market, consolidating the market position of PRIL.

The unique selling proposition of Pantaloon Retail is the dual approach to tap both the “value” segment and “lifestyle and luxury” segment consumers, by establishing retail formats in each segment like Big Bazaar, Fashion Station etc. aimed at value retailing while Central, Pantaloons captures the lifestyle segment consumers.
**Shoppers Stop Limited**

Shoppers Stop, established in 1991 with its flagship store- Shoppers Stop, has now expanded to over 100 retail outlets spread across 1.1 million square feet of built-up area, spanning the entire spectrum of retailing verticals and formats. Private labels account for more than 21 per cent of their retail revenues, with Shoppers Stop clocking impressive total number of transactions to customer footfalls ratio (conversion ratio) of 27 per cent. Strategic partnerships with international retailing players like Mothercare Plc of Britain and Leisure & Allied Industries of Australia, are aiding Shoppers Stop in catering to niche markets.

Aggressive expansion plans are in pipeline for formats like Timezone, a leisure and entertainment format venture and Brio- the coffee bar located strategically in their Crossword bookstores.

![Graph showing financial data](image)

**Tata Trent Ltd**

- Established in 1998
- Revenues: US$ 53 million
- Ltd.
- Manufacture private labels in apparels
- Principal fascia: Westside, Landmark, Star India Bazaar

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8 www.tatatrent.com
- Retail sector activity: Apparel, Specialty– books and music
- Current store format: Hypermarket, Supermarkets
- Future plan: New venture-Infiniti Retail

**RPG Enterprises**

- Established retail in 1996
- Revenues: US$ 182 million
- Retail sector activity: Food & grocery, beauty products, specialty- music
- Current store format: Convenience stores, supermarkets, hypermarkets
- Current outlets: 279 outlets
- Music world has tie ups with 350 affiliates across the country.
- Future plan: by 2009 set-up 2000 stores in India
- Principal fascia: Spencer’s, Music World

**Landmark Group**

- Present in India since 1999
- Retail sector activity: apparel, home décor & furnishing
- Current store format: Department stores, hypermarkets
- Current outlets: Lifestyle-10 outlets, Max Retail-4 outlets
- Future plan: Presence in mini metros and Tier-II cities
- Principal fascia: Lifestyle, Home Centre, Max Retail

**Madura Garments**

- Established in 1988
- Part of the Aditya Birla Nuvo Group
- Retail sector activity: Apparel
- Principal fascia: Louis Philippe, Van Heusen, Allen Solly, SF jeans, Peter England
- Joint Venture with international brands: Esprit

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9 www.rpggroup.com

10 www.landmark.com
• Current outlets: Planet Fashion-50 outlets, Trouser town-9 outlets
• Future plan: Projected to increase to 300 outlets by 2009 and diversify into the women's wear segment.

**Vivek Group**

• Established in 1965
• Revenues: US$ 91.5 million
• Retail sector activity: food & grocery, beauty, specialty- electronics & home appliances
• Current store format: Supermarkets, Hypermarkets
• Current outlets: Vivek-23 outlets, Jaisons-26 outlets, Premier-3 outlets
• Future plan: Set up 60 stores in South India Principal fascia: Viveks, Jaisons, Premier

**Globus**

• Established in 1998
• Retail sector activity: Apparel
• Current store format: Stand alone stores
• Current outlets: 21
• Future plan: To set up 100 stores by 2008
• Manufacture private labels under Globus and F21
• Principal fascia: Globus

**Subhiksha Trading Services**

• Established in 1997
• Turn over of US$ 75.6 million
• Retail sector activity: food, medicines
• Current store format: Supermarkets
• Current outlets: 150 outlets
• Future plan: To set up 600 stores with 145 stores in NCR region

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11Principal fascia: www.subhiksha.com
Nilgiris Ltd.\textsuperscript{12}

- Established in 1904
- Revenues: US$ 30.5 million
- Retail sector activity: Food & grocery, specialty- bakery products
- Current store format: Supermarkets
- Future plan: To increase stores to 100

Trinethra Super Retail Ltd.

- Established in 1986 (Taken over by Aditya Birla Nuvo Group in 2006)
- Revenues: US$ 58.5 million
- Retail sector activity: Food & grocery, beauty products
- Current store format: Convenience stores, supermarkets, hypermarkets
- Current outlets: 150 outlets
- Future plan: To enter into pharmacies, apparel, footwear
- Principal fascia: Trinethra Super Retail LTD., Trinethra Quick Shop
- Now these stores are operated under a new name of “More” chain of stores.

Provogue Ltd.

- Established in 1997
- Revenues: US$ 38.1 million
- Retail sector activity: apparel, footwear
- Current store format: Stand alone stores
- Current outlets: 139 outlets
- Future plan: To manage and develop malls
- Principal fascia: Provogue, Prozone

Bata India Ltd.\textsuperscript{13}

- Present since 1931
- Revenues: US$ 179.8 million
- Retail sector activity: Footwear and accessories
- Current store format: stand alone stores

\textsuperscript{12} www.nilgiris.com
\textsuperscript{13} www.bataindia.com
• Current outlets: 1100 outlets
• Future plan: To remodel 150 stores and open 40 more stores
• Principal fascia: Bata

Archies Ltd.
• Present since 1979
• Revenues: US$ 20.8 million
• Retail sector activity: Specialty-cards & gifts
• Current store format: stand alone stores
• Future plan: To increase from 73 stores to 200 by 2008
• Principal fascia: Archies, Stupid Cupid

Mumbai's Hyper City
It is spread over 1,00,000 sq. ft. In spite of being surrounded by three popular shopping malls, it saw 12,500 daily footfalls by its second week, against expectations of 3,500 footfalls a day. The K.Raheja group, originally a construction company, operates Hyper City and the Shoppers's Stop chain, and plans to open 55 hypermarkets by 2015.

Pantaloon Retail
Pantaloon began as a textile and fabrics manufacturer in 1987. It entered the retail business in 1997. Pantaloon retail, now part of the Future Group, is the biggest mover in the sector. Currently, Future group commands a retail empire comprises 55 Pantaloon Retail stores, 51 Big Bazaars (Hyper market discount store) and 77 Food Bazaars (food and grocery outlets). In addition, it operates the “Central” mall in some cities, which provide various facilities like restaurants, shopping arcades, toy, books and lifecycle products all under one roof. Started as apparel chain, it has quickly expanded into lifestyle shopping malls, food malls, retail estates, general merchandise and the like. In the year 2005, it had a turnover of US$245 mn., and unaudited results for nine months up to March 2006 saw turnover increase even further to US$292 mn., It has aggressive growth plans in the retail sector and plans to reach a monthly run rate of Rs.2500 crores by June 2010. It is expected to open 100 stores by December, 2007.
Reliance Industries

In 2006, Reliance industries entered into the retail business and started its first store in Hyderabad. Reliance Industries, with the initial investment of US$750 mn., has grown into Pan India network of retail outlets by multiplying formats. It has launched a nationwide chain of hypermarkets, supermarkets, discount stores, department stores, convenience stores and specialty stores. Reliance started a new trend of hiring talent to beef up its management capabilities. It appointed Peter Bracher from Asda Wal Mart as special advisor for Reliance Fresh Sores and Kevin Pleass from Tesco-UK, to help with store design. To begin with, Reliance Retail opened eight hypermarkets in Hyderabad, each spread over 75,000 sq ft on a single floor plus perhaps with a mezzanine. The hypermarkets sell multiple brands of apparel, FMCG products, groceries and white goods. They offer bundled products at discounts. The Reliance Fresh network (comprising stores that sell perishables and groceries) has expanded to 430 outlets spread across different parts of India. The target is to expand to 1,500 Reliance outlets, 500 hypermarkets and hundreds of other specialty stores across the country by 2011. Reliance industries wishes to change the way Indians have shopped for generations. It has planned a total investment of $ 6 billion (Rs. 25,000 crores) into this business.

RPG Group

The RPG group operates 350 Spencer’s across 55 cities in four for the formats, and plans to expand the network to 500 stores in 65 cities during 2008. It has grown stronger with the acquisition of the South Indian based Trinetra Super Market chain and is heading towards a national footprint.

Bharti Group

The Bharti Group is joining hands with Wal Mart and plans an investment of $ 7 bn. While Wal mart would lead the back end and cash and carry operations, front end retail would be handled by Bharati. An extensive network across the country, including hypermarkets, the plan is to create an extensive network of 100 hyper malls across the country. This joint venture with global major Wal-Mart and the group is expected to have an estimated 6 million retail surface by 2008.15

14 www.thehindubusinessline.com/cgi-bin/bl.pl main class
Subhiksha

Subhiksha Trading services commenced its retail operations about a decade ago from Chennai. It now operates a chain of 1,070 deep discount stores spread across states like Tamilnadu, Karnataka, Andhra Pradesh, Maharashtra and Delhi/NCR.

Globus

Globus has 28 stores. It will add 6 Westside stores, 5 landmark book stores and one hypermarket. Income from operations in 2006 was Rs.364 cr and growth rate was 40%

Trent

Trent has 100 numbers of stores. It has aggressive growth plans in the retail sector, plans to reach a monthly run rate of Rs.2500 cr. by June 2010. Trent has three variants viz., West side has a total floor space of 4.84 lakh sq ft with 22 outlets spread over 13 cities, Star India Bazaar has a floor space of 50,000 sq.ft ad the Landmark group of shops has a total floor space of 1.5 lakh sq ft. spreading 6 shops in four different cities. The West side and Star India Bazaar are operating under formats of departmental stores an hyper markets. While Landmark is basically a music and book store operating in single product format. They had expanded their operations to 100 stores by 2007 and had plans to expand by adding four more in another five months.

Some of the upcoming big retailers in India

Biggest Retail in Punjab

- In Ludhiana, Punjab - largest mall, City Centre is being developed with a Heliport, A golf course and parking for 8000 cars.
- The area of this mall cum Resort is 40 lakh square ft.
- This will have a city within a city built at a cost of Rs. 2000 Crores in Shaheed Bhagat Singh Nagar.
- It will provide the biggest mega shopping mall, the biggest atrium, 12 multiplexes with a seating capacity of 2500 food courts, residential apartments, healthcare centre and library.

16 www.subeeksha.com
Grand Golden Trio - Biggest Mall near Delhi

Area Covered: Mall I : 6 Acres
(1500 acres) Mall II :8 Acres
Mall III: 11 Acres

Retail Mix: 3 Hypermarkets,
10 Departmental Stores
5 Food Courts
3 Multiplexes
4 Entertainment/Kids Play zones

These malls will house all the internationally known brands' outlets.

USP: Three malls, based on separate themes, within a radius of 3 Kms., free shuttle service between these malls, mixing pleasure with shopping

Other players in general retailing include Vishal Megamart, Godrej (Aadhar and Nature's Basket) and Indiabulls Wholesale (trumart). Hypercity Retail, a subsidiary of K Raheja Corp Group, plans to open 55 hypermarkets by 2015. There are also many lifestyle and specialty retailers such as Shoppers' Stop, Wills Lifestyle, Trend (Tata group) etc., Single brand retailers include players such as Adidas, Raymond's etc., been growing momentum with the expansion of various burger and Pizza chain outs Café' Coffee Day and Barista have come to develop as popular café' chains.

In terms of number of outlets, Bata India Ltd, is the leading retailer with over a thousand footwear shops, most of which are franchisee stores. India enterprises became first with its retail value share despite Bata remains the chosen footwear brand for the value for money conscious Indian consumer. Among non-store retailers, Amway India Enterprises became first with its retail value share despite significant advances made by various internet retailers.
Table 1.2: Various organized retailers in India

<table>
<thead>
<tr>
<th>Retailer</th>
<th>Revenue (Rs. In Bn.)</th>
<th>Total Floor Space (Lakh Sq. Feet)</th>
<th>Total No of Outlets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2003-04</td>
<td>2004.05(E)</td>
<td>2003-04</td>
</tr>
<tr>
<td>Pantaloone</td>
<td>6.5</td>
<td>13</td>
<td>11</td>
</tr>
<tr>
<td>RPG</td>
<td>5.45</td>
<td>8</td>
<td>5.2</td>
</tr>
<tr>
<td>Shoppers' Stop</td>
<td>4.04</td>
<td>5.45</td>
<td>6.3</td>
</tr>
<tr>
<td>Lifestyle</td>
<td>2.3</td>
<td>3.1</td>
<td>3.2</td>
</tr>
<tr>
<td>Westside</td>
<td>1.2</td>
<td>N.A.</td>
<td>2.3</td>
</tr>
<tr>
<td>Ebony</td>
<td>0.85</td>
<td>1</td>
<td>1.7</td>
</tr>
<tr>
<td>Pyramid</td>
<td>0.72</td>
<td>1.4</td>
<td>1.3</td>
</tr>
<tr>
<td>Globus</td>
<td>N.A.</td>
<td>N.A.</td>
<td>1.5</td>
</tr>
</tbody>
</table>

Source: Retail Authority of India website www.rai.com

The Indian retail sector is currently sporting a brand new look and together with a 46.64 per cent three-year Compounded Annual Growth Rate (CAGR), Conventional marketplaces are paving way for new shopping malls, the likes of superstores, shopping plazas, supermarkets and brand label stores. International style shopping centers have started dotting the skyline of cities and smaller towns, acquainting the Indian customer to a unique shopping experience.

It is expected that by 2015, India’s Retail sector could grow to $600 billion. According to Confederation of Indian Industry (CII) the Indian retail industry has the potential to grow from $300 billion to $600 billion by 2015. According to Maureen Johnson of Global Media Group, “Organized retailing in India can be achieved if greater emphasis is laid on customer relationship management. With skilled workforce and systematic approach, Indian will transform the traditional marketing landscape seamlessly”. The organized retail sector is expected to grow at six per cent by 2010 and touch a retail business of $17 billion as against the current growth of $6billion.¹⁷

FICCI

According to a FICCI’s release, India is one of the ten largest retail markets in the world, with retail sales over $ 330 billion in 2008, over 30% of our GDP. In this

¹⁷¹⁷ www.cii.com
organized Retail constitute only 3% of total retail sales which is about $6.4 billion per annum. However, organized retail is growing at a pace of 20 per cent per annum in the last five years.\textsuperscript{18} To illustrate the importance of the sector, the world’s leading Consultants have expressed their views and their assessment’s in the form of estimates on Indian retail sector are narrated hereunder.

\textbf{Mckinsay & Co}

According to a recent report published by McKinsay & Co, in the US the organized sector’s contribution is more than 85 per cent of retail sales, while corresponding figure for Western Europe is around 70 per cent. In India, the organized sector accounts for barely three per cent, but this is expected to be more than double over the next five years. The employment provided by this sector in US is 16 per cent, in Brazil 15 per cent in Poland 12 per cent\textsuperscript{19}.

According to McKinsey Global Institute (MGI)’s Indian representative Subbu Narayanswamy & Adil Zainulbhai, India is poised for a dramatic expansion of domestic consumption. According to their estimates, the real consumption will grow from 17 trillion Indian rupees today to 70 trillion Indian rupees by 2025, if the present growth rate of 7 to 8 per cent is maintained by 2025, a fourfold increase. This will vault India into the premier league among the world’s consumer markets. Today Indian consumer market rank is 12\textsuperscript{th} by 2015 it will almost grow to the size of Italy’s market. By 2025, it will be the fifth largest in the world, surpassing Germany. In short, they believe that India has now entered a virtuous long-term cycle in which rising incomes lead to increasing consumption, which, in turn creates more business opportunities and employment further fuelling GDP and income growth\textsuperscript{20}

\textsuperscript{18} FKCCI Journal (Mysore Commerce) – December 2006 Issue No 12, Vol XXVII p. 21
\textsuperscript{19} A T Kearney’s report, “Retail in India: Getting organized to drive growth” – www.acneil://
\textsuperscript{20}
In one of their reports, “Retail in India: Getting organized to drive growth” estimates the total Indian retail market size at $278bn in 2004 and $321 bn in 2006 and estimates the same to $421 in 2010. The report also estimates that the retail is expected to grow at a rate of approximately 35% per annum till 2010. In their Global Retailing Development Index published from time to time, in the latest report, India is rated as the first among thirty most attractive destinations in the world for retail business.7

**Technopak**

According to a report published by Technopak, “Retail Outlook – October 2007” states that the total Indian retail market will grow from $336 bn in 2006 to $590 bn in 2011., which translates to an annual growth rate close to 12% which is above the India’s GDP growth.21

**Earnst and Young**

According to Ernest and Young India with its highest absolute poverty rates in the world (44.2 per cent in 1996) and far by the greatest number of people living on less than $1 a day (509 million, compared to China’s 274 million). India epitomizes the problem of absolute poverty. This is partly, because India is geographically the largest country (3,287,263 Km) in south Asia and the seventh largest in the world. Although GNP grew at an average rate of 5.3 per cent in the 1980’s, 6.0 per cent in the 1990’s and now at 6.7 per cent in 2009 is making rapid strides. The growth of population led to smaller gains in per capita income.22

India’s GDP growth for the 1990-2000 period averaged 4.2 per cent, a good performance but well below China’s average rate of 9.2 per cent. However China’s growth rate to 8.4 per cent in 2003-04, in the year 2005-2006, it again recouped its position to around 9.5 per cent.

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21 Technopak’s report on “Retail Outlook – October 2007” www.technopak.com
22 International Business,- Challenges Abound - Dr K Aswathappa, Tata Mcgraw Hill Second Reprint 2006, p. 148-149
According to Vijay L Kelkar, the former Finance Secretary to Government of India, from the early 1980’s onwards, India exhibited a strong GDP growth, averaging 5.7% over the last 24 years. Looking into the growth projected for the organized retail, which is projected to be more than Indian GDP\(^{23}\). Economic trends available were inconsistent from year to year but the growth story of Indian retail is on continuous accelerating trend.

As of now, there are only a few medium sized Indian retail chains like Pantaloon, Shoppers’ Stop, Food World (RPG group), Westside (Tata Group)- all growing rapidly, Reliance Fresh (Reliance Group) still at nascent stage. The retail sector yet to see the real churn by the turn of this decade, as many large players are waiting anxiously to make inroads into Indian organized retail markets.

To summarize the above consultants and Retail industry experts views, the key features are given as under.

1. **Most attractive retail market:** AT Kearney in its reports published in 2008, has ranked India as the Number one attractive retail market ahead of Russia, China

2. **Low penetration of the organized retail sector:** The mere 3 per cent share of the organized retail sector in the total Indian retail market, worth US$ 415 billion\(^{24}\).

3. **Exceptionally high growth rate:** The sector has witnessed a spiraling growth rate and will continue the same in the years to come.

4. **Increase in consumer spending and shift in consumer buying behaviour:** According to KSA Consumer outlook 2007 study, the consumer spending grew by 12% and consumer confidence is higher than any other Asian-Pacific market\(^{25}\).

5. **Improved Living Standards:** In one of the reports of World Bank, India on global scale rated as third ranked country in terms of Purchase Power of

\(^{23}\) ibid
\(^{24}\) ibid
\(^{25}\) ibid
Parity. This gives the retailers an opportunity to tap the increasing living standards of Indian consumers\textsuperscript{26}

6. **Operational Competitive Advantage:** Having developed strong processes and world class infrastructure, the corporate companies can have the advantage over other retailers who are busy in addressing such bottlenecks as supply chain and poor operational efficiency\textsuperscript{27}

India’s GDP growth of 9.4\% for 2006-07, was the highest ever in 18 years, reflecting the booming economy of the country. India’s retail sector, in tandem with the economy, is on a high growth trajectory; expected to grow by over 27\% in the next 5 - 6 years\textsuperscript{28}.

Retail contributes to 13\% of India’s Gross Domestic Product and provides employment to 7\% either directly or indirectly. Higher disposable incomes, easy availability of credit and high exposure to media and brands has increased average propensity to consume considerably over the years.

India’s retail market has more than doubled in size to USD 311.7 billion in 2005-06.

Sector revenues increased by about 93.5\% between 2000 and 2006, translating to an average annual growth rate of 13.3\%.

Market witnessing a migration from traditional retailing to modern/organized retailing formats, with an explosive proliferation of malls and branded outlets.

Organized retail segment contributes to over USD 12.9 billion of retail Revenues, with penetration growing from 3\% in 2004-05 to 4.15\% in 2005-06.

Share of organized retail is projected to grow to USD 43.8 billion out of the total retail sector revenues projected at USD 460.6 billion in 2010-11\textsuperscript{29}.

\textsuperscript{26} International Business, Dr. K Aswathappa, Tata McGraw Hill, edition 3, 2006 p
\textsuperscript{27} Source: GENISIS website
\textsuperscript{28} Indian retail on fast track – a joint study of FICCI and KPMG – published in Website www.kpmg.com
\textsuperscript{29} ibid
Table 1.3: GDP, Expenditure and Retail Sales Growth 1994-2007

GDP, EXPENDITURE AND RETAIL SALES GROWTH 1994-2007
(Compound annual growth rate)

<table>
<thead>
<tr>
<th></th>
<th>1994-95 to 1999-00</th>
<th>2000-01 to 2002-03</th>
<th>2003-04-2006-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GDP</td>
<td>6.6</td>
<td>4.7</td>
<td>8.7</td>
</tr>
<tr>
<td>Expenditure</td>
<td>5.7</td>
<td>4</td>
<td>6.7</td>
</tr>
<tr>
<td>Retail sales</td>
<td>13.6</td>
<td>4.8</td>
<td>10.9</td>
</tr>
</tbody>
</table>

Source: Guidelines and cautions to Indian food and groceries "convenient format" retailers
website: www.scribd.com

Fig. 1.2: Retail Sales in India

Source: The Great Indian Retail Story by Technopak

The following are the top 10 players in India in Retailing area\(^{30}\)

1) Reliance Retail
2) Wal-Mart Bharati Retail Joint Venture
3) Future Group (Pantaloon Retail International Ltd)
4) Landmark group
5) Trent Limited (a Tata Group)
6) ITC Retail
7) Shoppers Stop

\(^{30}\) Retailer – India Edition February 15-April 2007, Vol 2 No1 p. 34-44
8) Pyramid Retail
9) RPG Retail (formerly Foodworld)
10) Aditya Birla Group (More, Trinetra, Fabmall combine)

It can be understood that almost all top industrial houses have made foray into the sector. This might be due to the following reasons.

The increased disposable income of the people, the makeover of brands from manufacturer's to retailer's brands has opened new vistas in retail marketing. Realizing the prospects in this omnipotent sector, all big groups not only from India from around the world like Wal-Mart, Tesco, Carrefour, Woolworth, Total of France, are attracted and they are synergizing their strengths and marketing strategies as to how to make them adaptable to Indian conditions and making quick moves to avail the early bird incentives.

**Growth of Indian retail**

The organized retail in India is relatively nascent compared to the West, where organized retail came into being more than a hundred years ago. Organized retailing had a negligible presence in India till the 1990s, though the roots can be traced back to the late 1800s with the establishment of the 'Spencers' departmental store in South India. The other major player who can be seen from the older period is 'Nilgiries'.

There was a big gap from Spencer's to 'Shopper's Stop', an apparel retail outlet that was launched in October 1991. Shopper's Stop was a joint venture by a group of companies by the name K Raheja Corporation. Food retail took almost five years after that, to come into the scene. 'Food world' was one of the first food retail outlets, a division of the "Spencer and Co, which is currently owned by the RPG group. Food World started out in Chennai in May 1996, and was separated as an independent company in 1999. Subheeksha came up in Chennai in 1997 and Nilgiris (which started out as dairy in 1905, came up in Bangalore in the mid-90's. 'Pantaloons' was the second major in apparel and accessories which came up in 1997-98 and went on to become a major player in organized retail. The year 1998 saw the opening up of a bevy of retailers with their own private labels. 'Westside', Dubai-based Landmark Group came with 'Lifestyle', and 'Globus' owned by Rajan Raheja group in Indore.
These are the igniters of retail revolution in India and set the trend for the leaders from India and abroad to take it forward. Hyper City, owned by the Raheja family whose Rs.1,000 Crore property empire trying to utilize their access to prime cities under their hold in reality sector. It had plans to open another 14 stores across India within 18 months. Bharti, the farms-to-phones empire of Sunil Mittal, has already entered into Joint venture arrangement with Wal Mart.

The most aggressive plans are probably those of Mukesh Ambani, chairman and major shareholder in Reliance Industries, which in 2008 had earned profit of $ 2 billion on sales of $ 20 billion. Reliance, a listed company, wants to “revolutionize retail.” The speculation is that it is ready to spend Rs.30, 000 Crore on 800 stores in India.

Till, a few years back the Indian organized retail market was either dominated by the apparel brand stores or regional retail chains. There was no Pan-India retail chain on the line of developed economies and the organized retail in India contributes roughly 3.5 to 4 per cent of the total Indian retail, which is very small compared to the developing economies like Thailand, Brazil and so on.

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31 Perceptual Mapping of Retail Outlets’ – Subhadip Roy, The ICFAI journal of Services Marketing – Vol IV No.1, March 2006- p. 6
Mall Revolution

The retailing business has witnessed huge growth due to the emergence of supermarkets as well as centrally air-conditioned shopping malls. In 2001, there were only three major shopping malls in India, i.e., Ansal Plaza in New Delhi, Cross Roads in Mumbai and Spencer’s Plaza in Chennai. As of end-2007, there are 179 malls in operation across the country, with a total area of 47.4 million square feet.

The “Malls in India 2007” study brought out by IMAGES F&R Research in association with the India Retail Forum, projects that India will have 412 malls by 2010 with a total retail space of 205 million sq. ft. By 2015, it is expected that there would be around 715 operating malls with a total area of 350 million sq. ft. Much of the additional development between 2010 and 2015 is expected to happen in tier-II and tier-III cities. The KSA Technopak-ICICI Property Services report had earlier forecasted that there would be 343 malls in India by end 2007, with around 87.7 million square feet area. But there has been a slowdown due to recessionary conditions and delays in project implementation.

Table: I.4: India’s total Retail Market size – AT Kearney & Technopak

<table>
<thead>
<tr>
<th>Year</th>
<th>AT Kearney</th>
<th>Technopak</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>278</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>321</td>
<td>336</td>
</tr>
<tr>
<td>2008</td>
<td>368</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>421</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td>590</td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td>1,011</td>
</tr>
</tbody>
</table>

Source: 1. CII-A Kearney Report “Retail in India: Getting organized to drive growth”
2. Technopak’s “Retail Outlook – October 2007”

In one of the studies conducted by AT Kaerney for Confederation of Indian Industries in 2006, about the current position and the likely growth up till 2016 and its impact of organized retailing in India, the following data is published. And in another article published by Technopak separately, indicates an overview of the present and the

32 www.rai.com
projection for the future conveys that the size of retailing in India in 2004 is US $ 278 billion, the same is expected to grow to US$ 1011 billion, by 2016. This clearly indicates the growth potential available in India.

The following table illustrates the growth indicators published by these two agencies for the organized retailing.

\[
\begin{array}{|c|c|c|}
\hline
\text{Year} & \text{AT Kearney}^{33} & \text{Technopak}^{34} \\
\hline
2006 & 6 & 4 \\
2010 & 15 & - \\
2011 & - & 16 \\
2016 & - & 28 \\
\hline
\end{array}
\]

The organized retailing is currently at a size of US $ 4 to 6 billion, and it is likely to grow to US$ 28 billion by the year 2016. However, the size of penetration of organized retailing in the total volume by 2016 is a mere 3 per cent only.

**Ernst & Young’s Estimates**

“The Great Indian Retail Story” by Ernst & Young (2006) presents a slightly different set of figures, though broadly within the same range as in the reports by AT Kearney and Technopak. Ernst & Young reports that the total private consumption expenditure in India during 2003-04 amounted to $375 billion (Rs.1,690,000 Crore), of which retail sales accounted for $230 billion. The composition of the Indian retail market pie in 2005 according to Ernst & Young is shown in the following table:

\[
\begin{array}{|c|c|}
\hline
\text{Category} & \text{Percentage} \\
\hline
\text{Food and grocery} & 77 \\
\text{Clothing} & 7 \\
\text{Durables} & 4 \\
\text{Jewellery and accessory} & 4 \\
\hline
\end{array}
\]

---

33 CH-A Kearney Report “Retail in India: Getting organized to drive growth”
34 Technopak’s “Retail Outlook - October 2007”
As per an article published in *Economic times* under Retail Knowledge Series (quoted in “The Great Indian Retail Story” by Ernst & Young, 2006), organized retailing in India is estimated to have grown at 18 per cent per annum during the five-year period 2002-07. The estimated figures for the size of the organized retail market for the years 2002 and 2007 are Rs.3,478 crores and Rs.8,091 crores respectively.

India is basically an agrarian economy, and about 60 per cent of the population live in rural areas. As such, rural markets play an important role in the retail sector. In fact, any study without focusing on rural markets would be incomplete. Hence, the researcher has made an attempt to give inputs on rural retailing activities also.

**Rural Retailing**

The total size of the rural market for FMCG products is Rs.41,550 crore when compared to Rs.37,130 cr of the urban market. The rural middle class is on a steady rise. The middle to high income households in rural India currently form 17 per cent of the total rural population, and are growing at 7 per cent annually.35

The largest rural retailer in India is ITC, which is the first organization to take new initiatives on rural markets. ITC has ventured into the rural markets with its retailing project called “Choupal Sagar”. The first initiative in this direction is a giant shopping mall near Sehar, a town in Madhya Pradesh. According to company officials, the mall is an extension of the much appreciated e-choupal program run by the company, where farmers have access to Internet and the infrastructure provides

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expert information to the farming community on crops yield, price and weather-related issues.

Choupal Sagar is a one-stop physical infrastructure created for farmers to sell their product to ITC, avail banking and insurance services, medical facilities, weather forecasting and soil-testing services. The product-mix sold at these stores is sourced at competitive prices from manufacturers and is priced on part with that in the hypermarkets in the metros. ITC is the second player after DCM Shriram Consolidated to tap the retail opportunity in rural markets with large format retail stores.

Tata Chemicals and Rallis India, are the two companies under the $29 billion Tata Group undertook separate rural ventures till 2003. Tata Chemicals had a chain called Tata Kisan Kendra which offered farmers ranging from agri-inputs to financial advisory functions. Rallis, in partnership with ICICI Bank and Hindustan Lever, supported farmers from pre-harvest to post harvest stage. In 2004, these two operations were merged under the Tata Kisan Sansar (TKS) banner into a network of one-stop shops providing agri-inputs to loans to know how. Today, these TKS reach out to over 3.6 million farmers through 421 franchisee run centers in three states.

Mahindra Shubhlabh and Mahindra Krishi Vihar, the subsidiaries of India's largest farm equipment company Mahindra & Mahindra, operate on similar lines. While the former, operating in 11 states offers a complete range of products and services to augment farm productivity and establishes linkages to the commodity market chain, the latter helped in realizing a bumper yield of groundnut in Rajasthan and brought in a new variety of grapes in Maharashtra.

Godrej Agrovet and Gulmohar Foods constitute the rural retail wing of the Godrej Group which entered agri-business almost 30 years ago through a small animal feeds subdivision. Currently, its rural marketing initiative is based on two concepts – Aadhaar and Manthan. Through Aadhar, Godrej sells its own products as well as those of other brands and also offers services like veterinary care and soil testing. However, Manthan deals entirely with quality animal feed.

The "Fortune at the Bottom of the Pyramid" has drawn corporate houses from diverse backgrounds. The New Delhi-based DCM Shriram Consolidated Ltd., which is in the
consumer finance and insurance businesses, has diversified into rural malls too. Today it has 101 outlets of Hariyali Kisan Bazaars (HKBS) stocking agri-inputs, consumer durables and FMCGs. On an average, each HKB has 400 work-ins per day with 70-80% repeat visitors and together generate a revenue of Rs.140 million annually.

Triveni Engineering has set up 44 Triveni Khushali Bazaars (TKBs) in four states. Within a year of its establishment in 2005, the logo changed from a shaft of wheat to a consumer with a shopping bag, commensurate with its change in operational policy from selling only agri-inputs to satisfying regular consumer demand.

Reliance Industries and Bharti Tele Ventures are not far away from the mad rush to get slices of the rural pie. The Government of Madhya Pradesh has proposed to set up rural shopping malls across the state to serve the areas outside the retail distribution network of manufacturing companies.

The UP State Agro Industrial Corporation plans to set up Agri Marts across Uttar Pradesh, which will be basically rural malls. The places earmarked for the establishment of these Agri Marts are Hardoi, Hapur, Gorakhpur, etc. Apart from the products of UP State Agro Industrial Corporation, farm implements, seeds, fertilizers, tractors and veterinary products will be available. Financial collaboration with National Agricultural Cooperative Marketing Federation of India (NAFED) is on the anvil.

The Gujarat Government has embarked upon a novel mission to transform its fair price shops into micro rural malls. The State’s Department of Civil Supplies plans to revamp its 15,000 fair price shops to cater to the diverse needs of valid ration card holders. Consequently, these micro malls plan to sell not only grains, fortified flour, edible oils and other essential commodities, but also gas cylinders, cosmetics, mobile recharge vouchers, fertilizers, seeds, packaged goods, etc. Companies like ITC, HUL, Videocon, major oil companies, telephone service providers like Hutch, BSNL and Tata are all suppliers to these malls. LIC and banks (both state run as well as private) have made these malls sales links to their financial products. The mall owners now earn Rs.5000 per month (compared to their previous earning of Rs.1500 to Rs.2000 per month) as commission from sales.
In Mumbai, 90% of new malls are coming up in the suburbs such as Mulund, Andheri, Thane, Kandivilli, etc. Speciality malls are a hot concept in Gurgaon, Noida and suburban Delhi.

Amartex Group plans to diversify from its clothing retail business into agro-business. The Group has prepared a Rs.158 crore blue print for entering into food processing and establishing 25 rural malls in nine districts in Punjab.

Kewal Kiran Clothing (KKC) has set up four departmental stores, the first of which will be located in Kandhivilli (a suburb of Mumbai), at an investment of Rs.50-60 million. KKC is the manufacturer of Killer and Integriti labels and the new stores will house its own as well as another brands.

**Growth of Organized Vegetable Retailing in India**

For ages, Indians have been buying groceries from small unorganized kirana (grocery) stores. In fact, these stores have dominated the Indian retail market for centuries. These traditional kirana stores often operated in small dark areas with cereals, pulses and other edible items lying open in the good company of rodents. Today’s scenario is changed; even the owners of small stores are conscious of how their shops look. They have introduced bright colors in their sign boards; the lighting is now improved and products are properly stocked in shelves. Further, in the past few years, there has been a sudden emergence of organized retailing in various product categories. Several retail chains have established a large number of outlets in many of India’s major cities – focusing on groceries and other goods of daily needs. In more recent times, they have also extended in a big way into the marketing of perishables such as vegetables and fruits.

The Indian retail market, which is one of the largest ones in the world, is growing at a steady pace of 11% to 12% per annum. According to a joint CII – McKinsey report, the retail sector accounts for around ten per cent of the country’s GDP. According to a CRISIL report, the Indian retail markets is the most fragmented market in the world with just 3 per cent of the entire retailing business being carried out by the organized sector. Of the reminder 97 per cent marketing, much of the business is handled by local kirana (grocery) stores. In organized retail, the food and grocery segment is the
largest with 62 per cent share. Clothing, textiles and lifestyle products form the other important components. In years to come, organized retailing is expected to grow 25 to 30 per cent annually and also extend its reach to the smaller cities.

Until recently, Indian consumers have been more than happy to shop from local vegetable markets, street vendors or from push cart vendors who came to their doorstep. Currently, India is going through a major demographic revolution. With rapid increase in the number of nuclear families and with more women going out to work, shopping for groceries and perishables in the traditional way is no longer the most convenient option. Further, increase in disposable incomes (to a significant extent contributed by double incomes) and rise in the ownership of vehicles makes the younger generation seek more variety and excitement in shopping, even if it be at a slightly higher cost. All these factors have contributed to growth of organized retailing in India, including the entry of the organized sector into vegetable retailing.

Stores like Food World in Bangalore, Chennai and Hyderabad pioneered the concept of organized retail and also introduced vegetable and fruit sections in their stores. Although the space allocated for vegetable and fruits was quite less compared to groceries, the idea of buying clean and well displayed/hygienically packed fruits and vegetables was accepted very well by young consumers who had no time or inclination to go to the often congested and unsightly conventional markets. The organized sector stores have now evolved into acquiring vegetables and fruits straight from the farmers and they even book the future harvest.

As the man is progressing their minds are progressing in many spheres, and so is their expectations from these shopping expectations. There are many malls in India, to attract the wedding parties to come and have their requirements under one roof.

These days speciality malls creating niches which caters to specific needs – be it weddings, cars, home interiors or jewellery – and where focused buyers are offered all possible options at one destination. It is estimated that by 2010, about 15 per cent of the upcoming malls will be thematic. Besides creating niche markets, specialty malls also create synergies. In a jewellery mall, for example, the security will be centralized rather than each shop making separate arrangements. While other specialty malls in India, are trying to blend the leisure to the shopping, by creating
resorts around the shopping malls to attract the people who live in overcrowded place or in rural areas to provide a relaxed shopping experience.

At this point one might wonder why would a customer specially drive into a mall at all, fight for parking, wait minutes in queues for the elevator and then enter a store and pay a similar price for a similar product that she could have bought from any high street store near her place of residence.

The assortment, the host of services offered, the length and depth of offerings - within the offered categories, the limitless options with a proper product mix under one roof by these malls makes the customers with not only deep pockets but also average consumer to make feel to come again and again or the competitive prices that make customer merry is to be reckoned.

SPECIALTY MALLS

More needs are to be kept in mind than just the location and convenience. There are many specialty shopping destinations catering to interior and exterior solutions to homeowners and builders but mainly target architects and interior designers.

Specialty malls are a difficult concept to sell, no one thought people would drive across the city to see products. Though critics feel that the Indian market is not mature enough, yet for specialty malls, a few consumers are positively excited at the avenues for growth.

Today, retailing does not involve just dealing or marketing from shops, it includes analyzing the market in an effort to provide reasonable prices together with an array of options and experience to customers. The sole purpose of all this is retaining the brand loyalty of customers.

Global Retailers

The worldwide retail sales estimated at $8 trillion, the 20 largest retailers represent a 12 percent share of the world market. Combined, the 200 largest retailers capture 29 percent of worldwide sales. Wal-Mart remains the undisputed leader in the retail world, with sales almost three times as large as those of Carrefour, the second-largest
retailer. Home Depot also has made significant sales gains over the last several years. Its fourth-place ranking in 2004 was up from 24th in 1996. Food retailing continues to dominate among the largest global retailers. Eight of the ten largest retailers sell food, and slightly over 50 percent of the 200 largest retailers have supermarket, warehouse, hypermarket, or cash-and-carry formats. The dominance of food retailing would be even more pronounced if U.S. drug store chains, which place more emphasis on convenience food, were included as food retailers. Of the top 2004 global retailers, 42.5 percent are headquartered in the United States, 39 percent in Europe, and 13 percent in Japan. Large retailers headquartered in the United States tend to concentrate on the United States and operate fewer formats than their global counterparts.\(^\text{36}\)

Table: 1.7: World wide retail sales of 20 largest retailers

<table>
<thead>
<tr>
<th>Rank</th>
<th>Retailers</th>
<th>Headquarters</th>
<th>2008 retail sales ($ Mn.)</th>
<th># of formats</th>
<th># of countries</th>
<th>Five year CAGR%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Wal-mart U.S.</td>
<td>229,617</td>
<td>5</td>
<td>11</td>
<td>14.2%</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Carrefour France</td>
<td>85,011</td>
<td>6</td>
<td>31</td>
<td>18.7%</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Home depot U.S.</td>
<td>58,247</td>
<td>2</td>
<td>4</td>
<td>19.2%</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Kroger U.S.</td>
<td>51,760</td>
<td>5</td>
<td>1</td>
<td>14.3%</td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Metro Germany</td>
<td>48,349</td>
<td>6</td>
<td>26</td>
<td>12.4%</td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Target U.S.</td>
<td>42,722</td>
<td>3</td>
<td>1</td>
<td>9.0%</td>
<td></td>
</tr>
<tr>
<td>7.</td>
<td>Ahold Netherlands</td>
<td>40,755</td>
<td>7</td>
<td>17</td>
<td>12.5%</td>
<td></td>
</tr>
<tr>
<td>8.</td>
<td>Tesco U.K.</td>
<td>40,071</td>
<td>5</td>
<td>10</td>
<td>9.7%</td>
<td></td>
</tr>
<tr>
<td>9.</td>
<td>Costco U.S.</td>
<td>37,993</td>
<td>1</td>
<td>8</td>
<td>9.8%</td>
<td></td>
</tr>
<tr>
<td>10.</td>
<td>Sears U.S.</td>
<td>35,698</td>
<td>1</td>
<td>3</td>
<td>-2.9%</td>
<td></td>
</tr>
<tr>
<td>11.</td>
<td>Albertsons U.S.</td>
<td>35,626</td>
<td>3</td>
<td>1</td>
<td>19.4%</td>
<td></td>
</tr>
<tr>
<td>12.</td>
<td>Aldi Einkauf Germany</td>
<td>33,837</td>
<td>2</td>
<td>12</td>
<td>15.2%</td>
<td></td>
</tr>
<tr>
<td>13.</td>
<td>Safeway U.S.</td>
<td>32,398</td>
<td>1</td>
<td>3</td>
<td>7.6%</td>
<td></td>
</tr>
<tr>
<td>14.</td>
<td>JCPenney U.S.</td>
<td>32,347</td>
<td>2</td>
<td>3</td>
<td>1.8%</td>
<td></td>
</tr>
<tr>
<td>15.</td>
<td>Intermarche France</td>
<td>31,688</td>
<td>8</td>
<td>7</td>
<td>9.2%</td>
<td></td>
</tr>
<tr>
<td>16.</td>
<td>Rewe Germany</td>
<td>31,404</td>
<td>7</td>
<td>12</td>
<td>7.4%</td>
<td></td>
</tr>
</tbody>
</table>

\(^{36}\) Article on Global Retail Development Index published in website of AT Kearney

www.atkearney.com
Table 1.8: Top 500 retailers in the world by country

<table>
<thead>
<tr>
<th>Name of the Country</th>
<th>Number of retail companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>116</td>
</tr>
<tr>
<td>China</td>
<td>81</td>
</tr>
<tr>
<td>Australia</td>
<td>70</td>
</tr>
<tr>
<td>South Korea</td>
<td>38</td>
</tr>
<tr>
<td>Taiwan</td>
<td>32</td>
</tr>
<tr>
<td>New Zealand</td>
<td>30</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>25</td>
</tr>
<tr>
<td>Thailand</td>
<td>24</td>
</tr>
<tr>
<td>Singapore</td>
<td>20</td>
</tr>
<tr>
<td>India</td>
<td>17</td>
</tr>
<tr>
<td>Indonesia</td>
<td>16</td>
</tr>
<tr>
<td>Malaysia</td>
<td>15</td>
</tr>
<tr>
<td>Philippines</td>
<td>12</td>
</tr>
<tr>
<td>Vietnam</td>
<td>4</td>
</tr>
</tbody>
</table>

Source: "The Great Indian Retail Story", Ernst & Young, 2006, www.ey.com

It can be understood from the above table 1.8 in 2006, there are only 17 retailers exist in the India, while countries that are comparable to Indian market like Taiwan, South Korea, Thailand, Singapore, Indonesia have more number of players than in Indian market.

The activities of the retail in various countries are also judged based on the entry and exit numbers of global retailers who can significantly influence the market texture.
As per the statistics released on these lines by AT Kaemey, the retailing turnover is found more in Asia, when compared other growing markets like Eastern Europe, Africa and Mediterranean markets.

As the years are progressing, with the growth in the countries, the year wise growth trend of Global retailer’s entry and exit is also found on the rise. One of the important milestones in the annals of global retail activity is formation and influence of WTO on the economies.

Some countries like China one of the big markets have opened its economy to global retailers in the year 2004. This phenomenon is observed more after 2001, may be due to the commitment by its member countries to WTO, to open their markets and allow competition to spur the local activities. But in case of India, still it is guarded as there is no unanimity of opinion in the policy makers to open its doors to welcome the global retailers.

**US Retailing**

The saga of retailing in USA has following facts to say.

- **1940’s:** Primarily centered around the cities ‘High Street’ or ‘Down Town’ areas
- **After World War II:** Migration away from city centre towards suburbs
- **1950’s:** Emergence of Enclosed shopping malls providing end to end shopping to entertainment experience including theaters, food courts
- and shopping outlets (India is at this stage now)
- **The last major development is Discount stores and large stores situated away from city centre or suburbs with a space of over 100,000 Square Feet**

**The Chinese Retailing**

China has a great retail story to unfold, interestingly the world’s largest retail mall is now located in this country displacing U S A which is once considered as Mecca for

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37 website of National Retail Federation, U.S.A.
organized retailing. China first allowed foreign direct investment in 1992, limited then to six provinces. By 2000, China had virtually liberalized its retail market. Now, half of the top 70 global retailers are in China.

The factors that lead to growth of organized retailing in China are:

- Modern format stores like Hypermarkets and Convenience Stores proved to highly successful.

The main attributes for the success are:

- High Level of urbanization
- They predominantly stock food
- The stores also offer fresh produce alongside groceries to cater to local consumer tastes
- As per AC Nielson Survey, 46 per cent of respondents stated that Hypermarkets formed their significant part of their grocery expenditure
- 66 per cent stated that they often visit Hypermarkets and convenience Stores

The Brazilian Retailing

- Brazilian retail market is a matured market
- Almost 75 per cent of the retail sales are done through top 500 stores in Brazil
- Carrefour the earliest retail giant entered Brazil in 1974 had 12.7 per cent market share
- Wal-Mart entered Brazil in 1994 with plans to start 80 stores in two years but started initially with 5 hypermarkets in suburbs stocking 80000 SKU’s
- Traditionally Brazilians buy groceries in bulk to make use of discount pricing
- In 2002 energy crisis, forced Brazilians to switch their freezers for longer periods
- This made Wal-Mart to reinvent strategies called ‘Todo Dia’ to start 6 types of smaller formats with 12000 SKUs product-centric stores become successful.

38 Excerpts from a case study on the Chinese retail market conducted by KPMG in Hong Kong, China publication “Retail Outlook for China 2005” (published in www.kpmg.com)
The Mediterranean Retail markets

After a period of slow growth, economic activity in the Mediterranean region has continued to pick up over the past three years, while individual markets in the region continue to offer a wide range of potential.

Turkey fell one spot, to number 10 in the Index, but remains attractive due to its relatively high GDP per capita (twice that of Morocco and four times that of Egypt), large population (69 million) and relatively fragmented retail market. The top five retailers account for 20 percent of the market. Annual retail sales grew by 12 percent in 2005. Also, the country’s increasing urbanization and prime location to supply other Eastern European markets make its long-term potential attractive.

Egypt climbed four spots to number 20, mostly the result of its high annual retail sales—20 percent in 2005—and strong GDP performance at nearly five percent. Despite this jump, regional crises are affecting retailers. Carrefour and Shoprite have been successful in Egypt by aligning with franchises and local partners, significant opportunities remain: The combined market share of Metro, Carrefour and Shoprite is only about 2 percent.

In Middle East region, Tunisia is a relatively small and stood at 11th spot, but it is considered as one of the growing markets. International companies have captured only about 3 percent of the country’s retail market and are continuing to expand there through joint ventures.

Morocco dropped five spots in the Index to number 28 as a result of slower retail growth (just 3 percent from 2004 to 2005) and increasing retail saturation.

Three successful international retailers—Metro, Auchan and Casino—have captured about 17 percent of the retail market. Although there is still room to enter, success depends on building strategic partnerships, which is what Auchan has done.  

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39 Technopak’s “Retail Outlook – October 2007”
Eastern Europe Retail Markets

As a region, Eastern Europe falls behind Asia in the 2006 GRDI top 30. All countries—except Macedonia, which went up one spot—either kept or lost their place compared to last year. This does not mean the region is losing its allure; rather, it indicates that the “boom” following the end of the Cold War is starting to fade.

Lebanon’s top five retailers hold 10 percent of the market, with Casino in the lead. The market is about ready to waive two companies, such as consumer electronics stores and do-it-yourself retailers. Syria, which has 19 million people, GDP growth of 3.5 percent and retail sales of $8 billion, could also be attractive to retailers that prefer low-risk models.

The Middle East Retail Markets

Of late, the Middle East’s modern retail sector grew substantially, compared to that of Central and Eastern Europe. However, this is far above than other Asian markets, Latin America or even Western Europe and the United States. The Middle East also has one of the highest growth rates in consumer spending and a low level of retail concentration.

European retailers are entering the region quickly, particularly in United Arab Emirates, Kuwait and Saudi Arabia. The most common entrants are non-food retailers that use low-risk models, such as franchises, to gain a foothold.

- The biggest challenges to these new entrants into these markets is a cultural shock they need to quickly adopt. For this reason the retailers—both old and new—are gaining an edge by adapting their merchandise to local tastes.
- Two markets in particular stand out:
- United Arab Emirates, which entered the Index this year at number 16, has an annual GDP growth rate of nearly 7 percent and an annual retail growth rate of 11 percent in 2005. Carrefour is the top retailer in the market followed by Consumer Co-op UAE and Casino. The market is also home to some of the world’s largest malls, with retail sales space growing by 110 percent in 2005.
• More than five retailers entered UAE in the past year, including AS Watson, Panda and Marks & Spencer, along with U.S. retailers Borders and Liz Claiborne. IKEA is also planning to open its largest store in the country this year. These companies joined existing retailers such as Saks Fifth Avenue, J C Penney and Tiffany.

• Saudi Arabia's entry into the World Trade Organization last year prompted more relaxed investment rules, including allowing foreign retailers to control up to 51 percent of local companies. This helped push the country to number 17 on the Index. Saudi Arabia's healthy economic growth (6 percent in 2005) and low concentration of modern retailers (the top five hold just 11 percent) support the country's attractiveness. For non-food retailing, shopping center growth is around 100 percent as several malls opened in Riyadh and other major cities. Carrefour plans to open 18 new stores through its local alliance partner and is adopting new strategies, such as game centers and new floor layouts to enhance the shopping experience. Casino also plans to enter the market through its Geant store format.

Global Retail Development Index (GRDI)40

At Kearney has developed this GRDI index for the first time in 2001. On a careful study of AT Kearney's Global Retail Development Index opportunity analysis for the years 1995 to 2006, India's organized retailing is still in its opening stage and lot of story to unfold and many surprising developments are predicted and much more competitive activities are to take place in the coming years.

As per the study of AT Kaerney on global retailing, a window of opportunity in any new market lasts about 5 to 10 years before a market enters the closing phase and reaches saturation levels close to developed markets. India, is in the opening stage in 1995, entered the peaking stage in 2003 and reached the number 1 rank in 2005. According to AT Kearney study the expectations about Indian retail markets is that, it will remain in the peaking stage for two to three years and then begin to move into the declining stage. While the 2 formats such as discount stores could succeed in later stages.

40 Technopak's "Retail Outlook – October 2007"
In order that countries to be rated, World Bank publishes data from time to time on all important countries on selected parameters. This data is very useful to not only assess the country, but also to understand the challenges one has to face in these countries. Utilizing the published data of World Bank, one of the leading consultancy companies in the world and leading data provider to the global retailers, namely AT Kearney publishes data on Global Retailing Competitive countries on some important parameters which are vital to reckon the competitiveness of the countries. Some of the indicators used to measure the Global retail Development Index (GRDI), are broadly categorized into four parameters viz., Country Risk, Market attractiveness, Market saturation, and Time pressure. The 30 country index is divided into three segments in terms of overall scores. The first ten countries are rated to be on radars of the global retailers in the years to come, the second lot of ten countries, to consider for possible investments in the near future. And the third lot of ten countries is advised as low priority countries. The first choice or any investor is to select a market which offers low risk and gives better returns. Any country that offers low risks is considered to be the favourite destination for investments. In this analysis of AT Kearney, the countries are considered absolutely low risk are having a lowest score of 0 and if the score is 100 the country is considered to be involving high risk. A country’s economic attractiveness is measured in terms of market attractiveness, the score of 0 is considered low and 100 is considered as high attractive market. The attractiveness could be either the size, rate of return, year on year growth rate, how safer are these destinations in protecting the investors interests. This is a vital parameter that any global retailer would keenly look at in a country before he ventures in. Country markets are also analyzed to assess the position of utilization of opportunities available in those markets, this otherwise is also called as ‘market exploitation or saturation of markets’. For this purpose countries having a score of zero are fully exploited or saturated, on the contrary if the country shows a score of 100 shows the market opportunities are untapped and unexploited. The latent the markets the better for entry. If a market offers sizeable chunk of unexploited potential and no big players to compete with the competence levels is an ideal situation to consider and invest. AT Kearney has also assessed the countries in terms of urgency and time not yet ripe and there is no time pressure to exploit such opportunities. The score of 0 shows that is time is ripe and the investors need to hurry up their investments, on the contrary if the score is 100, the investors have sufficient time to
make investments into those markets. A composite score is arrived after taking into consideration all the above parameters which is considered as GRDI (Global Retail Development Index).

Table : 1.9: Global Retail Development Index - 2009

<table>
<thead>
<tr>
<th>2009 Rank</th>
<th>Country</th>
<th>Region</th>
<th>Country Risk (25%)</th>
<th>Market Attractiveness (25%)</th>
<th>Market Saturation (25%)</th>
<th>Time Pressure (25%)</th>
<th>GRDI score</th>
<th>Change in rank compared to 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>India</td>
<td>Asia</td>
<td>54</td>
<td>34</td>
<td>86</td>
<td>97</td>
<td>68</td>
<td>+1</td>
</tr>
<tr>
<td>2</td>
<td>Russia</td>
<td>Eastern Europe</td>
<td>3</td>
<td>58</td>
<td>51</td>
<td>100</td>
<td>60</td>
<td>+1</td>
</tr>
<tr>
<td>3</td>
<td>China</td>
<td>Asia</td>
<td>162</td>
<td>42</td>
<td>47</td>
<td>74</td>
<td>56</td>
<td>+1</td>
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<tr>
<td>4</td>
<td>United Arab Emirates</td>
<td>MENA</td>
<td>89</td>
<td>66</td>
<td>50</td>
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<tr>
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<td>Asia</td>
<td>34</td>
<td>16</td>
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<td>97</td>
<td>55</td>
<td>-5</td>
</tr>
<tr>
<td>7</td>
<td>Brazil</td>
<td>Latin America</td>
<td>77</td>
<td>58</td>
<td>51</td>
<td>33</td>
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<td>60</td>
<td>68</td>
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<td>Asia</td>
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<tr>
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<td>Algeria</td>
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<td>11</td>
<td>Mexico</td>
<td>Latin America</td>
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<td>Latvia</td>
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**Key**: On the radar screen, Lower Priority, To consider

**Legend**:  
0 = high risk, 100 = low risk  
0 = low attractiveness, 100 = high attractiveness  
0 = saturated, 100 = not saturated  
0 = no time pressure, 100 = urgency to enter

**Source**: Euro money: Population Reference Bureau; International Monetary Fund; World Bank; World Economic Forum, Economist intelligence Unit; Planet Retail; A.T.Kearney analysis.

India's tops the table of GRDI index, scoring on all the fronts, but for market attractiveness parameter which is rated to be moderate. Country Risk: 54 (0 low risk and 100 high risk) In terms of risk, there are countries like UAE, Taiwan, Chile, Malaysia, and most of the CIS countries offer lower risk, but in other respects, they stand at a disadvantageous position compared to India. Market attractiveness: 34 (0 – low attractive; 100 – high attractive). Compared to Indian market, many countries which stand ahead are UAE, China with a score of 56, Russia, and Turkey stand with a score of 60.
**Market saturation**

On the parameters of market saturation, India has a score of 89 (refers to 0 fully saturated; 100 – latent and unsaturated) On this front, Kazakhstan and Vietnam are clearly ahead of India with a score of 99 and 87.

**Time pressure**

On the parameters of market pressure, India has a score of 76 (0 refers to there is no urgency and 100 shows time is very much right and any delay would leading to loss of opportunities) In terms of time pressure, again the CIS countries - Russia and Croatia distinctly ahead of India, and China is also ahead of India with a score of 86.

**GRDI Score**

On the whole, India has a comprehensive score of 100 (0 refers to low ranking in terms of the market standing and 100 shows high in its ranking). India is on the top of the AT Kaerney’s retail analysis.

An inference of above data, indicates that risks associated with Indian markets are moderate and the market attractiveness is not high, but it is marginally better, and the markets still remain unsaturated to a larger extent, and time is ripe to make the investments is almost urgent. The overall ranking when compared to all other markets, India stands at a score of 100, which stands ahead many fast developing countries like China, Russia, Vietnam and a majority of Eastern European countries. India is more attractive than ever to global retailers. India's economic growth, forecasted at 8 percent GDP in 2006, continues to support the retail industry. The estimated $350 billion retail market is expected to grow 13 percent and the top five retailers account for less than 2 percent of the modern retail market. And with one billion people, it is the second largest population in the world and in the total population the segment of middle aged population is high which not the case in many countries is. This is an important attraction for these retailers. There are also fundamental changes underway in India. In early 2006, the government announced that it would allow foreign companies to own up to 51 percent of a single-brand retail company.
The impact of global retailing on Indian retailing

Due to the boom in the retail industry, India is fast emerging as a dynamic market for various products and services. Since the past few years, India has been a witness to global retailers setting up outlets in various markets across the country. Some of international retailers using various retail formats to operate in Indian markets are given below.

- **Egana India** a joint venture between the US based Egana Goldfield and Rose Group, the Mumbai based jeweler manufacturer plans to open its flagship lifestyle store *Watches and More*, across 25 centers in the country soon next year. Watches and More offers watches, jeweler and eyewear of brands such as *Esprit, Pierre Cardin and Carreira*. The store would also offer a wide range of jeweler and designer gold, silver and other gems from brands such as *Esprit, jewels, Gilli, Adora* and DTC brands such as *Asmi and Sangini* costing between Rs.20,000 and Rs.30,000.

- **Swarovski** is an Austria-based crystal major, which set up its first shop in India in early 2000 and today has 31 shops selling a range of exquisite crystals, jewelleries and accessories. It is a Euro 1.8 billion (as in 2003) company with global sales points though it still has only one factory at Wattens. Swarovski follows an almost similar pricing across the world and follows a unique way of selling its products.

  The company has a collector's society – 'Swarovski Crystal Society' – to bring together crystal lovers. Across the world, the number of members of the society is around 5,00,000, who will get exclusive pieces that are not available for others. In India itself there are over 2,000 members in this society.

- **US based Walt Disney Company** has entered into a tie-up with *Sierra Industrial Enterprises* to manufacture and market Disney shoes in India. The footwear collection with pictures of Disney characters such as Mickey Mouse, Minnie, Pluto Dog, Goofy, Winnie the Pooh and Disney Princess includes boots, sandals, slippers and sports shoes for children up to 10 years and is priced between Rs.150 and Rs.850. The collection will be available in malls and prominent chain stores such as *Lifestyle, Loft, Shoppers' Stop, Pantaloons and Central*.
US based *McDonalds*, in India is a 50:50 joint venture partnership between McDonald's, US and two Indian companies. These are *Hardcastle Restaurants* in the Western region, and *Connaught Plaza Restaurants* which looks into the Northern region operations in India. Thus, through franchising, this well-known service organization is building up a network to reach out to its customers.

**FDI in retail:**

The growth of FDI in the retail sector will be beneficial to the Indian economy in the long run. Retail sector liberalization leads to easier availability of quality products in the country. The entry of foreign investment in retail sector indicates that the economic reforms are on the right path and like China, there are a large number of foreign retail giants in India. The total size of the retail Indian market is Rs.5,88,000 crores, out of which Rs.5,83,000 constitute the unorganized market and Rs.5,000 crores constitute the organized market. After agricultural sector, retail sector is the largest employer in India. India's vast middle class and untapped retail industry are the most important factors which attract Foreign Direct Investment (FDI). Opening up of the retail sector to FDI will lead new economic benefits and will create more employment opportunities. Modern retail will be a win-win strategy for the consumer, the domestic trader and the multinational giants.

The policy makers of India and the pressure groups have wider perceptual differences in opening the sector. They are confident of attracting huge investments and greater inflow of funds is expected once this sector is made open to foreign direct investment. The major apprehensions these people have, is that repatriation of fruits of the Indian economy will be siphoned away by the MNCs and in the process, it will eventually lead to dampening the progress of Indian industry and already seven per cent of the Indian population is eking their livelihood, who will be displaced. If the Foreign Direct Investment is allowed in this sector, the inflow of funds would definitely change the India's retail land space. However, the Indian government seems to be on a gradual, but definite, path toward allowing foreign retailers into the country. And when it takes the final steps, the peak time to enter will quickly pass—giving retailers that enter now a distinct edge. The first step in this direction by Indian Government is by opening up the retail sector to foreign direct investment by allowing a maximum of 51 per cent in single brand retail stores. Global giants such as Wal-Mart and Tesco...
are eagerly waiting in the wings to enter the Indian retail market and this will take the organized sector to higher levels in customer service. However, some Indian retailers are demanding a level playing field and are uncomfortable with the haste with which FDI in retail is being planned. This means that they will prefer allowing local retailers to scale up and attaining critical mass before allowing foreign retailers.

*The various arguments given in support for FDI in retail are:*

1. FDI helps to improve competition in the retail sector
2. Offers quality products at reasonable prices
3. Develop the market potential
4. Increase market share
5. Greater exports as the global players will start sourcing products from Indian companies
6. Employment opportunities, with possibly higher wages
7. Lower prices for consumers, multiple choices and higher spending by consumers
8. Development of Tourism
9. Helps the development of agriculture and processed food sectors in India
10. Helps to increase tax collection
11. Provides global markets for Indian producers
12. Investment in technology developments
13. Cold storage chains solve the perennial problem of wastage
14. Greater investment in the food processing sector technology
15. Better operations in production cycle and distribution channels
16. Better lifestyle helps to increase the standard of living
17. Greater level of wages paid by the international players lead to increased national income
18. More variety of products and easier availability of more products
19. Newer product categories lead to development of more products
20. Larger economies of scale to help lower consumer price
21. Increased purchasing power parity of the consumers
22. Manpower and skill development helps to introduce more skilled labors
23. Retail training increase the inflow of talented managers from other countries
24. A strong retailing sector boosts tourism as seen from the experience of Singapore and Dubai
25. Investment in whole supply chain
26. Improved product basket from India for exports
27. Long-term benefits to the country
28. Upgradation of agriculture leads to more profitability
29. Development of efficient small, medium and large size industries.

Allowing FDI into this sector, is a contentious issue, when the topic came for debate in Indian parliament, different parties have taken different views. The policy makers of India have asked for an independent survey and give a report about the pros and cons of allowing FDI into this sector.

The developed markets have taken a transition without any governmental or policy makers intervention. But when it came to developing and under developed countries, the generally accepted norms for allowing FDI are:

**FDI is to be allowed in three stages**

1. Initial states: 26 per cent FDI
2. Establishment Phase: 49 per cent FDI
3. Mature Phase: 100 per cent FDI

**FDI Policy:**

1. No incentives needed to attract FDI
2. Market size and potential are sufficient inducers

No need for costly tax breaks, import duty exemptions, land and power subsidies, and other enticements.

**Benefit’s of FDI from the Consumers point of view**

The following are the benefits of FDI:

- It helps to provide the right set of products to the right set of customers.
- FDI enhances consumption level, consumers' interests, and socio-economic welfare of the trading nations.
• FDI adds to the domestic resources for investment in the retail sector. They help to equalize the cost of capital among nations through FDI, the company can produce in accordance to the local environment and changing preferences of the customers.

**Impact of Real Estate on Retailing**

Mumbai, Delhi, Chennai, Kolkata, Bangalore and Kanpur are the main cites and metropolis which show prospects in retail business. International franchising in retailing will emerge as a popular mode of retailing as there will be growing availability of brands of both foreign and domestic companies acquiring strong brand equity for their products in near future. The retail boom in India is likely to have an important effect on the commercial real estate sector because the large metropolis and cities will have sizable retail construction projects underway. Rent Control Act, Urban Land Ceiling Act and Land Acquisition Act until amended, will continue to pull property markets, which would ultimately lead to high property prices.

At the present rate of growth of organized retail, this will not take too much time. The Wal-Mart has tied up Bharati group of India about two years back. Tesco is planning to enter the market through a partnership with Home Care Retail Mart Pvt Ltd and expects to open 50 stores by 2010. The Tata's are trying to knot an alliance with Woolworth of Australia. India cannot remain aloof, leaving aside the effects of globalization to fall on its domain. Still, controversy about how globalization will affect local retailers continues, and local conglomerates are moving quickly to ensure they don't lose out to international players. Reliance, a leading Indian conglomerate, announced that it will invest $3.4 billion to become the country's largest modern retailer by establishing a chain of 1,575 stores. If India can achieve 7.3 percent annual growth a reasonable assumption if economic reforms continue – consume spending will quadruple, from 17 trillion Indian rupees ($372 billion) in 2005 to 70 trillion rupees in 2025. The dramatic growth in India's middle class, from 50 million to 583 million people, will power this surge. Spending patterns will shift dramatically as expenditure grow rapidly on discretionary items ranging from personal products to consumer electronics. Incumbents will have to fight to retain their market dominance, while attackers could find lucrative ways to exploit the evolving tastes of India's new middle class. India is set to undergo a major transformation over the next two decades.
with sustained growth resulting in dramatic poverty reduction and formation of a half billion strong middle class. This unique period in India’s evolution will see total consumption in the country quadrupling, making India the fifth largest consumer market in the world by 2025.

Multiple Products and Services under One Roof

The best part about these retail stores is that they provide almost all products like groceries, perishables, fast moving consumer goods (FMCG), various household products and at times even clothing, textiles and now even insurance products under one roof, which makes it extremely convenient for the customer to shop for all items under one roof.

While the early entrants like Food World, paved the way, subsequent entrants like Subhiksha and Reliance Fresh have taken aggressively into marketing vegetables and fruits and opened up hundreds of stores across the country. Several others are also either planning to get into this segment or to increase their presence in this segment. Such competitors include the Aditya Birla Group (with its More and Trinetra chains), Heritage Foods and Bharti-Wal Mart.
Wal-Mart: The Wal-Mart Stores, Inc. is an American public corporation that runs a chain of large, discount department stores. According to the 2007 Fortune Global 500 reports, it is the world's largest public corporation in terms of revenue. Sam Walton founded the company in 1962, incorporated on October 31, 1969 and listed on the New York Stock Exchange in 1972. Wal-Mart is the largest grocery retailer in the US, with an estimated 20 per cent share of the retail grocery and consumables business, as well as the largest toy seller in the US, with an estimated 22 per cent share of the toy market. The company's operation primarily comprises three retailing subsidiaries: Wal-Mart Stores Division US, Sam's Club and Wal-Mart international. It does business in nine different retail formats: super centres, food and drugs, general merchandise stores, bodegas (small markets), cash and carry stores, membership warehouse clubs, apparel stores, soft discount stores and restaurants. In 2006, Wal-Mart was the 67th most profitable corporation (profits divided by total revenue), behind retailers such as Home Depot, Dell, and Target, and ahead of Costco and Kroger. For the fiscal year ended January 31, 2006, Wal-Mart reported a net income of $12.178 billion (approximately Rs.51.12 billion) on $344.992 billion (approximately Rs.13,796.80 billion) of sales revenue (3.5 per cent profit margin). For the same fiscal year, Wal-Mart's international operations accounted for about 20.1 per cent of total sales. As of December 6, 2007, net sales for the 43-week period ended November 30, 2007 was $301.5 billion (approximately Rs.1,260 billion) up 8.6 per cent from the previous year's results. Revenues are up 11 per cent over last year, but profits grew less than one per cent, amid a slowdown in same-store sales.

Wal-Mart India plans:

India's Bharti Group has announced a deal with US retail giant Wal-Mart to launch the first mega-retail store joint venture in the country. The Bharti-Wal-Mart venture would make an initial investment of $100 million (approximately Rs.4 (approximately Rs.58.4 billion). In May 2009, ultimately Wal Mart has opened its first store on cash and carry format at Chandigarh

Carrefour SA

Carrefour SA is a French international hypermarket chain with a global network of outlets. After Wal-Mart, it is the second largest retail group in the world in terms of
Carrefour operates mainly in the European Union, Brazil, Argentina and Colombia; but it also has shops in North Africa and Asia. In French, Carrefour means crossroad. The first Carrefour store was opened on June 3, 1957 in suburban Annecy near a crossroad. Today, it is the smallest Carrefour location in the world. The group was created by Marcel Fournier and Denis Defforey and grew into a chain from this first sales outlet. In 1999, it got merged with Promodes, known as Continent, one of its major competitors on the French market. In the Americas, Carrefour has presence in four countries: Brazil, Argentina, Colombia and the Dominican Republic. Active in three types of retail distribution viz, hypermarkets, supermarkets and hard discounters, Carrefour is entering the cash and carry market in Brazil, after the purchase of Atacadao. In 1989, the company became the first international retailer to establish a presence in Asia when it entered Taiwan through a joint venture with Uni President Enterprises Corporation. It leveraged the experience it gathered in Taiwan to expand into other Asian markets. Carrefour also operates in the UAE and Jordan with a joint venture with Majid al Futtaim. In March 2007, Carrefour opened a store in Kuwait in the Avenues mall.

India plans

Carrefour has floated two separate units in India. Carrefour WC & C India Pvt. Ltd. Will roll out fully-owned wholesale stores and Carrefour India Master Franchise Co. Pvt. Ltd. Will enlist an Indian company to open the French firm’s branded stores in the country.

Tesco

Tesco PLC is a British-based international grocery and general merchandising retail chain. It is the largest British retailer in terms of both global sales and domestic market share, and is the world’s third-largest retailer, just behind Wal-Mart and Carrefour. Tesco now controls over 30 per cent of the grocery market in the UK, approximating the combined market share of its closest rivals. Asda and Sainsbury’s. In 2007, the supermarket chain announced over £2.55 billion (approximately Rs.196 billion) in profits.
Originally specializing in food, it has diversified into areas such as discount clothes, consumer electronics, consumer financial services, selling and renting DVDs, compact discs and music downloads, Internet service, consumer telecoms, consumer health insurance, consumer dental plans and budget software.

The first Tesco store was opened in 1929 in Burnt Oak, Edgware, Middlesex. The first self-service store was opened in St Albans in 1947 (still operational in 2007 as a Metro) and the first supermarket in Maldon in 1956. The Tesco brand first appeared in 1924 and the founder is Jack Cohen. Tesco’s UK stores are divided into five formats, differentiated by size and the range of products sold: Tesco Extra, Tesco superstores, Tesco Metro stores, Tesco Express stores and One Stop. Britain’s biggest retailer, the supermarket group Tesco, has announced record annual profits of more than $ 3.5 billion (approximately Rs.140 billion). 13 per cent higher than the previous year’s. Tesco now operates in 13 nations, with over three thousand stores and employs nearly half a million people.

India plans

Whilst Tesco is still on the look out for a Indian partner to team up it's much anticipated foray. It is believed that the company is busy scouting for talent in the top B-schools in the country and also seeking for manpower with retail background. Well, the official line is ‘it is scouting for talent for its Tesco Hindustan Service Centre’ but the unofficial talk is ‘the latest round of manpower scouting is for its retail foray’. Tesco and Tata are in talks to create a joint venture in India.

Burger King

Burger King was founded in 1954 by James Mc Lamore and David Edgerton. Since then, it has been using franchise model to expand to just 11,200 stores in more than 65 countries around the globe. Burger King Holdings is the parent company of Burger King. In the US, it operates under the Burger King Brands title while, internationally, it operates under the Burger King Corporation banner. By the end of fiscal year 2006, Burger King had more than 11,220 outlets in 61 countries. The company has more than 37,000 employees who serve approximately 11.4 million customers daily.
Revenues in 2006-2007

Burger King Holdings Inc., parent to the No.2 burger chain, posted a 41-per cent surge in its fiscal 2007 second-quarter profit. For the quarter ended on December 31, Burger King earned $38 million (approximately Rs.1,520 million), or 28 cents per share, against $27 million (approximately Rs.1,080 million) or 24 cents per share, a year ago.

India Plans:

Burger King is in talks with DLF for setting up a joint venture (JV).

Starbucks

Starbucks was opened in Seattle, Washington, in 1971 by three partner’s viz. English teacher Jerry Baldwin, history teacher Zev Siegel and writer Gordon Bowker. Starbucks Corporation is a multinational coffee and coffeehouse chain company based in the United States. Starbucks is the largest coffeehouse company in the world, with 15,011 stores in 42 countries. International journey of Starbucks began in 1996 with the first coffee house in Tokyo and entered the UK market in 1998 with the acquisition of the then 60-outlet-UK based Seattle Coffee Company and re-branding of all its stores as Starbucks. By November 205, London had more outlets than Manhattan, a sign of Starbucks becoming in international brand. Starbucks serves a variety of beverages including brewed coffee, hot chocolate, espresso, teas, and Frappuccino. Also available are bottled beverages including Odwalla, Ethos water, San Pellegrino, Izze soda, and Horizon Organic Milk.

As of 2008, Starbucks was ranked by Fortune magazine as the 7th best company to work for in the United States, up from 16th in 2007. In 2006 and 2005, it was ranked 29th and 11th respectively. Revenues Starbucks earned $673 million (approximately Rs.26,920 million) in profit on $9.4 billion (approximately Rs.376 billion) in net revenues for 2007.

India plans: Starbucks entered India through a distribution tie-up with the country’s leading multiplex operator PVR Ltd. For its select products, PVR has started retailing Starbucks products at its select multiplexes in Mumbai and Delhi.
“It really touches to know a customer just by taking a surface look or a surface descriptor such as male/female or age or ethnic group. To understand your customers' needs today, you really have to understand their lifestyles, opinions and attitudes”

- David M Syzmanski,
  Director of the Center for Retailing Studies