CHAPTER I

INTRODUCTION

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1.1 Introduction

The Indian retail business is divided into organized and unorganized sectors. Organized retailing business is undertaken by licensed retailers; those who register for sales tax and income tax. These comprise the corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses. Unorganized retailing, conversely, refers to the traditional formats of low-cost retailing, for example, the local kirana shops, pan/beedi shops, owner manned general stores, convenience stores, hand cart and pavement vendors etc.

The Indian retail sector is highly fragmented and mostly consists of owner-run mom and pop stores. The whole sector is dominated by small retailers consisting of local kirana shops, general stores, apparel and footwear shops, hand cart hawkers and pavement vendors. As per Investment Commission of India estimates, there are over 15 million mom and pop retail outlets in the country. Infact, 95 percent of the small retailers occupy less than 500 sq feet of space.\(^1\) McKinsey & Co reports, India has the highest density of retail outlets in the world. The number of stores per 1000 inhabitants in India is 15 as compared to 4 to 5 in developed countries\(^2\). In terms of total sales, a wide range of estimates is found and this definitely reflects lack of sound official government data.


\(^2\)Ibid
The Indian retail market is dominated by the kirana stores and this unorganized retail trade has created nearly 39.5 million (almost 9.2 percent of country’s population) employment opportunities in the nation\(^3\). Report by Ernst & Young's on 'The Great Indian Retail Story', anticipates the Indian retail sector to add up 2 million employment opportunities within the year 2010. More than 80 percent of these retail outlets are managed and run by individual and family members.\(^4\)

With India's economic growth, the retail sector is not only expanding but also modernizing. This new trend began during late 1990s and early 2000s. In the midst of the unorganized retail sector's strong dominance, some of the major industrial houses have entered into this sector and have announced ambitious future expansion plans. Transnational corporations have also joined hands with big Indian companies to set up retail chains. India's Bharti group joined hands with Walmart, the world's largest retailer and Tata group tied up with the UK based Tesco, the world's third largest retail group.

A perceptible structural change towards an organized format is foreseeable in the retail sector. These organized and modern retail formats generally consist of supermarkets/convenience stores, hypermarkets, discount stores, speciality stores and departmental stores. They are usually chain stores, all owned or franchised by a central entity or a single store large enough to form a part of the modern retail segment. The existence of these modern retail outlets are generally found in malls and prominent high streets across various cities.

\(^3\)S Ramesh Kumar & Radhika Vishvas. The old world of “Kirana shops” Vs new world of glitzy retailing ; a case study in an emerging market – The Indian context. Working Paper 2010/01.

As discussed earlier, the retail market in India is primarily unorganized and the penetration of modern retail is very minimal. This is in contrast to the trend in developed economies of USA, UK, France and Germany where organized retail is in the range of 75-80 percent. As per the data released by Investment Commission of India, organized retail market size was to the tune of US$12.1bn in 2006, accounting for 4.6 percent of the total retail segment. The late diffusion and low share of modern retail is mainly attributable to the severe restrictions on Foreign Direct Investment (FDI) for retailing in our country till end of 2005. The demand side characteristics such as moderately high economic growth, ever expanding middle and upper class consumer base, high urbanization rate, increasing share of women in workforce and greater availability of personal credit were definitely favorable for a greater penetration of modern retail in the economy. In January 2006, India allowed foreign companies to own up to 51 percent in single-brand retail joint ventures and as a result the organized retail in India got a boost. Though multiple-brand foreign firms are still barred in retail, they can set up wholesale operations. Recently, the debate on 51 percent FDI in multi brand retail, other than food, groceries and vegetables, has gathered steam in the commerce and industry ministry. If permitted, this will have a noteworthy bearing on the retail real estate space.

The growth in organized retailing in the present decade may be gauged by the rise in number of shopping malls. India had just 3 shopping malls measuring around 1 mn.sq.ft. in 1999 and by 2006, the total mall space rose up to 28 mn.sq.ft. with an average annual addition of 3.9 mn.sq.ft. Post 2006, on an average 8 mn.sq.ft. of retail

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^6Ibid
space has been supplemented annually pan India taking the mall space to over 52 mn.sq.ft by the end of 2009.\(^7\) The organized retail real estate stock will more than double from the existing 41 mn.sq.ft to 95 mn.sq.ft between 2010 and 2012. While the Organized Retail Market will increase to 2.25 times, the Real Estate Retail Potential will increase at a higher pace to 2.91 times during 2009-12\(^8\). Though the organized sector commands just three to five percent of the total retail industry, and is valued at about $300 billion; this is expected to grow to $427 billion in 2010 and $637 billion in 2015\(^9\).

With relaxation of FDI policy pertaining to retail, the modern retail market is expected to grow at a healthy rate. There has been a creeping internationalization of retailing in the recent past. As home markets are becoming crowded, modern retailers from developed countries are turning to new emerging markets like India.

As indicated by various literature, the projected annual growth rate of this segment of the retail market till 2013 is slated to be over 30 percent. Thus, its share in total retail market is expected to be around 11 percent by 2013\(^10\). On the flip side, concerns have been raised that the growth of modern retail will have an adverse impact on retailers in the unorganized sector. However, a recent study (2008) undertaken by the Indian Council for Research on International Economic Relations (ICRIER) and commissioned by Department of Industrial Promotion and Policy (DIPP), Ministry of


\(^8\)Ibid


Commerce & Industry, Government of India has shown that there would be a positive sum game in the retail sector in India where both organized and unorganized retail segments not only coexist but also grow substantially in size\textsuperscript{11}. As a result, it is expected that a positive environment is likely to be prevalent in the economy which would take the organized retail on a high growth trajectory.

1.2 Importance of Retailing In The Changing Economic Scenario

The Indian retail sector, which is considered to be the fifth largest retail destination globally, has been ranked the second most attractive emerging market for investment after Vietnam by AT Kearney's seventh annual Global Retail Development Index, in 2008.\textsuperscript{12} The retail trade share in the country's Gross Domestic Product (GDP) was between 8–10 percent in 2007. The same was around 12 percent in 2009, and reached 22 percent by 2010\textsuperscript{13}. The Indian Retail Sector, including the traditional retail and the modern retail is estimated to grow at a very fast pace from US$ 336 billion, in 2006 to US$ 590 billion, by 2011\textsuperscript{14}. The traditional retail sector alone is expected to increase from US$ 324 billion, in 2006 to US$ 493 billion, by 2011\textsuperscript{15}. In a recent research

\begin{footnotesize}
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\item http://www.ciionline.org/
\item Ibid
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report by RNCOS\textsuperscript{16} on ‘Booming Retail Sector in India’ it is highlighted that the Indian organized retail industry has been growing annually at the rate of 20 percent for past few years, and is giving fillip to mall construction activities to further expand chains of hypermarkets throughout the country. Another study predicts the organized retail market to grow at nearly 28 percent from an estimated Rs 679 billion in 2006-07 to around Rs 2,366 billion by 2012\textsuperscript{17}. The share of the organized retail is also estimated to increase from 5 percent in 2008, to 16 percent in the next five years. The highest amount of growth will be registered in the topmost 50 to 60 markets that are located in the urban areas. 29 percent of the total retail opportunity is accounted for by 33 main cities of India\textsuperscript{18}. These markets would be by and large supermarkets and hypermarkets. The Associated Chamber of Commerce and Industry (ASSOCHAM) along with KPMG\textsuperscript{19} have discovered that Indian cities (tier-I and tier-II) hold strong potential to see opening of 300 new hypermarkets by 2011, as reported by The Economic Times\textsuperscript{20}. Major factors contributing to this robust growth are the rising disposable income, demographic changes, and growing consumerism.

\textsuperscript{16}RNCOS is a leading market research and information analysis company with a global presence

\textsuperscript{17}Retail Market in India 2010, Netscribes (India) Pvt. Ltd


\textsuperscript{19}KPMG is a global network of professional firms providing Audit, Advisory and Tax services

1.3 Need for the Study

Organized retailing is predicted to become the business of the decade in India. Retail sector being strategic importance to the Indian economy, is presently going through heightened competition. Owing to the vast potential, many companies both domestic and international have started their retail operations in a big way. The Indian retail scene has changed dramatically in short span of time. What is particularly disquieting is the pace at which corporate retail chains are entering and expanding in the retail market, with analysts quoted as saying that India is attempting to do in 10 years what took 25-30 years in other major global markets. The massive growth of organized retailers has a major impact on the operations of small unorganized retailers. The same has led existing unorganized players to rethink of their business model and strategies.

However, to-date there is very little understanding of what the impact of corporate retail will be on the so-called unorganized retail sector and the agricultural sector (the country’s two largest sources of employment). This has lead to lot of interest amongst academicians and practioners. The existing research focuses on the changes in the organized retail sector. The present study analyses the impact of these strategies on unorganized retailers and discusses the challenges faced by unorganized retailers. This study is guided by the rationale of exploring the impact areas.

The main purpose of this study is to examine the impact of organized retailers on unorganized retailers in Karnataka. This is fulfilled by comparing the performance of unorganized retailers operating in the proximity of organized retailers and
unorganized retailers operating where no organized retailer exist. To achieve this purpose, it was necessary to review the literature on retailing sector and the impact of big retailers on small stores. This necessitated an exploration of the nature of the impact, and the significant areas impacted of unorganized retailers. At the same time, it was important to understand the strategies followed by small players to sustain competition. All of this was done with the aim of satisfying the primary purpose of the study which was to analyze impact of organized retailers on unorganized retailers.

Like it can be deduced from the above, the current research has an explanatory purpose. As per Miles and Huberman (1994) the purpose of explanatory research is to clarify a phenomenon or make a complex issue understandable. This can be fulfilled by clarifying the relationship between variables. This research has an explanatory purpose in that it aims to explain the key determinants which hinder the performance of unorganized retailers.

1.4 Objectives of the Study

The aim of the study is to analyze the impact of organized retailer’s operation on the performance of unorganized retailers.

The following study objectives have been identified that lead to a logical progression through the thesis:

1. To analyze the impact of the organized retailer’s operation on the employment of unorganized retailers

2. To study the impact of the organized retailer’s operation on customers of unorganized retailers

3. To understand the impact of the organized retailer’s operation on sales and profit of unorganized retailers

4. To analyze the impact of organized retailer’s operation on facilities and services offered by unorganized retailers

5. To know the problems and prospects of unorganized retailers and discuss the challenges faced by them

6. To give policy recommendations based on the findings of the study

1.5 Hypotheses for the study

- **H1a**: There is no significant difference in the employment pattern of unorganized retailers before and after the establishment of organized retailers.

- **H1b**: There is no significant difference in the employment pattern of unorganized retailers before five years and now (2010).

- **H1c**: There is no significant difference in the employment pattern of unorganized retailers for treatment and control sample.

- **H2a**: Customers are shifting from unorganized retailers to organized retailers.
- **H2b**: There is no significant difference in the customer base of unorganized retailers for treatment and control sample.
- **H3a**: Unorganized retailers are losing sales since the operation of organized retailers
- **H3b**: Unorganized retailers are losing profit since the operation of organized retailers
- **H3c**: There is no significant difference in the sales of unorganized retailers for treatment and control sample.
- **H3d**: There is no significant difference in the profit of unorganized retailers for treatment and control sample.
- **H4**: There is no significant difference in the facilities and services of unorganized retailers for treatment and control sample.
- **H5**: Operation of organized retailers threatens the existence of unorganized retailers.

### 1.6 Research Methodology

As shall be seen, the methodology is influenced by the purpose of this study and is based on assessment of the optimal strategy for responding to the research questions.

**Statement of the problem**

The study, like it is clear from the research question and hypothesis, examines a single problem. This problem is to analyze the impact of organized retailers on unorganized retailers in Karnataka. The problem of the study emerges from this focus.
Simply stated, number of organized retailers has started operation in India and specifically Karnataka because of the potential in this area. With the emergence of these organized players, small players are facing challenges to carry on the operation effectively. So it is imperative to identify the major impact areas and the suitable remedies for the same. Accordingly, the research problem, as explained, is designed.

The Indian retail market is valued to be around $410 billion in 2008, out of which food & grocery and apparel are the major product categories accounting for 64 percent and 8 percent respectively (Refer Fig 1.1). Modern retail is valued to be around $18 billion, forming 4 percent of the total retail business. In this case also food & grocery and apparel are the major product categories accounting for 20 percent and 22 percent respectively (Refer Fig 1.2). Hence these two product categories are chosen for the study. Thus, the choice of the above categories was guided by the consideration of their propensity to impact unorganized retail outlets, which was the core purpose of the present study.

**The Research Site**

The research site is the state of Karnataka. The state consists of 30 districts. Since the retail sector is very vast, widespread and diverse, obtaining a state wide representative sample (covering urban and rural areas) would involve a very large budget and time. Additionally, organized retailing is more of an urban and metropolitan phenomenon and therefore, it was also decided that the study should only cover metropolitan cities and a few tier-2 and tier-3 towns in different regions of the state where organized retailing has a strong presence.
The state of Karnataka is divided into four divisions namely Bangalore Division, Belgaum Division, Mysore Division and Gulurga Division. One city from each division was considered for the study except for Gulurga division. Bengaluru the state capital which has wide presence of organized retailers was prime focus the study. In
addition, tier 2 cities having a sizeable presence of organized retail namely Mysore and Hubli were also included. Lastly, one tier 3 city namely, Davangere was also considered for the study. Though Gulburga is one of the prominent city of Karnataka, organized retailing has not remarkably made its presence in the region. Also the researcher is not comfortable with the region as compared to other regions, hence the region is not considered for the present study. (Refer Table 1.1)

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Source: [http://www.karnataka.gov.in/pages/district-list.aspx](http://www.karnataka.gov.in/pages/district-list.aspx)

**Sampling Design: Organized Retailers**

This section briefly describes the methodology and sampling design used for collecting primary data.
Selection of Organized Cluster

Only where an organized retail outlet is located, could it impact the unorganized retailers. Thus, the second stage of selection in the study involved sampling of organized retailers as clusters. The following process was adopted for the sampling of organized retailers, which served as study clusters.

The number of organized retailers by outlet type (food and groceries and apparel) was obtained from secondary data sources separately for each city. Then the researcher has generated an exhaustive list of all the organized retailers in the selected cities from secondary sources. (Refer Annexure B)

### Table 1.2: List of Clusters Considered for the Study

<table>
<thead>
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<th>Name of Clusters</th>
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<td>Bengaluru West</td>
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<td>Hubli</td>
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<tr>
<td>4</td>
<td>Bengaluru East</td>
<td>8</td>
<td>Davangere</td>
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</tbody>
</table>

Source: Table 1.1: Districtwise Classification of Divisions (Karnataka State)
Total of 8 clusters were identified, 5 from Bengaluru and one each from Mysore, Hubli and Davangere. These organized retailers served as study clusters. The clusters identified were as below (Refer Table 1.2)

Profile of cities covered

Bengaluru

Bengaluru's retail market in terms of its consumer profile and vibrancy reflects the cosmopolitan nature of the city. The mix of contemporary brands and the upwardly mobile young shoppers is an example of the coming of age of Indian consumers. Although mall developments in the city started later when compared to Mumbai and Delhi, the pace of growth registered in terms of supply during the last few years is quite aggressive. As of now, there are an estimated 16 operational shopping malls in Bengaluru, which are expected to exceed the figure of 30 by 2012.

The first high end luxury mall of Bengaluru, The Collection at UB City, became fully operational in 2009. Amongst high streets in the city, Brigade Road, MG Road, Commercial Street, Vittal Mallya Road and Indira Nagar are the most established ones. Over the last 2-3 years, high streets in the city have ramped up their retail offerings, both in terms of density and the variety, by enhancing their mix of both national and international brands.

Bengaluru Central

Retail market in Central Bengaluru comprises MG Road, Residency Road, Brigade Road, Palace Cross Road, Magrath Road, Richmond Road, Lavelle Road, Infantry
Road, Cunningham Road, Ulsoor and Brunton Road. This zone has a retail stock of 0.61 mn.sq.ft. Currently prominent malls in this zone include Garuda Mall at Magrath Road with a super built up area of 0.25 mn.sq.ft, Sigma Mall at Cunnigham Road with a super built up area of 0.12 mn.sq.ft., Eva Mall at Brigade Road with a super built up area of 0.9 mn.sq.ft. and The Collection Mall at Vittal Mallya Road with a super built up area 0.15 mn.sq.ft. Amongst these malls the Collection Mall became operational in 2009. It is India's first luxury mall which hosts major international and Indian luxury brands such as Louis Vuitton, Gucci, Fendi, Dunhill, Rolex, Omega and Kimaya, across categories such as apparel, jewellery, accessories. Most of the brands seen in this mall are unique, with some having stores in the mall as their only outlets in the city. In central Bengaluru, the micro-markets where retail activity is prominent are MG Road, Brigade Road, Residency Road and Commercial Street. These micro-markets have traditionally been the retail hub located in the heart of the city. Residents of the city have been shopping in these micro-markets for generations making it a major retail destination in the city. It caters to all types of retail categories like Apparel & Footwear, Jewellery, Consumer Durables and Home Store. The presence of prominent high street markets in the central business district has been a setback for mall space in the zone. Eva Mall which began as a concept mall for women has undergone a complete transition and is functioning as a regular mall.

**Bengaluru North**

Retail market in Bengaluru North consists of locations like Sadashivnagar, Jayamahal, RT Nagar, Fraser Town, Hebbal, Bellary Road, Yelahanka, Yeshwantpur, Dasarahalli, Tumkur Road, Jalahalli and Devanahalli. Currently this zone has only
one mall in existence namely the Esteem Mall, which is located on the Bellary Road and has a super built up area of 0.125 mn.sq.ft. As most people who live in this zone prefer travelling to the central Bengaluru for shopping. There are close to four proposed malls in this zone namely the RMZ Galleria and Kirloskar Mall on Bellary Road, Karle Mall and Phoenix Market City at Yeshwantpur. Once developed these malls, are expected to provide better options to the people residing here.

The prominent micro-markets in the North Zone with respect to retail are Hebbal, RT Nagar, Bellary Road, Yeshwantpur and Yelahanka. This can be attributed mainly to the high street markets here. An emerging premium street retail market in the city's northern region is the New BEL Road with brands like Reebok, Indigo Nation, Adidas and Peter England opening their outlets here. The high street markets in the north are typically medium to low end and not properly organized.

**Bengaluru South**

In Bengaluru South, the retail expanse spreads across Koramangala, Hosur Road, Bannerghatta Road, Outer Ring Road, HSR Layout, Jayanagar, JP Nagar, Banashankari, Kanakapura Road, Mysore Road and neighbouring locations. With 1.59 mn.sq.ft., the South Zone is the largest contributor to retail stock in the city. Currently, prominent malls here are Forum Mall at Koramangala with a super built up area of 0.35 mn.sq.ft. Oasis Mall at Koramangala with a super built up area of 1 lakh sq.ft., Gopalan Legacy Mall at Mysore Road with a super built up area of 0.28 mn.sq.ft., Garuda Swagath Mall at Jayanagar with a super built up area 0.17 mn.sq.ft. and Arch Mall at Rajarajeshwari Nagar with a super built up area of 0.16 mn.sq.ft. Among other prominent organized space to have come up in this zone is Bengaluru
Central at Jayanagar with a super built up area close to 0.15 mn sq ft. The Arch Mall developed by Gopalan Enterprises is a prominent mall operational since 2009. The Arch Mall located at Rajarajeshwari Nagar off Mysore Road is expected to cater to the south-western locations in the city which currently has a dearth of organized retail space. Star Bazaar and Big Cinemas are primary anchor tenants in this mall. Big Cinemas with a 3 screen multiplex is primarily contributing to the footfalls here and is proving to be a big crowd puller. The most unique facet of this mall is its facade which resembles a palace. Koramangala, Bannerghatta Road, Jayanagar, JP Nagar and Mysore Road are micro-markets contributing the most to retail foot-falls in this zone. This is primarily due to the strong residential catchment prevalent here. The spending power in these locations is big and there is a presence of a vibrant shopping culture in these micro-markets. Bannerghatta Road and Mysore Road mostly constitute of large residential catchments of middle income category residents.

**Bengaluru East**

Retail markets in Bengaluru East are located at Indira Nagar, Old Airport Road, Frazer Town, Cooks Town, Lingarajapuram, Marthahalli Juction, HRBR Layout, Banaswadi, Old Madras Road, KR Puram, Brookefields, Hoodi, Sarjapur Road and Whitefield. East Zone constitutes 0.59 mn sq ft. of retail stock. Currently the prominent malls in this zone include Vaswani Cosmos at Whitefield with a super built up area of 0.14 mn sq ft. and Forum Value Mall at Whitefield with a super built up area of 0.24 mn sq ft. The Forum Value Mall developed by Prestige Constructions was the only mall to have been operational. It is being promoted as a discount mall with most retailers offering year long discounts on their products when compared to
their other stores in different locations. Fame Cinemas is the primary anchor tenant in this mall. Although initially the mall was operating at a good profit margin, of late sales have dipped as highstreet markets in neighbouring micro-markets like Marathahalli are offering better discounts. Being the only mall in the Whitefield micro-market having a multiplex and with a large residential catchment to cater to, it is still registering decent footfalls. The eastzone is the fastest developing zone in the city, the growth of residential and commercial establishments has resulted in a retail impetus as well. The dominant micro-markets in the zone include Indira Nagar, Whitefield, Brookfields, Sarjapur Road, Marathalli. Micro-markets like Indiranagar, Old Airport Road and Marathahalli have residents in a middle high income segment. It has the presence of a strong high street market but a dearth of mall supply. With the residential catchment being strong and spending mentality being high, these micro-markets are where malls are expected to do well. Whitefield, Brookfields and Sarjapur Road represent micro-markets with a good residential catchment, albeit at a large distance from the city. The people residing here have contributed strongly to the footfalls generated in Cosmos Mall and Forum- Value Mall, as otherwise prospective shoppers would have to travel a long distance to shop.

Bengaluru West

Malleswaram, Seshadripuram, Rajajinagar, Vijaynagar and Magadi Road are the prominent retail locations of Bengaluru West. In the Western Zone most micro-markets are primarily high street dominated. Currently there is only one operational mall here, namely the Mantri Square at Malleshwaram with a super built up area of 0.9 mn sq.ft. The Mantri Square which became operational from March 2010 is
currently India's largest mall with nearly 10% more gross leasable area than the erstwhile largest operating mall, Ambience in Gurgaon. It hosts 5 retail giants as its anchors, namely, Future Group, Reliance Retail, Tata-Trent, Landmark Gulf Group and Shoppers' Stop. The mall opened with 90% occupancy as revenue sharing deals have attracted tenants. Located at one end of Sampige Road the mall will cater to the residential catchment of Old Bengaluru. The mall focuses on premium brands identifiable with the mainstream population in the city. Some of Bengaluru's big volume retailers like Favourite Shop and Jamal's, also feature as its tenants. Its close proximity to the upcoming metro railway station is expected to contribute to its footfalls in the next couple of years. The vacancy rate in this zone is 10% which is completely contributed by Mantri Square as it is the only mall in this zone. The mall has begun operations recently and within a few months this vacancy is expected to come down. Micro-markets like Malleshwaram and Rajajinagar is expected to primarily contribute to the mall foot-falls in spite of residents in these micro-markets being high street oriented. It is also expected to garner consumer interest from neighbouring micromarkets, like Vijaynagar, Magadi Road and Seshadaripuram, as well as other zones.

**Mysore**

Mysore on its way to become the Next IT hub in the state has attracted both national and international players to come up with their retail shops in the city. The boom in retail sector in India has provided exponential growth opportunities to investors. Mysore as a tier II city for IT & ITES sector has shown a healthy trend in retailing. Many big players such as Trinethras (FAB city), Nilgiris, etc have already established
their name in the city and many other players such as Reliance, have announced their 
retail format in Mysore.

There is a proposal to construct a multistoried commercial complex on 4 acres of land 
at Makkaji Chowk. A five screen multiplex is also planned as part of the project. 
Sankalp Group has also proposed a commercial complex in Yadavgiri. A total of 16 
acres of land is on a development process for the same. A commercial complex of 3 
lakh sqft area is proposed by a private builder in the Gokulam road of the 
Jayalaxmipuram area. Another commercial complex is proposed in the 
Jayalaxmipuram area on 6 acres of land. Brigade Group has plans of coming up with 
a commercial retail point in Gokulam road. The project comprises a retail point in the 
ground floor and the other three floors will have office spaces in it. The total built up 
area for this retail cum office point is around 35,000 sqft.

The market outlook in retail section is definitely looking positive with concept of 
malls catching up in a big way in Mysore market. Retailers have begun to realize the 
importance of providing the right ambience to the customer, progressing from the 
concept of customer delight to customer satisfaction. Keeping in view the fast pace of 
development of commercial and residential areas in the city, many existing retailers 
and private developers have proposed Malls in the city.

The present stock of retail space in Mysore is grossly insufficient and barely meets the 
demand of big retailers demanding floor plates between 10,000 sq. ft – 50,000 sq. ft. 
Looking at the upcoming retail boom, the developers in Mysore needs to address this 
segment.
Hubli

Hubli being the commercial hub of north Karnataka, organized retail chains are targeting in a big way. Kishore Beyani’s Future group has launched its Big Bazar outlet in the city followed by Reliance group’s fruits and vegetable outlets. Reliance Retail’s fruits and vegetable arm, Reliance Fresh, has planned to open a dozen outlets in Hubli-Dharwad to cater to the green groceries requirements of this second largest urban centre in the state with huge potential for growth in the future. The selected locations in Hubli are station Road Deshpande Nagar, Vidyanagar and the residential hotspot on Gokul Road leading to the local airport. The city has recently witnessed a transformation in the retail, food and entertainment scenario, with arrival of Pizza Hut and café Coffee day, Food Court and branded retail chain store such as Girias. There are prospects of at least two malls and one multiplex taking shape in the near future.

Raiker Entertainments, the leading film distributor and exhibitor of the region, has plans to come up with mall-cum-multiplex on P B Road in Vidyanagar, the educational hub of Hubli. This mall will house in anchor stores, retail stores for branded products, and food outlets of various sizes and formats to suit varying budgets. One more mall-cum-multiplex is expected to come up on Gokul Road, which is fast emerging as the future residential and commercial hub of the city. A Bangalore-based real estate developer has plans to start up a shopping mall near Court Circle in the heart of Hubli.
Davangere

Davangere is a market for grain and cotton and is home to a major textile industry. Organized retail chains are entering tier 3 cities like Davangere. Aditya Birla group has launched its More store in the city at Hadadi road and Nijalingappa Layout. Other retailers also have plans to enter the city. Apparel retailers such as Raymonds and Adidas are also successfully operating in the city.

Sampling Design: Small Unorganized Retailers

Small, unorganized retailers are adversely affected by the expansion of organized retailers, if they fall in the catchment area of the organized retailers. A catchment area is defined as the area (radius of distance in km) from where the organized retailer is expected to draw its customers. In other words, small, unorganized retailers in the catchment area are likely to lose business as customers migrate (either in full or part) to organized retailers for making their food and grocery, and apparel purchases.

Using the standard industry norms, the catchment area for different types and formats of organized retailers was defined as follows:

<table>
<thead>
<tr>
<th>Store Format</th>
<th>Catchment Area (in km)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount stores</td>
<td>1</td>
</tr>
<tr>
<td>Supermarkets</td>
<td>1</td>
</tr>
<tr>
<td>Hypermarkets</td>
<td>10</td>
</tr>
<tr>
<td>Department stores</td>
<td>10</td>
</tr>
</tbody>
</table>

Source: Table 1.1: www.icrier.org
From the catchment area of each sampled organized retailers (hereafter referred to as a cluster), a fixed number of small, unorganized retailers was selected and interviewed. For selecting the requisite number of unorganized retailers from each cluster, a list of such retailers in the catchment area was generated. The requisite sample was drawn through systematic random sampling procedure. For each cluster 60 unorganized retailers were interviewed (30 food & grocery and 30 apparel), except for Hubli and Davangere where 40 unorganized retailers were interviewed, (20 food and grocery and 20 apparel). As organized retailers are limited in Hubli and Davangere as compared to Bengaluru and Mysore, only 20 retailers in each product category are considered for the present study.

<table>
<thead>
<tr>
<th>Name of the Clusters</th>
<th>Apparel</th>
<th>Food and Grocery</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bengaluru North</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>Bengaluru South</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>Bengaluru West</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>Bengaluru East</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>Bengaluru Central</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>Mysore</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>Hubli</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Davangere</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>220</strong></td>
<td><strong>220</strong></td>
</tr>
</tbody>
</table>
Control Sample Survey of Small Retailers

The original survey of the impact of organized retailers on unorganized retailers was conducted only in clusters where organized retailers have been established. As a follow up to this survey, a survey was planned in clusters which are similar in profile and character but do not have the presence of organized retailers (control clusters). This survey was undertaken to compare changes in employment, sales and profit of small retailers in the unorganized sector in clusters where organized retailers have a presence (treatment clusters) and where they do not have a presence (control clusters). The differences observed between the two samples together help establish the impact of organized retailers.

The control sample survey was undertaken in respect of food and grocery and apparel outlets covered in the main survey. The control sample survey was conducted in all the clusters covered in the main survey. For each cluster 60 unorganized retailers were interviewed (30 food & grocery and 30 apparel), except for Hubli and Davangere where 40 unorganized retailers were interviewed, (20 food & grocery and 20 apparel). (Refer Table: 1.5). In order to ensure that the retailers covered in the main survey and control sample survey are comparable (which was the main purpose of undertaking the control sample survey), care was taken to ensure that the localities selected for the control sample survey are similar in economic profile of its residents and are in the same geographical region of the respective cities. The same semi-structured Retailer Interview Schedule that was canvassed in the main survey was used in the control sample survey. The only difference between the two surveys was in respect of the reference period for all variables like sales turnover, profit, employment, etc. In the
main survey, the reference period for all the historical data on these variables was the month and year of establishment of the organized retail outlet in that cluster. In the control sample survey, as the survey was conducted in clusters where the organized retailers do not exist, the reference period was the same for all the clusters which was five years before.

<table>
<thead>
<tr>
<th>Clusters</th>
<th>Apparel</th>
<th>Food and Grocery</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bengaluru North</td>
<td>30</td>
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<td>Bengaluru South</td>
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</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>220</strong></td>
<td><strong>220</strong></td>
</tr>
</tbody>
</table>

**Instrument**

The structured questionnaire was administered by the researcher wherein the response of the unorganized players was noted at that moment. It took the form of close-ended questionnaires which collected location data, turnover and profit details, sales
composition, facilities and services provided and changes in strategies. The questionnaire was accompanied by a short cover letter which explained the purpose of the study. The questionnaire sheet was short in order to ensure that it would not take more than 15 minutes to answer and therefore, encourage participation.

Data Collection

Secondary data is basically collected through desk-based research. According to Jackson (1994)\textsuperscript{22} the value of a research is related to its data collection methods and importantly, whether or not it includes both secondary and primary data. As Creswell (2003)\textsuperscript{23} states, secondary data, which is an unobtrusive data collection method, depends on the location of pertinent and verifiable previously published academic studies and theories. After locating such data, the researcher should critically evaluate it in order to make sure that it is valid and reliable. This means that the researcher should only include in his study secondary data which is presented in academic researchers and articles which are verifiable and well-referenced (Creswell, 2003)\textsuperscript{24}. Out of this consideration, the researcher of this study only used data which was obtained from electronic databases or libraries, articles or books and which was scholarly. In addition to secondary data, the researcher also collected primary data from sample populations, like explained above. The data collection method was questionnaires because questionnaires allow the researcher to collect a large volume of information on a limited budget and in a short time. It should be noted that the

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\textsuperscript{24}Ibid
\end{flushright}
questionnaires were administered by the researcher at the convenience of the unorganized retailer. The data which was collected through the questionnaire will be kept confidential. In fact, the participants were assured in the questionnaire that personal identifying information will not be revealed at all, except as part of the study’s results. The data collected was analyzed using Statistical Package for Social Sciences (SPSS) 17.

1.6 Scope of the Study

There are various product categories covered under the umbrella of retailing. This study focuses on two main product categories namely apparel and food and grocery retailers. The coverage of this study is Karnataka state with major focus on state capital Bengaluru. In addition, tier 2 cities having a sizeable presence of organized retail namely Mysore and Hubli were also included. Lastly, one tier 3 city namely, Davangere was also considered for the study.

1.7 Limitations of the Study

Several limitations pertain to this study. First, the study used a forced choice survey instrument. The respondents were not free to state their views on the questions but had to select from a number of written answers. This means that the questions were most closely related view point of researcher.
The second limitation of the study is the sample size, which was small and was primarily limited to Bengaluru. Also, there is no evidence that the sample in this study is typical of the broader population.

The third limitation is the fact that the collection of data took place at a particular point in time. Hence there is no guarantee that the responses received would be indicative of responses solicited and given at another time. There is also a potential that other factors outside the control of the researcher (setting, time of day, recent conflicts, and fatigue of the participants) could influence the responses, Shell, (2001).

A last limitation is based upon the researcher’s lack of experience in conducting similar type of research.

1.8 Operational Definitions

The retail sector is divided into organized and unorganized sectors. Unorganized retailing, refers to the traditional formats of low-cost retailing, for example, the local kirana shops, owner manned general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors, etc. Organized retailing on the other hand, refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. The corporate-backed hypermarkets and retail chains, and privately owned large retail businesses fall under this category.

Treatment sample: Sample unorganized retailers operating nearby organized retailers.

Control sample: Sample unorganized retailers where an organized retailer does not exist.

Hypermarket: Typically varying between 50,000 sq. ft. and 1,00,000 sq. ft., hypermarkets offer a large basket of products, ranging from grocery, fresh and processed food, beauty and household products, clothing and appliances, etc. The key players in the segment are: the RPG Group's Giant (Spencer's) hypermarkets, and Pantaloon Retail's Big Bazaars.

Department Store: These 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. They focus towards a wider consumer audience catchment, 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: Shoppers' Stop, Pantaloons, Westside, Ebony, Lifestyle, and the Globus.

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. They target family as its customer and typical examples of this retailing format in India are Apna Bazaar, Sabka Bazaar, Haiko, Nilgiri's, Spencer’s from the RPG Group, Food Bazaar from Pantaloon Retail, etc.
1.9 Presentation of the Study

This section provides a guide to the organization of the thesis and discusses the contents of each chapter.

Chapter - 1

The first chapter gives a brief background of the study, highlights about the retail sector and need of the study, objectives of the study, hypotheses, and methodology used for the study.

Chapter - 2

The second chapter is literature review, which sets the academic tone for the research. It provides a comprehensive discussion on the existing literature related to retailing, the major impact areas such as employment, customers, sales and profit, and the strategies adopted by unorganized retailers. This chapter provides a framework for exploring the impact of organized retailing.

Chapter - 3

The third chapter discusses the employment scenario in unorganized sector with reference to hired personnel and family members for the treatment and control sample. Then an attempt is made to analyze the impact of organized retailers on employment of unorganized retailers by comparing the treatment and control sample results.
Chapter – 4

This chapter gives an overview of the consumer behavior in the retailing industry and makes an attempt to understand the impact of organized retailers operation on customer base of unorganized retailers.

Chapter - 5

Chapter five deals with the performance of unorganized retailers with focus on the sales and profit generation. It also deals with the influence of organized retailers on sales and profit thereby comparing the treatment and control sample results.

Chapter - 6

The sixth chapter focuses on the facilities and services offered by unorganized retailers. It highlights the facilities and services being offered and the plan for new offering due to the influence of organized retailers.

Chapter – 7

This chapter discusses the challenges faced by unorganized retailers. It identifies the threats for running the business and the strategies adopted by unorganized retailers to overcome competition. It also analyses the future plans of unorganized retailers.

Chapter - 8

The final chapter provides a summary to the entire research. It brings together the different elements of the findings, and proposes an overall conclusion to the research conducted, integrating different elements of research into one explanation.