Chapter – II

Overview of Retailing
CHAPTER – II

OVERVIEW OF RETAILING

2.1 INTRODUCTION

Retailing is a very important aspect of every city. Without a well organized retail industry we would not have our necessities and luxuries fulfilled. Be it our daily groceries or fashion accessories and everything in between, retail industry brings us the joyful experience of shopping. Though organized retailing industry began much earlier in the developed nations, India had not actively participated. However with its vast expanse and young population, India in the 21st century emerges as a highly potential retail market. The journey of retailing in India has seen phenomenal growth and promises further growth. This chapter provides a complete picture and explains the past, present and future trends of Indian Retail Market.

2.2 OVERVIEW OF RETAILING IN INDIA

Indian retailing is ranked as one among the ten largest retail markets in the world. The attitudinal shift of an Indian consumer in terms of “choice of preferences and Value for money” and sticking to the various brands had led to the emergence of highly organized retail markets. Indian organized retailing had been estimated at about 3% as against the current estimation of the industry at 200 billion and it had been projected to increase to 23 billion corers by 2010. The Indian economy was liberalized in the 1990s and since then, the country has seen booming in capital markets, the emergence of new industries is an evolution in consumer shopping
habits, The retail industry in India is emerging as one of the largest industries, estimated to account for more than 10 per cent of the country’s GDP and around 8 percent of the employment. Its highly dynamic and fast growing nature has put India on the threshold of a major shake-up to become the next retail boom area. Currently, India is one of the fastest growing economies in the world and by 2030, India would be one of the Top 5 economies in terms of GDP. The India retail market is estimated at US$ 470 Billion in 2011, accounting for ~35% of GDP and is expected to grow to US$ 675 Billion by 2016, @ CAGR of 7.5%. The Indian consumer is changing rapidly. The average consumer today is richer, younger and more aspiration in his/her needs than ever before. Consumers now value convenience and choice at par with getting value for their hard-earned money. A range of modern retailers are attempting to serve the needs of the ‘new’ Indian consumer.

It’s time to redefine and re-engineer the concept of shopping experience which had become a highly sophisticated one from that of a traditional shopping experience. Retail shopping comprises of shopping malls, supermarkets, self service stores and other shopping segments emerging continuously to fulfill the needs of the consumers at an affordable price. Retailer could no more be considered as mere distributors of merchandize and are being recognized as providers of value added services. The retailer should understand the value of the shop that the consumers looking for and the retailer should deliver that desired value to the customer.

The retail environment of the future will see retailers increasingly opening smaller stores to generate new growth as already seen in several urban markets such as the UK, and Mexico. The online world will capture an increasing share of planned

---

shopping trips, leaving brick and mortar retailers to capitalize on immediate, or impulse, needs.²

The **BMI India Retail Report** the growing wealth with the middle-class in India, the population size and the big percentage of population being in 30s, makes immense possibilities for entrepreneurial growth in the retail sector.

The **Technopak Advisors** have further estimated that the country's retail market is expected to touch 620 billion Euros (around Rs 37 lakh crore) by 2020 at a Compounded Annual Growth Rate (CAGR) of more than 25%. The organized retail market is estimated at US$ 26 Billion and accounts for ~6% of the overall retail market for 2011. The organized retail market is projected to grow to US$ 84 Billion by 2016, @CAGR of 26%

**McKinsey & Co.**, have also suggested that the organized retail market in India is expected to grow to 14-18% by 2015 of the total retail market in India from 8% in 2008. Its value is estimated to be around US$450 billion by 2015. In the latest global retail development index (GRDI),

**AT Kearney** a US-based global management consulting firm has placed India as the most attractive nation for retail investment among 30 emerging markets, His report further revealed that revealed that luxury brands market in India grew at a healthy 20 percent during 2010 reaching a size of US$ 5.8 billion. It further stated that the Indian luxury market stood at a value of US$ 4.76 billion in 2009 and is anticipated to be worth US$ 14.7 billion by 2015. His further estimates suggest that India’s organized retail had a 31% share in clothing and apparel, while the home supplies retail was growing between 20% to 30 % per year. In 2011 Food accounted

---
for 70% of Indian retail, but was under-represented by organized retail. The Indian retail market has around 14 million outlets and has the largest retail outlet destiny in the world.

A report by Boston Consulting Group (BCG) has revealed that the country's organized retail is estimated at US$ 28 billion with around 7 percent penetration. It is projected to become a US$ 260 billion business over the next decade with around 21 percent penetration.

The retail sector in India is growing at a phenomenal pace. According to the Global Retail Development Index 2012, India ranks fifth among the top 30 emerging markets for retail. The recent announcement by the Indian government with Foreign Direct Investment (FDI) in retail, especially allowing 100% FDI in single brands and multi-brand FDI has created positive sentiments in the retail sector.³

Mr. Andreas Gellner, Managing Director, Adidas India:⁴ Mr. Gellner is of the view that he does not see that changing. Of course, the shopping behavior is changing with malls coming into play, as conversion rates in malls are dramatically lower than in high street. While speaking about the current mall culture in India, he believed that the malls as places to congregate and spend time for shopping and other activities have been well accepted. This concept will certainly and even grow stronger once new generations of malls are offering consumers/visitors an atmosphere of international standards (including trouble-free parking!


⁴ Fibre2fashion discusses on certain issues concerning the Indian retail industry with Mr. Andreas Gellner, Managing Director, Adidas India, www.adidas-group.com /www.ibef.org
Technopak Advisors Pvt. Ltd have estimated the category wise share of different consumer items traded under both unorganized and organized retail in India as on 2006, 2011 and projections of 2016. The details of these estimates are given as under:\(^5\)

**TABLE NO 2.2.1**

**SHOWING INDIAN RETAIL SHARE OF CATEGORIES**

<table>
<thead>
<tr>
<th>S.No</th>
<th>Category</th>
<th>2006</th>
<th>2011</th>
<th>2016</th>
<th>CAGR % (2011-16)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Food and Grocery</td>
<td>217</td>
<td>325</td>
<td>425</td>
<td>5.50</td>
</tr>
<tr>
<td>2</td>
<td>Restaurants &amp; Food Junction</td>
<td>4.6</td>
<td>8.8</td>
<td>15.8</td>
<td>12.50</td>
</tr>
<tr>
<td>3</td>
<td>Apparel</td>
<td>25</td>
<td>35</td>
<td>50.2</td>
<td>7.50</td>
</tr>
<tr>
<td>4</td>
<td>Furniture &amp; Furnishings</td>
<td>6.5</td>
<td>9.1</td>
<td>17.1</td>
<td>13.50</td>
</tr>
<tr>
<td>5</td>
<td>Healthcare &amp; Fitness services</td>
<td>0.4</td>
<td>1</td>
<td>2.5</td>
<td>20.00</td>
</tr>
<tr>
<td>6</td>
<td>Consumer Electronics &amp; Information Technology</td>
<td>16.5</td>
<td>22.7</td>
<td>42.8</td>
<td>13.50</td>
</tr>
<tr>
<td>7</td>
<td>Pharmacy</td>
<td>8</td>
<td>13.9</td>
<td>23.4</td>
<td>11.00</td>
</tr>
<tr>
<td>8</td>
<td>Jewellery, Watches etc</td>
<td>16.5</td>
<td>25.6</td>
<td>44.2</td>
<td>11.50</td>
</tr>
<tr>
<td>9</td>
<td>Beauty Services</td>
<td>0.6</td>
<td>1.3</td>
<td>3</td>
<td>18.00</td>
</tr>
<tr>
<td>10</td>
<td>Footwear</td>
<td>3.6</td>
<td>4.5</td>
<td>8.3</td>
<td>13.00</td>
</tr>
<tr>
<td>11</td>
<td>Others</td>
<td>11</td>
<td>23</td>
<td>42.5</td>
<td>13.10</td>
</tr>
<tr>
<td></td>
<td><strong>Total US $ (Bn)</strong></td>
<td><strong>310</strong></td>
<td><strong>420</strong></td>
<td><strong>675</strong></td>
<td><strong>7.50</strong></td>
</tr>
</tbody>
</table>

Source: Computed from Technopak Advisors Pvt. Ltd data

From the above Table No 2.2.1 it is clear that the retail share in all categories have shown a significant growth in all area and still have ample space for future development and operations.

**2.3 EVALUATION OF INDIAN RETAILING SECTOR**

The retailing industry in India has travelled a long way, from melas to modern retail formats. Historically they evolved as a source of entertainment (in the form of village fairs, melas etc.) which was within the rural reach. Later on these were

\(^5\) Techno park advisor data
transformed into Mom and Pop/ Kirana stores which are of traditional variety neighborhood shops. Then came the government supported PDS outlets, khadi stores, cooperatives are fore runners of modern retailing in India. Today retail shopping malls, supermarkets, departmental stores etc., has brought a great revolution to the Indian retail market.

**Milestones of Retail in India –**

India is a country with more number of II tier and III Tier cites and metros, where both organized and unorganized retail formats exists, striving for development. Though organized retailing industry began much earlier in the developed nations. However with its vast expanding and changing demographics structure. India in the 21st century emerges as a highly potential retail market with promising opportunities.

**Previous status:** Retailing in India at this stage was completely unorganized and it thrived as separate entities operated by small and medium entrepreneurs in their own territories. However demographic profile and majority of the shoppers in this sector having lower income and lower middle class people with little awareness and poor purchasing power were most of the shoppers were entry level, leaving the market untapped.

A great shift in the Indian Retail Revolution is customer expects, convenience of one stop shopping and value for money and coming up of organized retailing across all regional markets. However there is still great scope for enhancing organized retail shopping culture many other aspects of retail service remains to be developed on international standards. Indeed this shows a very promising trend ahead.
Current status: Promising opportunities and adoption to modern and changing life style has accelerated penetration of organized Indian retail industry. Though India is not at an equal counterpart to other western and retail developed nations, Indian is geared to become a major player in the Retail Market. As the spending power is no longer limited to metros, every tier 2 city in the country has good market for almost every product or service. Due to this, tier 2 cities like Chandigarh, Coimbatore, Madurai Pune, Kolkata, Ahmadabad, Baroda, Hyderabad, Cochin, Nagpur, Indore, Trivandrum are potential market and good platform for a brand to enter Indian market. As Indian consumers are very curious and have a broad perspective. Indian consumer be it an urban or in a small town retailers needs a feeling of value for money
2.4 ROLE OF GLOBAL RETAILING IN INDIA

Retail is one of the largest sectors in many national economies. The global retail industry accounts for over US$15 trillion in global revenue, and is expected to maintain strong growth. The industry is highly globalized, with large retailers operating in almost every country. Industry analysts state that the industry will continue to experience growth and concentration. Mergers and acquisitions continue to be an important trend, particularly in developing markets, and the largest firms are increasingly offering multiple formats as hypermarkets, supercenters and smaller stores to attract all segments of shoppers.
Retail employment often accounts for about 10 to 15 percent of total country employment, on average; approximately 142 million people were employed in the retail sector in 82 countries, including China and India.

Retail also accounts for a significant share of GDP in many countries, from 8 percent in the U.S., to 14 percent in India. Retail and wholesale trade is the third largest economic sector in Germany, accounting for 9.4 percent of total gross value added. Some countries have seen growth in the importance of retail in relation to the economy.

2.5 OVERVIEW OF GLOBAL RETAIL INDUSTRY

Retail has played a major role in world over in increasing productivity across the board especially in consumer goods and services. The impact is significant in countries like U.S.A., U.K., Mexico, Thailand and China. Economics of countries like Singapore, Malaysia, Hong Kong, Sri Lanka and Dubai are also heavily assisted by the retail sector. Retail are the second-largest industry in the United States both in number of establishments and number of employees. More than 22 million Americans are employed thereby generating about $3 trillion in retail sale annually. The organized retailing share in the total retail volume has been estimated as 20% in China, 25% in Indonesia, 35% in Philippines, 40% in Thailand and 50% in Malaysia against less than double digit in India. The proportion of organized retailing in US is around 80%, in Europe it is 70 %, while as in Asia on the whole it comes to around 20%.
The graph no 2.5.1 shows that Indian retail operation has grown from 3.1% in 2005 to 4.9% in 2009 still having immense room for growth in this sector.

Sources IBEF, Centrum research Report 2009, Technopak, Booz & Company
### TABLE NO 2.5.2

**TABLE SHOWING ASIA RETAIL SALES**

**GROWTH BY VOLUME (% PA)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>0.7</td>
<td>1.4</td>
<td>0.2</td>
<td>0.8</td>
<td>1.9</td>
<td>1.6</td>
<td>1.9</td>
<td>2.3</td>
</tr>
<tr>
<td>China</td>
<td>14.7</td>
<td>16.8</td>
<td>19.0</td>
<td>9.5</td>
<td>9.8</td>
<td>11.2</td>
<td>10.9</td>
<td>11.2</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>0.4</td>
<td>2.3</td>
<td>8.9</td>
<td>4.5</td>
<td>2.8</td>
<td>2.2</td>
<td>2.1</td>
<td>3.2</td>
</tr>
<tr>
<td>India</td>
<td>4.1</td>
<td>0.6</td>
<td>9.1</td>
<td>4.4</td>
<td>5.3</td>
<td>5.4</td>
<td>5.4</td>
<td>5.4</td>
</tr>
<tr>
<td>Indouthan</td>
<td>8.5</td>
<td>3.9</td>
<td>5.1</td>
<td>4.5</td>
<td>4.6</td>
<td>4.9</td>
<td>4.7</td>
<td>4.7</td>
</tr>
<tr>
<td>Japan</td>
<td>0.5</td>
<td>0.9</td>
<td>2.5</td>
<td>0.8</td>
<td>1.2</td>
<td>0.2</td>
<td>0.6</td>
<td>0.1</td>
</tr>
<tr>
<td>Malaysia</td>
<td>7.7</td>
<td>0.7</td>
<td>6.1</td>
<td>3.5</td>
<td>5.0</td>
<td>5.3</td>
<td>4.5</td>
<td>4.4</td>
</tr>
<tr>
<td>New Zealand</td>
<td>1.7</td>
<td>1.3</td>
<td>1.9</td>
<td>1.4</td>
<td>0.6</td>
<td>2.6</td>
<td>2.3</td>
<td>3.3</td>
</tr>
<tr>
<td>Philippines</td>
<td>4.1</td>
<td>0.0</td>
<td>6.0</td>
<td>2.5</td>
<td>4.4</td>
<td>4.5</td>
<td>4.8</td>
<td>4.7</td>
</tr>
<tr>
<td>Singapore</td>
<td>1.2</td>
<td>2.0</td>
<td>3.6</td>
<td>1.4</td>
<td>2.7</td>
<td>4.3</td>
<td>5.1</td>
<td>4.5</td>
</tr>
<tr>
<td>South Korea</td>
<td>0.5</td>
<td>0.2</td>
<td>3.9</td>
<td>1.3</td>
<td>1.8</td>
<td>2.3</td>
<td>2.3</td>
<td>2.9</td>
</tr>
<tr>
<td>Taiwan</td>
<td>0.3</td>
<td>1.4</td>
<td>4.1</td>
<td>2.8</td>
<td>2.5</td>
<td>1.2</td>
<td>1.5</td>
<td>1.4</td>
</tr>
<tr>
<td>Thailand</td>
<td>2.1</td>
<td>0.5</td>
<td>6.2</td>
<td>3.2</td>
<td>5.2</td>
<td>5.9</td>
<td>5.8</td>
<td>5.8</td>
</tr>
<tr>
<td>Vietnam</td>
<td>8.9</td>
<td>2.9</td>
<td>4.7</td>
<td>2.2</td>
<td>5.8</td>
<td>8.4</td>
<td>9.8</td>
<td>9.9</td>
</tr>
</tbody>
</table>

Sources: Retail Asia, KPMG Retail Analysis.

The above Table No 2.5.2, it explains the retail sales growth in Asia region and especially in India, retail growth from 2013, 2014 and projection for 2015 is 5.4 and has shown consistent growth and market opportunities. Hence, compared to other countries India is rated high in global retail map with consistent growth recorded over years.
TABLE NO 2.5.3

TABLE SHOWING RETAIL SECTOR'S SHARE IN THE GROSS DOMESTIC PRODUCT (IN PERCENTAGE)

<table>
<thead>
<tr>
<th>Country</th>
<th>Retail Sector's share in the Gross Domestic Product (in percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>10</td>
</tr>
<tr>
<td>USA</td>
<td>10</td>
</tr>
<tr>
<td>China</td>
<td>8</td>
</tr>
<tr>
<td>Brazil</td>
<td>6</td>
</tr>
</tbody>
</table>

Source: CII-AT Kearney Retail Study

As could be clearly seen, from the above table 2.5.3 the share of the retail in India had been found to be superior than those of its competitions. Such as China and Brazil. The retail sector is a growing sector in India and the prospect for further growth is high as per Jauce. There had been many factors that had stimulated the growth of the shopping centers and the multiplex-malls in large number.

2.6 MODERN RETAILING IN INDIA AND ITS CLASSIFICATION

The retail trade industry had been functioning in India in the form of Kiranas till 1980. Due to the increase in literacy and awareness towards modernization of the retail sector in India, many companies had started entering into the retail trade industry in India such as Bombay Dyeing, Grasim and many others. As had been started earlier the retail sector in India could be broadly divided into the organized sector and the unorganized sector. The unorganized sector had been very predominant.
2.6.1 UNORGANIZED RETAIL SECTOR

The unorganized retail sector basically included the local kiranas, the hand carts, the vendors on the pavement and other small bulk breakers. This sector accounts for about 98% of the total retail trade in India.

2.6.2 ORGANIZED RETAIL SECTOR

In the organized retail sector, trading was undertaken by the licensed retailers who had registered themselves for sales as well as for the payment of Income Tax. The organized retail sector had in their ambit, the corporate backed hypermarkets and the retail chains of stores. The private sector large sized business enterprises were also included in the organized retail category of carrying on business.

TABLE NO 2.6.2.1
TABLE SHOWING QUANTUM OF ORGANIZED AND UNORGANIZED RETAILING IN SOUTH ASIA

<table>
<thead>
<tr>
<th>Country</th>
<th>Organized Trade</th>
<th>Unorganized Trade</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>6</td>
<td>94</td>
</tr>
<tr>
<td>China</td>
<td>20</td>
<td>80</td>
</tr>
<tr>
<td>Indonesia</td>
<td>30</td>
<td>70</td>
</tr>
<tr>
<td>Thailand</td>
<td>40</td>
<td>60</td>
</tr>
<tr>
<td>Malaysia</td>
<td>55</td>
<td>45</td>
</tr>
<tr>
<td>Taiwan</td>
<td>81</td>
<td>19</td>
</tr>
</tbody>
</table>

Sources: CII-AT Kearney Retail Study
The Table No 2.6.2.1 above represent the share of organized market when compared to other regions and its only our country has ample space for growth and development.

2.7 VARIOUS FORMATS OPERATING IN MODERN RETAILING OF INDIA

In modern retailing business a key strategic choice was the formats. An innovation in the formats could provide an edge to the retailers and the, organized retailers in India had been adopting a variety of formats, ranging from the discounts stores to that of the super markets, the hyper markets and the specialty chains.

The retail formats had been undergoing a rapid change. The bigger shopping malls with exclusive brands as the well as company’s own outlets had been emerging fast which had prompted the customer to look to shopping through internet.

Retailing had become a fast growing industry with plenty of opportunities, and an increasing value perception and had been offering the right mix of price and products’ differentiation, and good service. The modern retail formats had also spread widely in the developed countries and also in the developing countries.
TABLE NO : 2.7.1
TABLE SHOWING VARIOUS FORMATS OPERATING IN INDIAN WITH THERE VALUE PROPOSITION

<table>
<thead>
<tr>
<th>Format</th>
<th>Description</th>
<th>The Value Proposition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Branded Stores</td>
<td>Exclusive showrooms either owned or franchised out by a manufacturer.</td>
<td>Complete range available for a given brand, certified product quality</td>
</tr>
<tr>
<td>Specialty Stores</td>
<td>Focus on a specific consumer need, carry most of the brands available</td>
<td>Greater choice to the consumer, comparison between brands is possible</td>
</tr>
<tr>
<td>Department Stores</td>
<td>Large stores having a wide variety of products, organized into different departments such as clothing, house wares, furniture, appliances, toys, etc.</td>
<td>One stop shop catering to varied/ consumer needs.</td>
</tr>
<tr>
<td>Supermarkets</td>
<td>Extremely large self-service retail outlets</td>
<td>One stop shop catering to varied consumer needs</td>
</tr>
<tr>
<td>Discount Stores</td>
<td>Stores offering discounts on the retail price through selling high volumes and reaping economies of scale</td>
<td>Low Prices</td>
</tr>
<tr>
<td>Hyper- mart</td>
<td>Larger than a supermarket, sometimes with a warehouse appearance, generally located in quieter parts of the city</td>
<td>Low prices, vast choice available including services such as cafeterias.</td>
</tr>
<tr>
<td>Convenience stores</td>
<td>Small self-service formats located in crowded urban areas.</td>
<td>Convenient location and extended operating hours.</td>
</tr>
<tr>
<td>Shopping Malls</td>
<td>An enclosure having different formats of in-store retailers, all under one roof.</td>
<td>Variety of shops available to each other.</td>
</tr>
</tbody>
</table>
The above graph No 2.7.2 explains the penetration of various formats based on choice of respondents throughout India.

TABLE NO 2.7.2

TABLE SHOWING INDIAN RETAIL LANDSCAPE

<table>
<thead>
<tr>
<th>PARTICULAR</th>
<th>2001</th>
<th>2012</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP ($ Billion)</td>
<td>450</td>
<td>1958</td>
<td>3310</td>
</tr>
<tr>
<td>Estimated Merchandise Consumption 9in $ Billion</td>
<td>120</td>
<td>490</td>
<td>810</td>
</tr>
<tr>
<td>Retail Market opportunity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of Independent Retail($ Billion)</td>
<td>115</td>
<td>455</td>
<td>648</td>
</tr>
<tr>
<td>No. Of Direct Employees in Independent Retail(Mn)</td>
<td>18</td>
<td>22</td>
<td>31</td>
</tr>
<tr>
<td>Share of Modern/corporate Trade</td>
<td>~4</td>
<td>~7</td>
<td>~20</td>
</tr>
<tr>
<td>Size of Corporate Retail in $ Billion</td>
<td>5</td>
<td>34</td>
<td>162</td>
</tr>
<tr>
<td>No of Direct Employees in Corporate Retail (n)</td>
<td>0.1</td>
<td>0.7</td>
<td>3.3</td>
</tr>
</tbody>
</table>

Source: KPMG annual report
The Table No 2.7.3 explains and projects the role and scope of increasing GDP over the years through retailing for developing economy. The taller further brief that increase in employment generation this sector will have immense opportunities for then section to gone.

2.8 ROLE OF FDI IN INDIAN RETAILING

There have been slow but steady changes taking place on FDI front in India. FDI was initiated around the year 2005 by Government of India. It was around 1990 when the modern retailing process started gradually in India. Initially Government of India had allowed 100% investment in the cash and carry or wholesale trading. The single brand retailing in 2006 was initially restricted to 51% but later it was allowed up to 100% subject to 30% sourcing from within India. Since last few years we had been emanating discussion towards multi-brand retailing and presently, 51% investment in multi-brand retail is permitted but it is left to the discretion of the State Governments to finally implement it in the respective states of India.

FDI AND CURRENT REGULATION:

- Single Brand Retail
  
  100% FDI with 30% local sourcing (average over five years at cost) or 51% FDI with no sourcing requirements
• Multi-Brand retail
  51% FDI permitted, in cities with population >1Mn
  30% sourcing from MSME mandatory, along with capital and supply
  chain investment requirements
  Dependent on approval by individual state; 18-20 cities with > 1Mn
  population
  Cash & Carry, 100% FDI permitted

2.9 NEW TECHNOLOGIES IN INDIAN RETAILING

Changing consumer behavior and increasing expectation towards organized
retailing has made all retailers to adopt modern information and processing
technology for easy and speedy accesses, facilitating time bound customers a better
shopping experience. The Technology used in retailing are classified into 3
categories.

2.9.1 ROLE OF CUSTOMER INTERFACING SYSTEMS IN
RETAILING

• Bar Coding and Scanners
  Today operators are widely using scanners and bar coding to identify an item,
  using a pre stored data making the customer feel comfortable. This reduces the
  billing time and consumer has to pay for the goods an effort to reduce waiting
time in queues
• Payment Modes

Increasing usage of plastic money and convenience and safety has promoted the usage of credit cards and Debit card has become quite widespread and this enables a fast and easy payment process.

• Internet for corporate and customers

Smart mobiles are penetrating into usage. Everyone is aware of all information removing the need of a consumer physically visiting the store.

2.9.2 E OPERATION SUPPORT SYSTEMS IN RETAILING

• ERP System and Indian retailing

All inbound and outbound activities from creating a customer to satisfies a customer ERP Plays important An integrated supply chain helps the retailer in maintaining his stocks, getting his supplies on time, preventing stock-outs and thus reducing his costs, while servicing the customer better.

• CRM Systems

All CRM tools aiming at enhancing loyalty through, mail order and the Internet has provided retailers with real access to consumer data. This, along with the various available CRM Systems, allows the retailers to study the purchase behavior of consumers in detail and grow the value of individual consumers to their businesses.
2.10 ORGANISED RETAILING IN TIER II AND TIER III CITIES

In India, organized retailing is more focused and based on urban market. Retailing in organized sector has proved successful in south and western part of India. According to KPMG Retail survey there is 82 percent opportunity in Indian metro and 36 percentage opportunities in II and III tier cities and other with 18 percentage.

2.10.1 CHART SHOWING ORGANISED RETAIL AS A PERCENTAGE OF FMCG BY CITIES

![Organised retail as a percentage of FMCG sales by city](chart.jpg)

The chart above shows the percentage of fmcg sales as in organized based on cities of importance, where cities like Hyderabad, Mumbai, Chennai, Bangalore, Delhi equally competed by vastly upcoming tier II cites, as Coimbatore,
Ahmadabad, pune, Madurai, Nagpur, The study area Madurai is having ample scope and opportunities for development as 10 percentage of FMCG goes organized.

Tier II and Tier III cities are emerging as the new destination for national and international retailers. Organized retailers are increasingly setting up and establishing stores in these tire II and III cities with increasing focus on innovation and cost reduction leading to profits.

2.10.2 CHART SHOWING TIER II AND TIER III CITIES

Source: The great Indian bazaar

The chart explains the list of cities and there nature, where the study area Madurai is listed as tier II cites with a potential for high growth and prospect by increasing population. More Tier III & III cites are also emerging with full potentials.
2.11 OVERVIEW OF INDIAN CONSUMER

The Indian retail experience has gone beyond the traditional brick-and-mortar store and includes numerous modern formats as supermarkets, convenience stores and malls and many more. Changing economic dynamics, diverse choices in products and services, numerous shopping formats and unparalleled access to information has empowered customers to expect more from their retail experience. In today’s rapidly changing and digitally connected world, customers are more value-conscious while making purchase decisions. Today, a customer interacts with the retailer multiple times before, and after the purchase. The interaction may happen across multiple channels. Therefore, it is important for the retailer to provide complete and consistent customer experience across these channels.

2.11.1 EVOLUTION OF CUSTOMER EXPERIENCE

Customers today care more about the retailing experience than they did in the past. Their expectations from retailers go beyond just shopping of goods and services. Today, consumers are looking for a personalized, seamless and distinctive experience from the retailers, better sophistication, superior product, value and better environment. The consumer experience is changing as consumers adopt and become connected, they are constantly connected to the internet through smart portable and highly usable devices they are in control of the technology they use and also expect the latest technology from retailers as consumers are the only savior of modern retailing they are increasingly taking charge of their own shopping experience identifying and leveraging many source of information and channels to optimize the different elements of their shopping journey.
2.11.2 FACTORS AFFECTING CUSTOMER EXPERIENCE.

The Modern Customers Shopper are in the do-it-yourself segment. Today the busy Customers expect quick service even at retail stores. Stores should be conveniently located and have the right layout. As retail store are places of social choice, Customers want to be entertained and even educated while they shop. Continuous invest training and coaching of staff to deliver Superior Customers’ expectations and satisfaction with Easy returns policy is a must for better commitment.

The dynamic retail Consumers are leading the way in multichannel shopping, with many retailers lagging behind in meeting their needs. Today’s global retailers have a huge opportunity to enhance the mechanisms necessary to keep up with shoppers who are demanding more customization in terms of delivery, returns, product choice and number of channels from which to choose. Retailers need to become far more innovative with their online presence. They should refresh their physical formats to emphasize quality and customer satisfaction, and not just price and selection. They must align themselves with the buying tendencies of the growing middle-class customers in all area of operation.

2.11.3 GROWTH DRIVERS OF ORGANIZED RETAIL INDUSTRY

There are many factors contributing to the boom of this sector. To name a few, increased consumerism with a capacity to spend on luxury items and enhanced spending power in the hands of Indians. More Indians are travelling abroad and flow of tourist and availability of brands exposed to different cultures and way of life and thereby more brands. India's internal consumption is also high and the consumption
pattern owning to diversity in culture, religion and the family values that encourage spending on specific occasions keeps the retail business well focused. Marriages add a big dimension to the retail spends. Our culture expects a lot of give-and-take for marriages, festivals and other important events of life. Hence, it's imperative for people right from rural to the urban, irrespective of their caste and creed or economic status, to spend on gifts as a part and parcel of life.

Modern retail in India is finally poised for a takeoff driven largely by these critical factors:

- Richer and Evolving Consumers
- New Consumption Hubs in Tier 2/3 Cities
- Enabling Eco System & Supporting Regulation
- A vibrant and Graving Economy
- A resplendent Market

Due to these factors, industry is always poised to overwhelming growth and expects a better share in the GDP of industries.

2.12 CHALLENGES FACED BY MODERN RETAILING IN INDIA

2.12.1 OVERVIEW OF CHALLENGES

Retail growth cycle is carried out in India by a totally unplanned and haphazard style. The by-product of which is a number of roadblocks like poor traffic management, ecological disasters and pitiful infrastructure & untrained staffs, government regulation hampers the growth of Indian retailing
2.12.2 IMPACT OF RISING REAL ESTATE VALUES

National and international players are focusing India as the major point of construction, giving rise to skyrocketing prices of real estate. This escalating rent or lease of the property is such an aspect, which in taking up Major portion of operation.

2.12.3 ROLE OF MARKET RESEARCH PRIOR TO THE DEVELOPMENT OF A MALL

A clear and through study regarding the opportunities, feasibility of operation and key technical details needed before starting a mall.

2.12.4 LONG GESTATION PERIOD

Malls are the latest format in Indian organised retail. So, the gestation period of these ventures is quite long. A mall sprawl over 1,00,000 sq ft requires capital budget of Rs.20-30crores, with a payback period of 60-75 months.

2.12.5 IMPACT OF ADEQUATE INFRASTRUCTURE & POORLY DESIGNED MALL

Indian malls are facing the problem of inefficient supply chain. Supply chain for most of the goods is in the grip of vicious circle of inefficiency due to the factors like obsolete warehousing, outdated transport technology and poorly coordinated logistics Poor roads, lack of cold chain infrastructure etc. hampers the development of food and fresh grocery retail in India. Pilferage was another challenge mall managers struggled.
2.12.6 ROLE OF RESOURCE IN MODERN MALLS

Human resource is the most important asset of an organization and no one can understand this better than the mall developers of India. They are facing a crunch in hiring personnel. In India the mall managers are substituted either by real estate or hospitality personnel.

2.12.7 IMPROPER POSITIONING OF MALL

Indian developers are lacking in this perspective. This poor positioning results in poor platform of differentiating the malls from the competitors. Proper positioning is the key to distinguish from mall clutter. Hence, malls are required to develop its own USP rather than to be just one amongst many.

2.12.8 IMPACT OF PARKING FACILITIES

Shoppers are facing the problem of inadequate space and uneasy flow of vehicles. Adequate measures needed to be taken to solve this problem.

2.12.9 ROLE OF VALUE AND CULTURAL DIVERSITY:

India is a country with was diversity and establishment and believes more on values, where there is no established model of consumption pattern which are biggest problem to all retailers.
2.12.10 ABSENCE OF INDUSTRY STATUS AND OPERATING PROBLEM

Due to the absence of ‘industry status’, organized retail in India faces difficulties in procurement of organized financing and fiscal incentives. The Government facilitate these to solve this problem.

2.12.11 POLICY INDUCED BARRIERS

Organized retail in India is managed by both the Ministries of Commerce & Consumer Affairs. While the Ministry of Commerce. The development of the retail sector can take place at a faster pace if a comprehensive legislation is enacted.

2.13 CONCLUSION

The chapter concludes with an overview of modern retail outlets operating in the study area. The factors that influence choice of shopping center and the importance role played by each attributes in store selection. A healthy and profitable mix of assortment will help in increasing the awareness and opinion towards modern retail outlets.