ABSTRACT

An important aspect of the current economic scenario in India is the emergence of organized retail. There has been considerable growth in organized retailing business in recent years and it is poised for much faster growth in the future. Major industrial houses have entered this industry and have announced very ambitious future expansion plans. Transnational corporations are also seeking to come to India and set up retail chains in collaboration with big Indian companies.

Both existing and new players are experimenting with new retail formats. Various retail formats like supermarkets, hypermarkets are visible on the Indian retail landscape. Consumer perceptions of service and their buying behaviour in India are changing and the retailers need to take note of this and formulate their strategies and tactics to deliver value to the consumer. The purpose of the study is to evaluate the performance of organized retail formats in the state of Punjab.

The state of Punjab is characterized by a productive and increasingly commercial agriculture sector. It has a diversity of small and medium scale industries and highest per capita income in the country. Punjab has essentially an agrarian economy with small sized industrial units dominating the overall industrial scenario of Punjab. Some of the major industries in the state are cotton textile industry, sugar industry and dairy industry. Apart from these, real estate industry is also growing at a fast pace in the state.

As a result of globalization, the real estate industry in Punjab is turning towards prosperity. A huge number of Non Resident Indians are flocking to Punjab to take the benefit of low investments and high returns in this sector. Over a short span of time, several major real estate players like Ansals, Gulmohar, DLF, Parsvnath Developers and Omaxe construction have launched their mega real estate projects in Ludhiana and other major cities of Punjab.
Retail and real estate compliment each other. And if industry experts are to be believed for their hard facts, the prospects of both the sectors are mutually dependent. Growth of real estate together with other structural adjustments favouring the growth (e.g. economic deregulation and market liberalization) fueled by the globalization has created a new retail environment in Punjab in the past few years.

Indian retail is dominated by a large number of small retailers operating the local *kirana* shops & general stores, chemist shops, footwear shops, apparel shops, *paan and beedi* shops. These together with hand-cart hawkers and pavement vendors make up the so-called “Unorganized Retail” or “Traditional Retail”. The last 5-6 years have witnessed the entry of a number of organized retailers, opening stores in various modern formats in metros and other major commercial city centers. Still, the overall share of organized retailing in total retail business is low.

In January 2006, the government partially liberalized the policy in which foreign companies were allowed to own up-to 51 per cent in the single-brand retail JVs approved by the Foreign Investment Promotion Board (FIPB). Besides this, foreign companies were allowed to run wholesale cash-and-carry businesses and export trading with 100 per cent equity through the automatic route.

As a result of this liberalization, retailing in India has started receiving global attention and recognition. This emerging market is witnessing a significant change in its growth and investment patterns.

With domestic behemoths like Reliance, Aditya Birla, Tatas, Rahejas, RPG enterprises, Pantaloons and global players like Wal-Mart, Tesco, Metro AG and Carrefour SA ready to revolutionize the retailing sector, retail as an industry in India is coming alive.

The Indian retail sector is expected to grow from US$ 322 billion in 2006-07 to US$ 590 billion by 2011-12, (*Indian Council for Research on International Economic Relations, IICIER study, May 2008*) making it one of the fastest growing sectors in India.
new companies have entered the fray and more are expected to join in as they try and drive up the share of the organized sector to at least 22% by 2010.

Among the key movers is Reliance Industries, which intends to invest $5 billion for creating a chain of hypermarkets and back-end retail services. It has already rolled out 80 stores in different parts of the country and plans to open 1500 stores by 2009. Bharti Enterprises has signed a joint venture with US leader Wal-Mart and announced an investment of up to $2.5 billion by 2015 to build neighborhood stores, supermarkets and hypermarkets across India. Spencer’s Retail (RPG Group) is targeting a nation-wide network of 2000 stores by 2009, 16 times up from its present figure of 125. The size of its investment is about $2 billion. Tata is also building its own chain of shops and through collaboration with the Australian retailer Woolworth; it plans to source consumer electronics products for its new business, known as ‘Infiniti retail’
(Source: www. Indiaretailing.com).

Several factors responsible for the growth of organized retail in India can be summarized as:

- Rising incomes and improvements in infrastructure results in expansion of consumer markets and accelerating the convergence of consumer tastes
- Liberalization of the Indian economy
- Increase in spending per capita Income
- Advent of dual income families also helps in the growth of retail sector.
- Shift in consumer preferences towards foreign brands like McDonalds, Sony, Panasonic, etc.
- Consumer preference for shopping in new environment.
- The Internet revolution is making the domestic and foreign retail chains more visible to the Indian consumer. Additionally, the reach and growing influence of satellite T.V. channels is helping create awareness about global products for local markets.
- About 47% of India's population is under the age of 20; and this will increase to 55% by 2015. This young population, which is technology-savvy, watches more
than 50 TV satellite channels, and displays the highest propensity to spend, is expected to immensely contribute to the growth of the retail sector in the country.

- Availability of quality real estate and mall management practices
- The billion-plus population further attracts Foreign retailers
- Rising employment opportunities in retail sector in India is ensuring the government support. India's retail industry is the second largest sector, after agriculture that provides employment. According to Associated Chambers of Commerce and Industry of India (ASSOCHAM), the retail sector will create 50,000 jobs in next few years.
- Retail companies are starting retail management courses in partnership with management institutes, attracting talent from other sectors and developing comprehensive career growth and loyalty plans for existing ones.

In India, organized retailers are experimenting with a variety of formats ranging from discount stores to supermarkets to hypermarkets to specialty chains. The different forms of retailing formats emerging in India are:

**Supermarket:** *Supermarkets*, generally large in size and typical in layouts, offer not only household products but also food as an integral part of their services. The average size of supermarket is about 3,000 sq. ft. The family is their target customer and typical examples of this retailing format in India are Spencer’s from the RPG Group, Food Bazaar from Pantaloon Retail, Subhiksha, and Reliance Fresh from Reliance Retail Limited etc.

**Convenience stores:** A convenience store is a relatively small retail store located near a residential area (closer to the consumer), open long hours, seven days a week, and carrying a limited range of staples and groceries. The average size of a convenience store is around 800 sq.ft. Some Indian examples of convenience stores include: 6-ten, In & Out, Safal, Easy Day etc.
**Discount stores:** Discount store is a retail store offering a wide range of products, mostly branded, at discounted prices. The average size of such stores is 30,000-50,000 sq.ft. Typical examples of such stores in India are: Big Bazaar from Pantaloons retail and the factory outlets like Vishal mega mart, Amartex, Arvind group’s Megamart and Provogue’s Promant and The loot.

**Department stores:** Department stores generally have a large layout with a wide range of merchandise mix, usually in cohesive categories, such as fashion accessories, gifts and home furnishings, but skewed towards garments. These stores are focused towards a wider consumer audience catchments, with in-store services as a primary differentiator. The department stores usually have 10,000 - 60,000 sq. ft. of retail space. Various examples include: (i) Shoppers' Stop, controlled by the K. Raheja Group, a pioneering chain in the country's organized retail; (ii) Pantaloons, a family chain store, which is another major player in the segment; (iii) Westside, the department store chain from Tata Group's Trent Ltd; (iv) Ebony, a department store chain from another real estate developer, the DS Group; (v) Lifestyle, part of the Dubai-based retail chain, Landmark Group.

A **hypermarket** offers a wide array of low-priced products ranging over categories like groceries, processed food, fresh food, apparel and consumer durables. On an average, in India, it is spread over 50,000 sq. ft. There are more than 25,000 SKUs (Stock Keeping Units). In India, hypermarket concept is at the nascent stage. Retailers like Pantaloons and RPG have started hypermarket operations and they are having plans to expand aggressively to all the regions of India.

**Specialty retailers** are also coming up fast, offering niche products in alternative medicine, books, clothing, home furnishing, music, jewellery, alcohol and watches. Some of the major names currently using this format are the Tata's, the Jumbo group from Dubai, Marks & Spencer's Women Secret, Straps which was earlier Sensa, Luxury Parker, Bilt, Havells, Phillips and Bajaj Electronics. Other players present in the specialty retail segment are home Stores, Vivek's, Orra and Crossword.
Amongst the various retail formats, the present study will focus on the performance evaluation of three emerging formats i.e. discount stores, supermarkets and convenience stores in the state of Punjab.

Before 2000s, most consumers in the state of Punjab had no choice but to carry out all their purchases at mom & pop stores and wet markets. Today, in addition to shop at these traditional outlets, one can choose to shop at clean, fully stocked and air conditioned retail outlets, where he need not bargain.

The Organized retail sector in Punjab is largely centered in major cities like Ludhiana, Jalandhar, Amritsar, Patiala, Mohali and the capital city, Chandigarh. These cities have come a long way in terms of retail maturity with a proliferation of brands and organized retail chains. Shopping trends in these cities have witnessed a radical shift over the recent years; from the conventional trader-run stand alone shops to more organized and large retail formats like supermarkets.

According to retail report “Retailing in Punjab: 2010 & Beyond”, in 2005, there were just two operational malls in Punjab encompassing a total of 270,000 sq. ft area out of the gross leasable. By 2006, the retail space increased to 31.8 lakh square feet, a twelve fold increase in just by one year. Again by the end of 2008, there has been a four-fold increase to over 152-lakh sq ft of retail space. This clearly highlights the tremendous potential that Punjab possesses for the growth of organized retail.

Many leading corporate houses like Reliance, Spencer, Birla, Subhiksha, Piramals, Tatas, Rahejas, ITC, Godrej, S Kumar, RPG Enterprises, The Future Group (formerly PRIL) and fast-food retailer McDonald have already set up their retail projects in these cities. According to sources, Reliance Retail Limited (RRL) is planning to open Reliance Town Centres (RTCs) in around 18 towns in Punjab. Reliance town centers will cover an approximate area of 6 to 10 acres, and will incorporate all the 13 operational verticals of Reliance Retail along with multiplexes. The RTCs will be developed in towns including
Pathankot, Batala, Bhatinda, Amritsar, and Ferozepur. Also, the retail giant Bharti Retail has aggressive plans for Punjab region. Bharti-Wal-Mart Joint Venture Company is going to open an 80,000 square feet distribution center in Punjab, which will support around 200 to 300 stores across various verticals. (source: www.indiaretailing.com)

Various studies portray the factors, which makes the state of Punjab a better destination for retailers in comparison to other states. According to Images-CII study on “Retailing in Punjab: 2010 and Beyond”, the consumer spending in Punjab is higher than the national average. The state of Punjab topped all other states in India in terms of per capita income. The per capita income in Punjab during 2006 was Rs. 19,500 which is three-and-a-half times country’s average of Rs. 6,929. The consumption of Punjabi consumers is significantly higher than all-India average in almost every retailing category.

Another factor, which is responsible for the Punjab as the most favored retail destination, is the state’s excellent infrastructure. The social infrastructure of Punjab promotes new industries and supports existing ones. According to the Census (2001), Punjab has a literacy rate of 70 per cent. The state has been steadily building its human resources to enable its people to cope with the challenges of the 21st century. The Government has been encouraging private sector participation in the education sector, particularly in the area of technical and vocational education.

The road infrastructure of Punjab is most developed for the growth of retail industry in the state. The network of national and state highways aggregating 3,700 km provides convenient access to all parts of the state. All its main cities viz. Ludhiana, Amritsar, Ferozepur, Jalandhar are well connected by rail. These are further connected on the main line to New Delhi. With the completion of a number of on-going railway projects, the railway infrastructure in Punjab will get a further boost. Punjab has an international airport at Amritsar and domestic airports at Chandigarh and one more coming up at Mohali. The airport at Amritsar has an air cargo complex, while Ludhiana has an inland container depot. Container freight stations are also planned at Jalandhar, Ludhiana, Amritsar and Rajpura.
Power is pivotal to Punjab's industrial and agriculture sectors and the state has been working towards expanding and strengthening its power infrastructure to meet the increasing consumer demand in various sectors of the economy.

Reach of satellite T.V. channels is also helping in creating awareness about global products for local markets. The T.V. coverage area in Punjab is 99% as against the national average of 58.02%.

All these factors contribute towards the growth of organized retail in Punjab.

**Rationale of the study**

Surprisingly, despite the knowledge of the changes that are occurring in retail sector in Punjab and in the entire nation, and their economic significance, little has been researched about Organized Retail in Punjab. Because of the lack of reliable statistical data, this area has not been studied thoroughly by academicians and researchers. There are very few official statistics available on the retail sector in Punjab.

The earlier studies have been collecting observations and using qualitative and descriptive approaches to interpret the data. Very rarely have studies involved the use of survey data and application of quantitative and statistical analysis methods. Moreover, only a few studies have focused on the links between consumer behavior and preferences and the development of organized retail outlets. Also, it has been rarely examined what aspects of consumer perceptions may act as barriers to the advancement of supermarkets and other organized retail formats.

The need of the present study is, therefore, to focus on this gap by analyzing consumer preferences in order to evaluate the performance of organized retail in Punjab.

Also concerns have been raised that the growth of organized retail may have an adverse impact on retailers in the unorganized sector. On the other hand, it has also been argued in the past studies that growth of organized retailing will yield efficiencies in the supply chain enabling better access to markets and ensuring lower prices to the consumers. In
the context of divergent views on the impact of organized retail, it is essential that an in-depth analytical study of the existing organized retail formats should be conducted in order to evaluate their performance and to estimate its the possible effects in Punjab.

Scope of Study

In January 2006, a partial liberalization took place in FDI policy for retailing in which permitted the foreign companies to own up to 51 per cent in single-brand retail JVs approved by the Foreign Investment Promotion Board (FIPB). Besides this, foreign companies were allowed in wholesale cash-and-carry business and export trading with 100 per cent equity through the automatic route.

As a result of liberalization, many foreign and domestic players have entered the organized retail market in India post 2006. For this reason the time period of the study will be from 2006 onwards.

The study will cover ‘Food & grocery’ product category which is covered across three different formats namely discount stores, supermarkets and convenience stores.

The study will be conducted in five major cities of Punjab i.e. Amritsar, Patiala, Mohali, Jalandhar and Ludhiana.

Objective of the Study

The broad purpose of the present study will be to evaluate the performance of organized retail formats in the state of Punjab. Other related objective includes:

- To identify the key parameters for the performance evaluation of organized retail formats.
- To analyze the preferences of consumers from varied demographics in order to establish standards to ensure benchmarking.
- To analyze the growth and development trends of retail formats in Punjab.
• To identify the best performing organized retail formats on the basis of the identified performance evaluation parameters.
• To identify key areas / shortcomings to focus in order to improve the performance of organized retail formats in Punjab.
• To analyze the future of organized retail formats in Punjab

Research Methodology

The research methodology has been designed with 3-dimensional focus. This 3-dimensional focus will ensure that the results of the study are accurate enough to be used by the upcoming retailers and policy makers

Focus 1: Product category
The present study will cover ‘Food and grocery’ (fresh vegetables & fruits and processed food) category which is covered across three different formats namely supermarkets, discount stores and convenience stores.

The above category has been chosen because it made up 67% of total retail sales in 2007 (Source: Technopak Advisers Pvt. Ltd). Hence it is expected to accurately reflect the overall retail performance (our primary objective) during the period of study.

Focus 2: Format Category:
As the selected product category has strong presence in chains of supermarkets, discount stores and convenience stores, these three formats categories will be the focus of the entire study.

Focus 3: Geography:
There is no limit to the universe of people in Punjab choosing retail mode of purchasing. This immense sphere would demand very high on the research cost if a sample is to be drawn for observation and analysis. This, together with the fact that organized retail has majorly urban impact, led to a decision that the study would cover five major cities of
Punjab where organized retail has a strong presence. Hence, five major cities of Punjab viz. Amritsar, Patiala, Mohali, Jalandhar and Ludhiana will be covered in the study.

According to Retailing in Punjab 2010 and beyond (2008) report, there were over 900 different organized retail formats which include malls, hypermarkets, specialty stores, chain stores etc. in Punjab in 2007. Out of these, over 500 are chains of supermarkets, convenience and discount stores with ‘Food &Grocery’ as the major retail category.

For sampling of organized retail outlets, a exhaustive list of total number of organized retailers by the outlet type (Food & Grocery) in one dimension and format category (discount store/ supermarket /convenience stores) as the second dimension will be obtained from each of the selected cities by using secondary sources.

From the above list, a sample size of 10% of organized retail outlets will be allocated to different formats covered in the study following the stratified random sampling method.

Then using proportional allocation method, the sample size for each format will be further allocated to each of the selected 5 cities.

To identify the key parameters for the performance evaluation of these organized retail formats and to access the consumer preference related to various formats, a Questionnaire based exit interview will be conducted at the sampled 10% organized outlets across 5 selected cities of Punjab.

Exit interviews will be preferred over household surveys as it is difficult to locate households who have made purchases from the sampled organized retail outlets. Moreover, there could be a poor or inaccurate recall if the actual incidence of purchase occurred long before the date of the interview.

In order to capture adequate information about the products purchased only consumers who have spent at least Rs. 200/- at the organized outlet in their current visit will be included in the sample. 10 consumers will be interviewed from each sampled organized
outlet adopting the Systematic random sampling procedure. Over 500 consumers will be interviewed at the 10% selected stores in 5 selected cities. Utmost care would be taken while selecting a respondent such that the collected responses cover all the required 10 demographics viz. gender, income, age, size of purchase, family structure, occupation, location, type of purchase, frequency of purchase and profession. This will eliminate any possibility of error due to insufficient coverage of all demographic variables.