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CHAPTER I

INTRODUCTION

The retail sector has played a phenomenal role throughout the world in increasing productivity of consumer goods and services. It is also the second largest industry in US in terms of numbers of employees and establishments. There is no denying the fact that most of the developed economies are very much relying on their retail sector as a locomotive of growth. The India Retail Industry is the largest among all the industries, accounting for over 10 percent of the countries GDP and around 8 percent of the employment. The Retail Industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. But all of them have not yet tasted success because of the heavy initial investments that are required to break even with other companies and compete with them. The India Retail Industry is gradually inching its way towards becoming the next boom industry.

The Prologue

Retail has played a major role world over in increasing productivity across a wide range of consumer goods and services. The impact can be best seen in countries like U.S.A., U.K., Mexico, Thailand and more recently China. Economies of countries like Singapore, Malaysia, Hong Kong, Sri Lanka and Dubai are also heavily assisted by the retail sector.

The retail sector in India is witnessing a huge revamping exercise as traditional markets make way for new formats such as departmental stores, hypermarkets, supermarkets and specialty stores. Western-style malls have begun appearing in metros and second-rung cities alike introducing the Indian consumer to a shopping experience like never before.
Rated the fifth most attractive emerging retail market, India is being seen as a potential goldmine. It has been ranked 2nd in a Global Retail Development Index of 30 developing countries drawn up by A T Kearney. The list was developed as a response to requests from retail chains facing saturated demand in most western markets. The size of the retailing industry in India is estimated to be in the order of Rs. 7200 to 8100 billion (US $ 160-180 billion), with organized retailing estimated to be approximately 2 percent (Rs 160-180 billion) of the total retailing industry in the country. Food and grocery retailing is estimated to contribute to around 50 percent (Rs. 3500-4000 billion) of the total sales from retailing.

The boom in the sector started after the liberalization measures were initiated in 1991 in the country. Several large chains have entered the bandwagon and have achieved fair to significant success. Indian retailing has evolved over the past decade, from largely an ‘informal’ and disorganized marketplace to an increasingly corporative industry, at least in the urban India. With the increased popularity of food retailing in an organized way, this sector has thrown up a wide range of opportunities for Indian agribusiness. Philip Kotler, in his book on Marketing Management, defines ‘Retailing’ as all the activities involved in selling goods or services directly to final consumers for personal, non-business use.¹

This chapter provides the basic premise for the research study. The chapter begins with a prologue where concepts of Retail are discussed in brief. This chapter also explains the various advantages and disadvantages of Retail industry, overview of the global Retail industry, comparative analysis of retail industry of globe and India, Indian retail industry at a glance. The chapter also highlight’s on the Evolution of Modern Retailing in India. Objectives of the study, hypotheses tested methods and tools of data collection and, analysis of data.

¹
Retail is the second-largest industry in the United States both in number of establishments and number of employees. The U.S. retail industry generates $3.8 trillion in retail sales annually, approximately $11,690 per capita. The retail sector is also one of the largest worldwide.

Wal-Mart is the world's largest retailer and the world's largest company with more than $256 billion (USD) in sales annually. Wal-Mart employs more than 1 million associates in the United States and more than 300,000 internationally. The second largest retailer in the world is France's Carrefour.

India's vast middle class and its almost untapped retail industry are key attractions for global retail giants wanting to enter newer markets. A.T. Kearney has estimated India's total retail market at $202.6 billion, which is expected to grow at a compounded 30 percent over the next five years.

- In 2003-04, organized retailing, which has an annual growth rate of 8.5 percent, swept past the Rs. 200-billion marks ($4.5 billion), a figure that appears quite small if one were to compare the extent of the total market.
- Organized retail, at present comprises merely 2 percent of the total market in India. This means that the untapped segment amounts to a whopping Rs. 9,800 billion (approx. $225 billion).

- The share of modern retail is likely to grow from its current 2 percent to 15-20 percent over the next decade, analysts feel.

- No wonder a heavyweight like the Reliance group is planning to do a Wal-Mart in India. (Indian Retail Services 2010)

In the next couple of years, India will see at least two Indian retail businesses attaining the magic figure of Rs 1,000 crore ($218 million) in sales. Several others are expected to attain a critical mass as growth in the industry picks up momentum. This will be driven by two key factors:
Retailing, which is one of the largest sectors in the global economy, is going through a transition phase in India. However, the Indian retail sector is still in a nascent stage. Organized retailing still contributes to only about 2 percent of the total retailing in the country. L

What constitutes Organized Retailing? Mr. Raghu Pillai, the Managing Director of Food World, which is one of the leading organized food retailing chains in India says that, “Organized Retailing presupposes a retailers’ ability to manage or more importantly influence a set of supply chain variables in a commercially viable and sustainable way.”

Source: Retail study on Indian Market (2011)
Efficient management of the supply chain to ensure the profitability of the entire chain, large outlets with modern environment and facilities, a wide product profile, self service facilities etc are generally the features of a modern retail store. Organized retailing aims at providing an ideal shopping experience for the consumer based on the advantages of large-scale purchases, consumer preference analysis, excellent environment and choice of merchandise.

However, there are no single formats, designs, facilities or product portfolios that can be identified as the success formula and as a general rule, differentiation between chains is necessary to increase viability. For a long time, the corner grocery store was the only choice available to the consumer, especially in the urban areas. This is slowly giving way to international formats of retailing. The traditional food and grocery segment has seen the emergence of supermarkets/grocery chains.
1.1 Modern Retail Textiles & Food Market

Emergence of retail chains was at first witnessed in the textiles sector, with companies like Bombay Dyeing, Raymond, S. Kumar’s and Grasim, opening their own outlets. Titan then successfully created a retailing concept, by establishing its series of elegant showrooms. The latter half of the nineties has been a witness to a fresh wave of entrants in the retailing business. The new chains have not been restricted to textiles and garment sellers but there have been entrants from various fields of commerce.

The Growth Drivers

The changes in the nation’s social structure like improvement of the Indian economy, consumerism, urbanization, profusion of brands have been the main causal factor for the development of these modern formats. Indian food buying behavior is gradually changing in response to the changing social structure.

The increasing number of nuclear families, double-income households and working women, greater work pressure and increased commuting time has put the consumers under constant time pressure. The other equally important factors in the changing Indian landscape are the increasing influence of children, gradual acceptance of frozen, semi-processed and processed foods by the Indian consumer, the growing influence of television in decision-making and improvement in literacy rates.

As the modern housewife starts shopping for herself she appreciates and welcomes: a pleasant shopping environment; convenience of one-stop shopping with wider product portfolio at a
single location; speed and efficiency in processing; more information; better quality and hygiene; and discount too if possible. The improved income and the increased purchasing power of a larger section of the Indian population makes the opening of outlets, which provide the whole bunch of these improved services, a viable opportunity.

**The existing situation**

The size of the retailing industry in India is estimated to be in the order of Rs. 7200 to 8100 billion (US $ 160-180 billion), with organized retailing estimated to be approximately 2 percent (Rs 160-180 billion) of the total retailing industry in the country. Food and grocery retailing is estimated to contribute to around 50 percent (Rs. 3500-4000 billion) of the total sales from retailing.

The number of total retail outlets in the country is estimated to be around 12 million. The retail sector is the second largest employer of the country after agriculture. Total retail sales area in India was estimated at 328 million sq meters in 2001. Thus, the average retail selling space worked out to be below 30 sq meters per outlet. However, the trend towards larger outlets is expected to increase the average retail space per outlet.²

A T Kearney, Global Retail Development Index, 2003, ranks India as the 5th among the 30 emerging markets for new retailers to enter. The Indian retail market is estimated to have sales of around US $ 160-180 billion (Rs 7200 to 8100 billion) and is estimated to be growing at above 5 percent annually. A CII-McKinsey study estimates that if the growth rate were kept at around 6-7 percent, the market would reach around US$...
300 billion by 2010. However, if the existing supply chain constraints are removed, real estate markets made more organized and tax structure rationalized, retailing in India has the potential to grow as large as US $450 – 500 billion by 2010. Globally, retailing is done in a more organized way than it is done in India.

In the United States, almost 80 percent of the retail sales are under the control of the organized retail sector. Organized Retailing, in the last decade, has emerged as one of the sunrise industries in India, closely following the Information Technology and Biotechnology industries.⁴

**Fundamentals of Retail Industry**

**Features of Retail Market**

The retail market size in India is estimated to be around $180 billion. Retailing provides jobs to almost 15 percent of employable Indian adults and it is perhaps the largest contributor to India's GDP. But the flip side of the coin is that the average size of each of the retail outlets in India is only 50 square feet and though a large employer, the industry is very unorganized, fragmented and with a rural bias.

**The Indian Retail Industry Is Unorganised**

There are nearly twelve million retail outlets in India and the number is growing. Two thirds of these stores are in rural location. The vast majority of the twelve million stores are small "father and son" outlets. According to the "Retailing in India" report published by the PwC Global Retail Intelligence Program, share of the unorganized sector is 98 percent.⁵
The Indian Retail Industry Is Fragmented

Retail stores in India are mostly small individually owned businesses. The average size of an outlet is 50 sq. Ft. and though India has the highest number of retail outlets per capita in the world, the retail space per capita at 2 sq. Ft per person is amongst the lowest in the world.

The Indian Retail Industry Has Rural Bias

Nearly two thirds of the stores are located in rural areas. The retail industry in rural India has typically two forms: "Haats" and "Melas". Haats are the weekly markets: they serve groups of 10-50 villages and sell day-to-day necessities. They are frequently used as replenishment point for the small village retailer. Melas are larger in size and more sophisticated in terms of the goods sold. Mela merchandise would include more complex manufactured products such as televisions.
1.2 Retailing Formats

Retail Management is a very important part of the distribution process. It is the last link in the chain and is the direct interface of the process with the customer. In India, retailing has caught up in a big way. Today one finds the presence of huge retail stores like Crossroads, Shoppers Stop etc who are doing well. It has a bright future and looks all set to grow. Currently it is an urban phenomenon, present in the metropolises like Mumbai, Delhi and Bangalore etc. However this trend is moving into the smaller towns and these present the market of the future.

What is retailing? Philip Kotler defines retailing as all activities involved in selling good or services to the final customer for personal use. In today’s scenario our retailer does not exist in the brick and mortar form alone. She/He can do it by using the telephone, by direct mails, by using television in the form of teleshopping networks, by e-mails, by using the Internet or absolutely impersonally by using vending machines.  

There Are Two Types of Retailing Formats: -

1) Store Form of Retailing
2) Non-Store Form of Retailing

❖ Store Form of Retailing

Store retailing is the traditional form of retailing wherein a customer physically goes to the store to buy goods or services. Some of the types of store retailing are:
**Malls**

Most malls give floor space out to individual shops on lease, and these are enticed by the economies resulting from the sharing of costs. India's largest shopping arcade Spencer Plaza (600,000-sq-ft) in Chennai is an example. In malls like these, the combined brand pull of all outlets is used to create a pull for the mall. Spencer Plaza is one of Chennai’s finest & largest shopping mall and covers over a million square feet. In Spencer Plaza complex, leading names like food world, music world, health & glow, vummidiars, van heusen, proline, arrow, American express, Allen solly besides a lot of retailers dealing with Jewellery, domestic appliances, leather goods and handicrafts are housed.

In Spencer Plaza other comforts like central air-conditioning, smooth-moving escalators to the first and second floors, glass capsule lifts to all the seven floors, well-lit atriums, info-desks are available.

The shopping area spreads across ground, first and second floors. Office units are spread between fourth and seventh floors. An exclusive car park is located partially in the second floor, and fully in the third floor.

**Branded Stores**

Exclusive showrooms run by premium brands have been the catalysts in pushing up the Indian retail scenario. This concept is now being used to introduce organized retailing to the second rung towns. Madura Garments has started setting up exclusive outlets in cities like Trichy (Tamil Nadu) and Thanjavur (Tamil Nadu).
Madura Garments, IRIL's garments division, is a market leader in branded apparel. It offers a wide range of ready-to-wear clothes to cater to every market segment. Its power brands are Van Heusen, Louis Philippe and Allen Solly. Its popular brand is Peter England, and its youth brand is San Frisco.

**Madura Garment’s Key Brands Include**

Louis Philippe's range of superbly crafted garments makes an exclusive fashion statement that is accepted as a status symbol, recognised by its distinctive icon - 'The Upper Crest'.

Van Heusen has redefined corporate attire through continuous product innovation and exclusive collections. "Van Heusen has redefined the way clothes are looked at in India. They are not just about looks. Today technology allows scientists to enhance fabric with treatment, microprocessors and sensors; this in turn opens up a whole world of possibilities. The new fabric development technology is being introduced for the first time in the country through Van Heusen.

Allen Solly popularised the Friday dressing concept in India. It has won the International Fertilizer Industry Association (IFA) Images 2001 'Best Brand Award' in the readymade men's wear apparel category. With the launch of its women's wear in December 2001, Allen Solly has made a successful foray into the growing women's work and casual wear market.
**Peter England**

This mid-segment shirt has effectively penetrated the mini metros. It has won several awards, including 'Shirt of the Year 2000' and 'India's most admired men’s wear brands 2001'.

Positioned as the 'bad boy of denim' with a slew of radically different designs and fits, SF Jeans is targeted at the 18 to 21-year-old youth. SF Jeans are available in multiple styles such as the 'Oil and Grease Collection' – a line of denim that takes its inspiration from the garage mechanic's overalls – and the 'Permanently Creased Collection' – which has wrinkles and creases that normally appear after years of wear. These jeans are available in boot cut, low waist and belt less frayed styles.

**Departmental Stores**

Departmental Stores are expected to take over the apparel business from exclusive brand showrooms. Among these, the biggest success is K. Raheja's Shoppers Stop, which started in Mumbai and now has more than seven large stores (over 30,000 sq. ft) across India and even has its own in store brand for clothes called Stop!

The foundation of Shoppers' Stop was laid on October 27, 1991 by the K. Raheja Corp. group of companies. Being amongst India's biggest hospitality and real estate players, the Group crossed yet another milestone with its lifestyle venture - Shoppers' Stop.

From its inception, Shoppers' Stop has progressed from being a single brand shop to becoming a Fashion & Lifestyle store for the family.
Today, Shoppers' Stop is a household name, known for its superior quality products, services and above all, for providing a complete shopping experience.

With an immense amount of expertise and credibility, Shoppers’ Stop has become the highest benchmark for the Indian retail industry. In fact, the company’s continuing expansion plans aim to help Shoppers’ Stop meet the challenges of the retail industry in an even better manner than it does today.

**Speciality Stores**

Chains such as the Bangalore based Kids Kemp, the Mumbai books retailer Crossword, RPG's Music World and the Times Group's music chain Planet M, are focusing on specific market segments and have established themselves strongly in their sectors.

Absence of discounting as a dominant format of retailing in India is a glaring peculiarity. The reasons are two-fold. Unlike most Western countries, Indian retailers have much less bargaining power. They thrive as small store and don't have the clout to negotiate terms with the manufacturers.

The other reason is that the retailers themselves have no economies of scale to offer discounts on their own. However, the scenario is now changing. Increased investments and the entry of big business houses in retailing is leading to the emergence of bigger retailers, who can both bargain with the suppliers, as well as, reap economies of scale. Hence, discounting is becoming an accepted practice.
Planet M

Planet M is an Indian music retail store founded by The Times Group (BCCL). It was sold to Next Retail India Ltd. of Mumbai, the retail arm of Videocon, in Nov 2007. It is present in many cities (140-plus locations) all over India. These stores are mainly known for selling music and movies and related accessories. They also sell gaming consoles and handhelds like PlayStation Portable, PS2, PS3 and Xbox 360. Planet M is also a new entrant in the mobile retail business. They offer a wide range of mobile handsets with lucrative schemes.

➔ Discount Stores

A discount store sells products at a lower price by reducing its own margins. This type of stores target high volumes to ensure profitability.

Big bazaar is the company’s foray into the world of hypermarket discount stores, the first of its kind in India. Price and the wide array of products are the USP’s in Big Bazaar. Close to two lakh products are available under one roof at prices lower by 2 to 60 percent over the corresponding market prices.

The high quality of service, good ambience, implicit guarantees and continuous discount programmes has helped in changing the face of the Indian retailing industry. A leading foreign broking house compared the rush at Big Bazaar to that of a local suburban train.

➔ Supermarkets

These are similar to department stores but with a focus on food and household maintenance products. This is more of a self-service operation wherein a customer just goes and picks what he wants. Food Bazaar’s core concept is to create a blend of a typical Indian Bazaar and
International supermarket atmosphere with the objective of giving the customer all the advantages of Quality, Range and Price associated with large format stores and also the comfort to See, Touch and Feel the products.  

The company has recently launched an aggressive private label programme with its own brands of tea, salt, spices, pulses, jams, ketchups etc. With unbeatable prices and vast variety (there are 42 varieties of rice on sale), Food Bazaar has proved to be a hit with customers all over the country.
Non-Stores Kind of Retailing

➤ Direct Selling

This is a scenario in which a sales person goes from door to door or from office to office and meets the customer directly to close a sale. A very good example is that of vacuum cleaners, wherein a representative goes to the homes of a customer at their convenience and demonstrates the utility of his products so that the customer can make a purchase decision based on the performance of the vacuum cleaner.

➤ Direct Marketing

This is a scenario in which instead of directly visiting the customer, product information is supplied through other sources. These include sending mails, providing information over the telephone (also called as Telemarketing) and other media.

➤ Television Shopping

Today, television has become more popular means of selling products. Various channels have teleshopping programs through which marketers demonstrate the usability of the products. The customer can then order the product through e-mail, Internet or the telephone.

➤ Cataloguing

In this a booklet enlisting all the products on offer is sent to the customer. Based on the information provided, the customer can then make his buying decision and order it via the telephone, emails the Internet.

➤ Net Marketing

This is the latest trend in marketing. Here the products are detailed on the website of the retailer and the customer can order it right way with the help of a few mouse clicks. The other electronic tool that is used is
the email facility. E-Mailers are sent to prospective customers by providing the details of the products. This medium is also used to provide information about new products to existing customers.

**Trends in Retailing**

Retailing in India is at a nascent stage of its evolution, but within a small period of time certain trends are clearly emerging which are in line with the global experiences. Organised retailing is witnessing a wave of players entering the industry. These players are experimenting with various retail formats. Yet, Indian retailing has still not been able to come up with many successful formats that can be scaled up and applied across India. Some of the notable exceptions have been garment retailers like Madura Garments & Raymond’s who was scaled their exclusive showroom format across the country.

➤ **Experimentation With Formats**

Retailing in India is still evolving and the sector is witnessing a series of experiments across the country with new formats being tested out; the old ones tweaked around or just discarded. Some of these are listed in next page Table.
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<tr>
<th>Retailer</th>
<th>Current Format</th>
<th>New Formats. Experimenting With</th>
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<tbody>
<tr>
<td>Shoppers’ Stop</td>
<td>Department Store</td>
<td>Quasi-mall</td>
</tr>
<tr>
<td>Ebony</td>
<td>Department Store</td>
<td>Quasi-mall, smaller outlets, adding food retail</td>
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<tr>
<td>Crossword</td>
<td>Large bookstore</td>
<td>Corner shops</td>
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<td>Pyramid</td>
<td>Department Store</td>
<td>Quasi-mall, food retail</td>
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<tr>
<td>Pantaloon</td>
<td>Own brand store</td>
<td>Hypermarket</td>
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<td>Subhiksha</td>
<td>Supermarket</td>
<td>Considering moving to self service</td>
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<td>Vitan</td>
<td>Supermarket</td>
<td>Suburban discount store</td>
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<td>Food world</td>
<td>Food supermarket</td>
<td>Hypermarket, Food world express</td>
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<tr>
<td>Globus</td>
<td>Department Store</td>
<td>Small fashion stores</td>
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<td>Bombay Bazaar</td>
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<td>E food mart</td>
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<td>Metro</td>
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<td>S Kumar's</td>
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<td>Discount store</td>
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Retailers are also trying out smaller versions of their stores in an attempt to reach a maximum number of consumers. Crossword bookstores are experimenting with Crossword Corner, to increase reach and business from their stores. Food World is experimenting with a format of one-fourth the normal size called Food World Express.
➤ **Store Design**

Irrespective of the format, the biggest challenge for organised retailing is to create an environment that pulls in people and makes them spend more time shopping and also increases the amount of impulse shopping. Research across the world shows that the chances of senses dictating sales are as much as 10-15 percent for certain categories. This reason is good enough for organised retailers to bring in professional designers while developing a new property. And, that is why retail chains like Music World, Baristal, Pyramid and Globus and laying major emphasis & investing heavily in store design.

Music World spent three months in college campuses and metros studying the market and talking to youngsters before starting work. The brand identity was created after extensive research: a logo was designed and the look of the stores across the country was decided upon.

Apart from the visual impact, the functionality of the store design was also taken care of. Listening posts have been created for people to listen to their favorite album and an area in the center of the stores has been earmarked for celebrity visits and promotions.

➤ **Emergence Of Discount Stores**

What does Subhiksha in Chennai, Margin Free in Kerala and recent entrants like Bombay Bazaar in Mumbai, RPG's - Giant in Hyderabad, Big Bazaar in Kolkata, Hyderabad and Bangalore have in common? Their products are below MRP. Discount stores have finally arrived in India and they are expected to spearhead the revolution in organization retailing. Though this segment is growing, it is small
compared to international standards where around 60 percent of the business comes from this format.

Internationally, the largest retailer in the world Wal-Mart is a discounter. These discount stores have advantages of price, assortment dominance and quality assurance and have the ability to quickly build scale and pass on the benefits. However, the success would be for retailers who are able to build the scale fast and manage their operations efficiently while offering value to the customer consistently.  

➔ **Unorganised Retailing Is Getting Organised**

To meet the challenges of organized retailing that is luring customers away from the unorganized sector, the unorganized sector is getting organized. 25 stores in Delhi under the banner of Provision mart are joining hands to combine monthly buying. Bombay Bazaar and E food mart have also been formed which are aggregations of Kiranas.

In a novel move, six Delhi based restaurants have come together and formed a consortium: NFC, to promote New Friends Colony, a posh locality in the Capital, as a branded place in town. The aim is to increase footfalls in the area, which is fast losing its sheen to its closest and upcoming destinations such as large Cineplex’s, and malls, which are backed by the corporate house such as 'Ansals' and 'PVR'.

Not All Stories Are A Success

A lot of activity is happening in retail and though we do have May success stories, not all ventures have been successful. Shoppers' Stop, for example, implemented JD Edwards ERP, but could not reap much benefit due to less than optimal number of operating locations. A few references of other such less successful ventures is given below:

1) Franchising, as a way to grow has not worked out well for Vitan, the second oldest food supermarket. More than two third of its 19 odd outlets have either folded up or snapped up ties with the parent.

2) The foray of organized retailing in the small towns of India has met with limited success. The notable example being Shoppers' Stop foray in Jaipur. The retailers are now focusing their energies on the top six cities.

3) India's oldest food supermarket chain, the Bangalore based Nilgiris has been up for sale for a few months now but yet to find takers.

4) In Delhi, the Escorts group-promoted Nanz, a food supermarket has shut down after being unable to find a white knight.

These failures and limited successes have happened both due to a lack of experience and understanding of issues.
Technology in Retail

Over the years as the consumer demand increased and the retailers geared up to meet this increase, technology evolved rapidly to support this growth. The hardware and software tools that have now become almost essential for retailing can be into 3 broad categories.

1) Customer Interfacing Systems

- **Bar Coding & Scanners**

  Point of sale systems use scanners and bar coding to identify an item, use pre-stored data to calculate the cost and generate the total bill for a client. Tunnel Scanning is a new concept where the consumer pushes the full shopping cart through an electronic gate to the point of sale. In a matter of seconds, the items in the cart are hit with laser beams and scanned. All that the consumer has to do is to pay for the goods.

- **Payment**

  Payment through credit cards has become quite widespread and this enables a fast and easy payment process. Electronic cheque conversion, a recent development in this area, processes a cheque electronically by transmitting transaction information to the retailer and consumer's bank. Rather than manually process a cheque, the retailer voids it and hands it back to the consumer along with a receipt, having digitally captured and stored and image of the cheque, which makes the process very fast.

- **Internet**

  Internet is also rapidly evolving as a customer interface, removing the need of a consumer physically visiting the store.
2) Operation Support Systems

➤ Enterprise Resource Planning Systems

Various ERP vendors have developed retail-specific systems which help in integrating all the functions from warehousing to distribution, front and back office store systems and merchandising. 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.

➤ Customer Relationship Management Systems

The rise of loyalty programs, mail order and the Internet has provided retailers with real access to consumer data. Data warehousing & mining technologies offers retailers the tools they need to make sense of their consumer data and apply it to business. This, along with the various available Customer Relationship Management Systems, allows the retailers to study the purchase behavior of consumers in detail and grow the value of individual consumers to their businesses.\(^\text{10}\)

➤ Advanced Planning & Scheduling Systems

APS systems can provide improved control across the supply chain, all the way from raw material suppliers right through to the retail shelf. These APS packages complement existing (but often limited) ERP packages. They enable consolidation of activities such as long term budgeting, monthly forecasting, weekly factory scheduling and daily distribution scheduling into one overall planning process using a single set of data. Leading manufacturers, distributors and retailers and considering APS packages such as those from i2, Manugistics, Bann, MerciaLincs and Stirling-Douglas.
3) **Strategic Decision Support Systems.**

- **Store Site Location**
  
  Demographics and buying patterns of residents of an area can be used to compare various possible sites for opening new stores. Today, software packages are helping retailers not only in their locational decisions but in decisions regarding store sizing and floor-spaces as well.

- **Visual Merchandising**
  
  The decision on how to place & stack items in a store is no more taken on the gut feel of the store manager. A larger number of visual merchandising tools are available to him to evaluate the impact of his stacking options. The SPACEMAN Store Suit from AC Nielsen and ModaCAD are example of products helping in modeling a retail store design.
1.3 Global Retailing

History

American mass retailing began in the late 1800s with Montgomery Ward marketing its products through general merchandise mail order catalogs, which was very effective at that time for reaching a largely rural society.

In the 1940s, the population began its movement to the suburbs as the economy shifted from an agricultural base to an industrialized nation. The first shopping center was opened, which would eventually be a significant factor in the decline of downtown retailing in the 1960s and 70s. J.C. Penney and Sears began their national mass retailing expansion, and the use of credit cards as major retail chains began.

The 1950s witnessed the reaffirmation of the traditional family. The first planned mall and franchised food restaurant opened. As people continued to flock to the suburbs, the downtown areas began to decline. Larger suburban malls were created and anchored by traditional downtown department store merchants. Freeways were expanded and the sales of private automobiles grew, giving the consumer a wider accessible area in which to shop. Discounters were born, Korvetta being one of the firsts.

The 1960s witnessed the growth of enclosed shopping centers, with department stores anchors and specialty retail chains. The baby boomers were teenagers at this point, leading to the growth of juniors-oriented stores and vendors. Women became targets not just as mothers or wives as they entered the workforce and consumers became more demanding in their expectation of quality and service.
In the 1970s, promotional pricing started to pick up the department stores as off-price retailer emerged. The growth of retail space slowed, as sales increase came at the expense of competition, not of market growth. This competitive market led to the under performance of several retailers as gross margins experienced downtown pressure from increased competition. Retailers in large upscale markets recognized the time shortage created by dual-career families and began to offer more services to assist in saving time.

The 1980s witnessed the growth of off price retailing as a distinct, enduring retail format. Retailers began to drop low profit lines. Acquisitions and mergers were actively utilized as growth strategies, private brands were redeveloped to enhance uniqueness and margins and offshore sourcing was developed to compensate for margins.

**Current Scenario**

Retail has played a major role world over in increasing productivity across a wide range of consumer goods and services. The impact can be best seen in countries like U.S.A., U.K., Mexico, Thailand and more recently China. Economies of countries like Singapore, Malaysia, Hong Kong, Sri Lanka and Dubai are also heavily assisted by the retail sector.

Retail is the second-largest industry in the United States both in number of establishments and number of employees. It is also one of the largest worldwide. The retail industry employs more than 22 million Americans and generates more than $3 trillion in retail sale annually. Retailing is a U.S. $7 trillion sector. Wal-Mart is the world’s largest retailer. Already the world’s largest employer with over 1 million
associates, Wal-Mart displaced oil giant Exxon Mobil as the world’s largest company when it posted $219 billion in sales for fiscal 2001.  

Wal-Mart has become the most successful retail brand in the world due its ability to leverage size, market clout, and efficiency to create market dominance. Wal-Mart heads Fortune magazine list of top 500 companies in the world. Forbes Annual List of Billionaires has the largest number (45/497) from the retail business.

In the developed countries, the retail industry has developed into a full-fledged industry where more than three-fourths of the total retail trade is done by the organized sector. Huge retail chains like Wal-Mart, Carr four Group, Sears, K-Mart, McDonalds, etc. have now replaced the individual small stores. Large retail formats; with high quality ambiance and courteous and well-trained sales staff are regular features of these retailers.

**The Growth Drivers**

The United States of America (USA) has been a forerunner in the evolution of retailing. Today, the organised players handle 80 percent of the retail trade in the US. Wal-Mart alone handles 6 percent of the total retail trade and the top 50 retailers control 36 percent of the organised retail. The factors that contributed towards the growth and consolidation of organised retailing in the US are described below:

1) **Baby Boomers:** -

The single largest contributor to the growth of organised retailing was the boom in consumer spending after the Second World War. This was caused largely due an increasing population, when America
witnessed 64 million births in an 18-year period. Consumer preferences changed and spending patterns became significant drivers for detail expansion thus making retailing an attractive business.

2) Increased Per Capita Spending: -

The effect of population increase was further accentuated by an increase in per capita spending. Per capita personal consumption expenditure in the US, rose form $1,796 in 1959 to $22,391 in 1999. Even after adjusting for inflation, the per Capita Expenditure in 1999 was more than double of that in 1959.

3) Dual Income Families: -

Advent of dual income families also helped in the growth of retail sector. A dual family can spend more but has very little time available for shopping. Thus, convenience and speed of service became crucial parameters.

4) Urbanisations: -

Increased urbanization has led to high customer density areas thus enabling retailers to use lesser number of stores to target the same number of customers. Aggregation of demand that occurs due to urbanization helps a retailer in reaping the economies of scale.

5) Covering Distance Has Become Easier: -

With increased automobile penetration and an overall improvement in the transportation infrastructure, covering distances has become easier than before. Now a customer can travel miles to reach a particular shop, if he/she sees value in shopping from there.
Table No: - 1.1

Major Companies Owned Retail Stores
In The Year 2009-10

<table>
<thead>
<tr>
<th>Rank</th>
<th>Retailer</th>
<th>No Of Stores Owned</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Wall-Mart Stores Inc. (USA)</td>
<td>4178</td>
</tr>
<tr>
<td>2</td>
<td>Carr Four Group (France)</td>
<td>8130</td>
</tr>
<tr>
<td>3</td>
<td>The Kroger Co. (USA)</td>
<td>3445</td>
</tr>
<tr>
<td>4</td>
<td>The Home Depot, Inc. (USA)</td>
<td>1134</td>
</tr>
<tr>
<td>5</td>
<td>Royal A Hold (Netherlands)</td>
<td>7150</td>
</tr>
<tr>
<td>6</td>
<td>Metro Ag (Germany)</td>
<td>2169</td>
</tr>
<tr>
<td>7</td>
<td>Kmart Corporation (USA)</td>
<td>2105</td>
</tr>
<tr>
<td>8</td>
<td>Sears, Roebuck And Co. (USA)</td>
<td>2231</td>
</tr>
<tr>
<td>9</td>
<td>Albertson's, Inc. (USA)</td>
<td>2512</td>
</tr>
<tr>
<td>10</td>
<td>Target Corporation (USA)</td>
<td>1307</td>
</tr>
</tbody>
</table>

Source: Ernst & Young, the Great Indian Retail Story, 2009-10

It is seen from the table 1.1 that CARR FOUR GROUP (FRANCE) have maximum number of stores i.e. 8130 stores around the globe, followed by ROYAL A HOLD (NETHERLANDS) which is having 7150 stores around the globe, the world famous retail brand and currently launched in India WALL-MART STORES INC. (USA) has around 4178 stores.12
It is seen from the above table No.1.2 that the trade of retail in India is around $394 billion with 7 percent employment is generated through retail in India with over 12 million shop but the share of the organized retail is only 3 percent, the trade of retail in USA and china are 3800 and 360 billion dollars respectively with over 12 percent of the employment is generated through retail in both these countries and the share of organized retail in USA is 80 percent as compared to 20 percent that of china in the year 2009.

**Table No:-1.2**

<table>
<thead>
<tr>
<th>Country</th>
<th>Trade ($ bn)</th>
<th>Employment percentage</th>
<th>Shops (million)</th>
<th>Organized Sector share percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>180-394</td>
<td>7</td>
<td>12</td>
<td>2-3</td>
</tr>
<tr>
<td>USA &amp; China</td>
<td>3800-360</td>
<td>12</td>
<td>2.7</td>
<td>20</td>
</tr>
</tbody>
</table>

*Source: Ernst &Young, the Great Indian Retail Story, 2009*
It is observed from the above chart is that the USA has 85 percent of the organized retail as compared to 81 percent organized retail in Taiwan and 55 percent of organized retail in Malaysia, India has only 3 percent organized retail and 97 percent unorganized retail business in India in the year 2009.
1.4 Retail Industry in India

India’s GDP growth of 9.4 percent in 2006-07 is the highest posted for over 18 years, reflecting the booming economy of the country. Growing in tandem with the economy is the Indian retail sector. The sector is on a high growth trajectory and is expected to grow by more than 27 percent over the next 5 to 6 years. Retail is one of India’s largest industries, contributing to about 10 percent of the GDP and providing employment to 8 percent of the nation’s workforce. Indian retail business promises to be one of the core sectors of the Indian economy, with organised retail sector estimated to grow by 400 percent of its current size by 2007-08. The growth and potential of the sector is being widely acknowledged both in the domestic as well as international forums. India topped AT Kearney’s Global Retail Development Index 2007 for the third consecutive year, retaining its position in the global market as the most preferred retail destination amongst emerging markets.\(^{13}\)

For the fifth time, India also topped the Global Consumer Confidence Index June – 2007 conducted twice a year by The Nielsen Company. Indians were judged the world’s most optimistic consumers, with large sections of the population considering “now” a good time to spend. Indian consumers were also found to be bullish about their personal finances over the next 12 months. The economics of Indian consumerism is buoyant, with India ranking as the fourth largest economy in terms of Purchasing Power Parity (PPP), next only to United States, Japan and China. India is expected to outpace Japan by the year 2010 to become world’s third largest economy. With 54 percent of the Indians aged below 25, the young Indian consumer is buying big to look good and feel good.
Retail Revolution

Retailing in India is evolving rapidly, with consumer spending growing by unprecedented rates and with increasing number of global players investing in this sector. Organised retail in India is undergoing a metamorphosis and is expected to scale up to meet global standards over the next five years. India’s retail market has experienced enormous growth over the past decade, more than doubling in size to US$ 311.7 billion in 2005-06. The market was estimated at US$ 1.1 trillion (in PPP terms) in 2005-06. The most significant period of growth for the sector was between years 2000 and 2006, when the sector revenues increased by about 93.5 percent translating to an average annual growth of 13.3 percent. The sector’s growth was partly a reflection of the impressive Indian economic growth and overall rise in income levels of consumers.\textsuperscript{14}
Even the introduction of Value Added Tax ("VAT") in April 2005 has not severely impacted consumer demand for retail goods. Greater exposure to western products and lifestyles has helped drive consumerism. The sector also benefited considerably by the rising popularity of satellite television since the early 1990s, which provided a highly effective mass marketing route, reaching out to the large Indian consumer base.

Source: Ernst & Young, the Great Indian Retail Story, 2012
Traditional retailing continues to be the backbone of the Indian retail industry, with traditional / unorganised retailing contributing to over 95 percent of total retail revenues. The quintessential mom-and-pop retailing outlets or the corner store formats constitute a major part of Indian retail store formats. Over 12 million small and medium retail outlets exist in India, the highest in any country. More than 80 percent of these are run as small family businesses.

Prevalence of traditional retailing is highly pronounced in small towns and cities with primary presence of neighborhood “kirana” stores, push-cart vendors, “Melas” and “Mandis”. Organised formats are only in the initial stages of adoption in these regions. Leading retail players in the industry are beginning to explore these markets and the rural consumers are slowly beginning to embrace the newer organised retail formats.
Organised retailing is growing at an aggressive pace in urban India, fuelled by bourgeoning economic activity. Organised retail revenues are expected to increase from an estimated US$ 12.9 billion per annum in 2005-06 to more than US$ 43 billion by 2009-10. The sector is predicted to grow by 400 percent, in value terms, by 2007-08. A large number of domestic and international players are setting up base and expanding their business with newer organized retail formats and intense competition driving innovation in formats.

**Growth across Segments**

Retail sector in India is primarily categorized by the type of products retailed, as opposed to the different retail formats in operation. The Food and Beverages vertical accounts for the largest share of revenues at 74 per cent of the total retail market. This category has the highest consumer demand across all income levels and various retail formats. The Indian consumer behavior of preferring proximity to retail formats is highly pronounced in this sector, with food, grocery and allied products largely sourced from the local stores or push-cart vendors.

Apparels and consumer durables are the fastest growing verticals in the retail sector. Mobile phone as a product category has witnessed the highest growth in consumer demand amongst all retail product offerings, with increasing penetration of telecommunications in towns and villages. The Telecommunications sector has been adding on an average 5 million new users every month.
The other product categories are gaining traction predominantly in the urban areas and emerging cities, with increasing average income and spending power of young urban India.

**Table No: - 1.3**

**Revenue and Share of Verticals (2009-10)**

<table>
<thead>
<tr>
<th>Sr. No</th>
<th>Particular</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Food and beverages</td>
<td>US$ 231,951 million: 74.41%</td>
</tr>
<tr>
<td>2</td>
<td>Clothing and Textile</td>
<td>US$ 29,024 million: 9.31%</td>
</tr>
<tr>
<td>3</td>
<td>Consumers Durables</td>
<td>US$ 15,171 million: 4.87%</td>
</tr>
<tr>
<td>4</td>
<td>Jewellery and Watches</td>
<td>US$ 13,390 million: 4.30%</td>
</tr>
<tr>
<td>5</td>
<td>Home Décor</td>
<td>US$ 9,463 million: 3.04%</td>
</tr>
<tr>
<td>6</td>
<td>Beauty Care</td>
<td>US$ 6,854 million: 2.20%</td>
</tr>
<tr>
<td>7</td>
<td>Footwear</td>
<td>US$ 3,268 million: 1.05%</td>
</tr>
<tr>
<td>8</td>
<td>Books, Music and Gifts</td>
<td>US$ 2,610 million: 0.84%</td>
</tr>
</tbody>
</table>

*Source: A Report by Ernst &Young for EF Retail (2011)*

It is evident from the table above that food and beverages constitute 74.41 percent of revenue and share in retail market, 9.31 percent of the share is of clothing and textile, 4.87 percent of share is of Consumers Durables, 4.30 percent of share is of jewellery and watches, 3.04 percent of share is of home decor and only 0.84 percent of the share is of Books, Music and Gifts
Table No:-1.4

Organized Retail: Revenue by Verticals (2009-10)

<table>
<thead>
<tr>
<th>Sr. No</th>
<th>Particular</th>
<th>Revenue ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Footwear</td>
<td>32.84</td>
</tr>
<tr>
<td>2</td>
<td>Consumer Durables</td>
<td>17.04</td>
</tr>
<tr>
<td>3</td>
<td>Clothing and Textile</td>
<td>16.39</td>
</tr>
<tr>
<td>4</td>
<td>Food and Beverages</td>
<td>13.08</td>
</tr>
<tr>
<td>5</td>
<td>Home Decor and Furnish</td>
<td>8.76</td>
</tr>
<tr>
<td>6</td>
<td>Jewellery and Watches</td>
<td>6.19</td>
</tr>
<tr>
<td>7</td>
<td>Beauty Care</td>
<td>3.56</td>
</tr>
<tr>
<td>8</td>
<td>Footwear</td>
<td>0.98</td>
</tr>
</tbody>
</table>

Source: A Report by Ernst &Young for IEF Retail (2011)

It can be seen from the above table that footwear share 32.84 percent of the revenue in the organized retail by vertical, 17.04 percent of the revenue is shared by consumer durables, 16.39 percent of the revenue is shared by clothing and textile, 13.08 percent of the revenue is shared by food and beverages, and only 3.56 percent of the revenue is shared by beauty care products.
Chart No: - 1.4
Changing Paradigm: - The Confidence of Modern and Traditional Retail

Source: A Report by Ernst &Young for IBEF (2008-09)

The above chart No.1.4 depict Changing paradigm and The Confidence of Modern and Traditional Retail from 2000 to 2011 It can be observed that from the 2000 the entry stage was there in India of retail which was focusing on organised retail followed by the second stage of 2005 which has rural-urban merge of retail, the current stage of retail i.e. of 2011 focus on M & A and higher investment on retail in India.
Chart No: - 1.5

Indicative List of Foreign Player’s Entry Path to India

Source: A Report by Ernst &Young for IBEF (2010-11)

The chart 1.5 shows Indicative list of foreign player’s entry path to India. It is that pizza hut, domino’s pizza, Marks and spencers have there franchise in India, while the retail stores like Metro and shoprite have wholesale trading, the retailers like Mc Donald’s and Reebok has joint ventures.
Table No: - 1.5

Evolution of Modern Retailing in India

<table>
<thead>
<tr>
<th>Decade /Years</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Early 1980's</td>
<td>Peddlers, vegetables, vendors Neighbourhood kirana store, sole clotting on consumer durables</td>
</tr>
<tr>
<td>1980-1990</td>
<td>Few organized retail players from textile industry – Bombay Dyeing, Raymond, S Kumars, Grasim</td>
</tr>
<tr>
<td>1991</td>
<td>Turning Point with liberalized economy, i.e. dilution of stringent laws, NAZ, International players enter into Indian Market</td>
</tr>
</tbody>
</table>

Source: A Report by Ernst & Young for IBF 2007

Table 1.5 shows the Evolution of Modern Retailing in India. In the year 1980’s Peddlers, vegetables, vendors Neighborhood kirana store, sole clotting on consumer durables has found their place in retail business and also in that Few organized retail players from textile industry – Bombay Dyeing, Raymond, S Kumars, Grasim was there, followed by Turning Point with liberalized economy, i.e. dilution of stringent laws, NAZ, International players enter into Indian Market in the year 1991.16
### Table No:-1.6

**Growth of Organized Retail in India**

<table>
<thead>
<tr>
<th>Year</th>
<th>Growth</th>
<th>Function</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>First Phase</td>
<td>Entry, Growth, Expansion, Top Line forces</td>
</tr>
<tr>
<td>2005</td>
<td>Second Phase</td>
<td>Range, Portfolio, Former Options</td>
</tr>
<tr>
<td>2008</td>
<td>Third Phase</td>
<td>End to end supply chain management, Backend operation, Technology, Process</td>
</tr>
<tr>
<td>2011</td>
<td>Fourth Phase</td>
<td>M&amp;A, Shakeout, Consolidation, High Investment</td>
</tr>
</tbody>
</table>

**Source:** A Report by Ernst & Young for IBEF 2011

Table 1.6 depict further shows Journey of Organized Retail in India, The above table shows that in the year 2000 there was Entry, Growth, Expansion, Top Line forces of organized retail in India followed by End to end supply chain management, Backend operation, Technology, Process in the third stage i.e. 2008 and today we can see that the retail industry is focusing on M&A, Shakeout, Consolidation, High Investment in the year 2011.
<table>
<thead>
<tr>
<th>Year</th>
<th>Retail Market ($US billion)</th>
<th>Retail Space (mn. sf.)</th>
<th>Organised Retail Penetrations Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>275</td>
<td>31</td>
<td>3</td>
</tr>
<tr>
<td>2006</td>
<td>300</td>
<td>52</td>
<td>4</td>
</tr>
<tr>
<td>2008</td>
<td>353</td>
<td>90</td>
<td>7</td>
</tr>
<tr>
<td>2009</td>
<td>383</td>
<td>145</td>
<td>9</td>
</tr>
<tr>
<td>2010</td>
<td>416</td>
<td>200</td>
<td>12</td>
</tr>
</tbody>
</table>

*Source:* Assocham conference on Re-inventing retail in New Delhi on 26\(^{th}\) September 2008

The Table no1.7 shows the Growth Path for Indian Retail from 2004 to 2010, in the year 2004 the retail market in India was around 275 US dollar and only 3 percent of the retail was organized. Till the year 2008 the retail market in India reached around 353 US dollar with around 7 percent of retail was organized, in the year 2010 the market of retail is around 416 US dollar with around 12 percent of retail market is organized.
Table No.-1.8

Rural and Urban Population Graph

<table>
<thead>
<tr>
<th>Year</th>
<th>Rural Population in Percentage</th>
<th>Urban Population in Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1901</td>
<td>89.2</td>
<td>10.8</td>
</tr>
<tr>
<td>1951</td>
<td>82.7</td>
<td>17.3</td>
</tr>
<tr>
<td>1981</td>
<td>76.7</td>
<td>23.3</td>
</tr>
<tr>
<td>1991</td>
<td>74.3</td>
<td>25.7</td>
</tr>
<tr>
<td>2001</td>
<td>72.2</td>
<td>27.8</td>
</tr>
<tr>
<td>2011</td>
<td>70.2</td>
<td>29.8</td>
</tr>
</tbody>
</table>

Source: Census India. Government In Referred In Pratiyogita Darpan, Exam Oriented Series-1, Code790

Table No.1.8 shows that India continues to be a rural population country with around 70.2 percent of the population still lives in rural area and 29.8 percent of the population lives in urban area till the year 2011 as depicted in the above table No.1.8, the situation has changed a little from the year 2001 when 72.2 percent of the population still lives in rural area and 27.8 percent of the population lives in urban area.
Table No: - 1.9

Monthly Household Spending Of Average Indian

<table>
<thead>
<tr>
<th>Sr.No.</th>
<th>Items</th>
<th>Spending Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Food Consumption</td>
<td>32</td>
</tr>
<tr>
<td>2</td>
<td>Cloths and Jewellery</td>
<td>19</td>
</tr>
<tr>
<td>3</td>
<td>Saving</td>
<td>14</td>
</tr>
<tr>
<td>4</td>
<td>Leisures and Entertainment</td>
<td>11</td>
</tr>
<tr>
<td>5</td>
<td>Education</td>
<td>9</td>
</tr>
<tr>
<td>6</td>
<td>Transport</td>
<td>5</td>
</tr>
<tr>
<td>7</td>
<td>Investment</td>
<td>5</td>
</tr>
<tr>
<td>8</td>
<td>Housing Rental and Mortgage</td>
<td>3</td>
</tr>
<tr>
<td>9</td>
<td>Overseas traveling</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: CLSA Asia Pacific Market study 2011

The table no 1.9 shows the monthly Household Spending of Average Indian. The above table shows that 32 percent of the spending of average Indian is on food consumption and 19 percent on cloths and jeweller followed by 14 percent on savings, only 5 percent are invested and transport by average Indian and they spent least on overseas traveling i.e. only 2 percent.

**A large unorganized sector**

Organised retailing in India is still at evolving stage and accounts for only 4 percent of the total market. The traditional segments comprising of Mom and Pop stores accounts for 96 percent of the total retails in India. Organised retailing will be increased phenomenally in coming four to five years. This shows that growth of retail sector is very much expected.
FOREIGN DIRECT INVESTMENT:

Global players have shown greater interest in this sector. A number of reforms has been done to promote investments in retail sector. 100 percent FDI in cash and carry through automatic route and 51 percent in single brand outlets through approval is permitted. Franchises route is available for big operators. The Ministry of Finance has recently announced new FDI norms for enhancing the investment in this sector.

In January 2012, India approved reforms for single-brand stores welcoming anyone in the world to innovate in Indian retail market with 100% ownership, but imposed the requirement that the single brand retailer source 30 percent of its goods from India. Indian government continues the hold on retail reforms for multi-brand stores.

In June 2012, IKEA announced it has applied for permission to invest $1.9 billion in India and set up 25 retail stores. Fitch believes that the 30 percent requirement is likely to significantly delay if not prevent most single brand majors from Europe, USA and Japan from opening stores and creating associated jobs in India.

On 14 September 2012, the government of India announced the opening of FDI in multi-brand retail, subject to approvals by individual states. This decision has been welcomed by economists and the markets, however has caused protests and an upheaval in India's central government's political coalition structure. On 20 September 2012, the Government of India formally notified the FDI reforms for single and multi brand retail, thereby making it effective under Indian law.
On 7 December 2012, the Federal Government of India allowed 51% FDI in multi-brand retail in India. The Feds managed to get the approval of multi-brand retail in the parliament despite heavy uproar from the opposition. Some states will allow foreign supermarkets like Wal-Mart, Tesco and Carrefour to open while other states will not.

**Increased Investments in Retail:** An investment of $35bn is expected in next five to seven years. As per estimate 88 percent of this investment will directed to urban areas. Modern retailers in India are working on number formats from supermarket to hypermarket to discount to convenience stores. Hypermarkets and discount stores are growing very fast. The share of Investment slated for Hypermarket, supermarket, speciality stores and cash and carry is 40 percent, 28 percent, 18 percent and 14 percent respectively. According to AT Kearney, India is ranked at 5th preferred destination for investors among 30 most attractive retail markets in world.\(^{17}\)
Table No: - 1.10

Types of Modern Formats of Retailers:

**Characteristics of Formats**

<table>
<thead>
<tr>
<th>Retail Format</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hypermarket</td>
<td>It ranges from 50000 -100000 sq ft. Offers a large basket of products, ranging from grocery, fresh and processed food, beauty and household products, clothing and appliances, etc.</td>
</tr>
<tr>
<td>Supermarket</td>
<td>Supermarkets, generally large in size (4000-25000sqft.) and typical in layouts, offer not only household products but also food as an integral part of their services. The family is their target 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.</td>
</tr>
<tr>
<td>Department Store</td>
<td>It caters variety of consumer needs. It ranges from 10000 – 60000 sqft. Examples are Shopper Stop, Pantaloon, Westicides, Ebony, Life Style, Dubai Based etc.</td>
</tr>
<tr>
<td>Speciality Store</td>
<td>It focuses on special market segments and generally ranges from 2000-5000 sqft.</td>
</tr>
<tr>
<td>Discount Store</td>
<td>Factory outlets provide an opportunity to get discount on MRP. Products category can be perishable /or non perishable.</td>
</tr>
<tr>
<td>Convenience Store</td>
<td>400-2000 sqft.</td>
</tr>
<tr>
<td>Mall</td>
<td>A largest form of modern retailing ranges from 60000 sqft. To 700000 and above sqft. It provides ideal shopping experiences with products, services and entertainment under one common roof. Examples are City Mall36, Pentaloop Pyramid and Shoppers Stop etc.</td>
</tr>
</tbody>
</table>

**Sources:** Lakshmi Narayana Swami and Mudit Sharma, IIMCAL AND ICRIER Study on Impact of Organised Retailing on Unorganised Sector 2008
Table No: - 1.11

Types of Modern Formats of Retailers in India

<table>
<thead>
<tr>
<th>Retailers</th>
<th>Cities</th>
<th>Format</th>
<th>Stores</th>
<th>Expansion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Big Bazaar</td>
<td>26</td>
<td>Hypermarket</td>
<td>36</td>
<td>225 stores by 2012</td>
</tr>
<tr>
<td>Spencer's</td>
<td>All India</td>
<td>Hypermarket</td>
<td>7</td>
<td>60 by 2012</td>
</tr>
<tr>
<td>Star India Bazaar</td>
<td>Ahmadabad</td>
<td>Hypermarket</td>
<td>1</td>
<td>2 more store are planned in Mumbai and Bangalore</td>
</tr>
<tr>
<td>Shoppers Stop</td>
<td>Mumbai</td>
<td>Hypermarket</td>
<td>1</td>
<td>23 stores by 2013</td>
</tr>
<tr>
<td>Vishal Megamart</td>
<td>28</td>
<td>Hypermarket</td>
<td>46</td>
<td>410 stores by 2012.</td>
</tr>
<tr>
<td>Reliance Retail</td>
<td>Hyderabad, Delhi, Jaipur, Mumbai</td>
<td>Hypermarket</td>
<td>100</td>
<td>1000 hypermarkets.</td>
</tr>
<tr>
<td>Food Bazaar</td>
<td>28</td>
<td>Supermarket</td>
<td>49</td>
<td>250 stores by 2011</td>
</tr>
<tr>
<td>Nilgiri</td>
<td>16</td>
<td>Supermarket</td>
<td>29</td>
<td>170 by 2011</td>
</tr>
<tr>
<td>Sabka Bazaar</td>
<td>Delhi</td>
<td>Supermarket</td>
<td>25</td>
<td>Mega Expansion plan</td>
</tr>
<tr>
<td>Trumart</td>
<td>5</td>
<td>Supermarket</td>
<td>11</td>
<td>128 Stores by 2012.</td>
</tr>
</tbody>
</table>


There are 10 big retailers in India out of which 6 are hypermarket and 4 are supermarket, there are 36 stores of big bazaar 46 stores of vishal mega mart and 100 retail stores of reliance retail, there are few number of retail store of spencer i.e only 7 star bazaar 1 and 11 of trumart.
<table>
<thead>
<tr>
<th>Sr. No</th>
<th>City Type</th>
<th>Share Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>AAA</td>
<td>30</td>
</tr>
<tr>
<td>2</td>
<td>AA</td>
<td>17</td>
</tr>
<tr>
<td>3</td>
<td>A</td>
<td>15</td>
</tr>
<tr>
<td>4</td>
<td>B+</td>
<td>23</td>
</tr>
<tr>
<td>5</td>
<td>B</td>
<td>6</td>
</tr>
<tr>
<td>6</td>
<td>C</td>
<td>7</td>
</tr>
<tr>
<td>7</td>
<td>D</td>
<td>2</td>
</tr>
</tbody>
</table>


Table 1.12 shows the City wise urban investment in Retail expected in next five years in India. It is seen that out of the total investment 30 percent of the investment will be in AAA city, 17 percent in AA cites, 15 percent in A cites, 23 percent in B+ cities and only 2 percent in D cities.
Table No: - 1.13
Urban Retail Investments Expected In Next Five Year in India

<table>
<thead>
<tr>
<th>Types of City</th>
<th>Hypermarkets</th>
<th>Supermarkets</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA</td>
<td>25</td>
<td>22</td>
<td>53</td>
</tr>
<tr>
<td>AA</td>
<td>31</td>
<td>16</td>
<td>52</td>
</tr>
<tr>
<td>A</td>
<td>35</td>
<td>13</td>
<td>52</td>
</tr>
<tr>
<td>B+</td>
<td>51</td>
<td>14</td>
<td>35</td>
</tr>
<tr>
<td>B</td>
<td>67</td>
<td>10</td>
<td>22</td>
</tr>
<tr>
<td>C</td>
<td>88</td>
<td>12</td>
<td>0</td>
</tr>
<tr>
<td>D</td>
<td>88</td>
<td>12</td>
<td>0</td>
</tr>
</tbody>
</table>


Note: All figures are indicated percentage.

It is evident from the table no 1.13 that only 25 percent and 22 percent of the retail investment will be in hypermarkets and supermarket respectively in AAA city in India and 53 percent of the investment will be in other in AAA city, in C and D type of city in India 88 percent of the investment will be in hypermarket, in B and B+ city more than 50 percent of the investment will be in hypermarket.

Indian corporates major like Reliance, ITC, Bharti, Tatas, Rahejas, Piramals and Pantaloons have entered into the segments but more and more players are showing interest in USD350b (APPROX.) Indian Retail Market. Growth of organised retailing is limited to few metros, state capitals, tier I and tier II cities where no. of middle and higher income people is large and choice of high priced products they sought for.

Rural Retail forward market

Country rural market is offering great opportunities for Modern retailers for opening of stores in villages. 46 percent of rich and well-off population is living in rural areas and 60 percent of them are living in 17 percent of total villages. It creates good scope for investment in rural areas in retailing.
1.5 Advantages of Modern Retailing

1) Employment Generation
2) Increasing Efficiency in Agriculture
3) Enhance Shopping Experience for Consumers
4) Creating a Positive Social Change
5) Economies of Scale

Employment Generation: Modern retailing has the potential for generating employment of 2.5millions people by 2010 in various retail operations and more than 10millions in indirect retail activities including contract production and processing, supply chain and logistics, retail real estate development and management.

Increasing Efficiency in Agriculture: The concept of middleman in food supply chain is matter of yesterday. Farmers are cultivating crops as per the demand of retailers. Customers are getting benefits of reduced pricing while the farmers are receiving higher returns for their produce. Only organized retail provides mass marketing of processed and package foods.

Enhanced Shopping Experience for Consumers: Trends of shopping with entertainment is gaining momentum because of time and traffic congestion. Organised retails offers one stop shopping with many product baskets at single location. These formats add experience of large scale purchase, consumer preference, excellent ambience and choice of merchandising.

Creating Positive Social Change: Retailing leads to improvement in local infrastructure by providing adequate parking facilities, ATM, a safe and secure environment which encourages the setting up of 24 hrs Convenience stores, a hygienic ambience to the consumer's etc. This is enabling positive social change in the industry.
Economies of Scale:
They are going for vertical integration from outlets to establish malls.

1.6 Disadvantages of Modern Retailing

To Retailers

1. High rents.
2. High competition.
3. Low profit margin.

To Customers

1. Traffic, inconvenience.
2. Pollution.
3. Not located close to homes.

Challenges to Organized Retailing

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Implication</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fragmented Supply Chain</td>
<td>High wastage and high product cost</td>
</tr>
<tr>
<td>Multiple Legislative Laws</td>
<td>Hinder fast expansion and increase overall cost.</td>
</tr>
<tr>
<td>Cumbersome Labour Laws</td>
<td>Limits organized retail business of 24*7</td>
</tr>
<tr>
<td>Escalating real estate prices</td>
<td>Higher operational costs</td>
</tr>
<tr>
<td>Complexity in tax structure</td>
<td>Rate, classification and procedure is different across the country</td>
</tr>
<tr>
<td>Shortage of Manpower</td>
<td>Beginning of specialized training centre and specialized course on retail</td>
</tr>
<tr>
<td>Cultural Disparity</td>
<td>Understanding customer choice &amp; preferences is different</td>
</tr>
<tr>
<td>Industry status</td>
<td>Far away from benefits of Industry status</td>
</tr>
</tbody>
</table>
Chart No: - 1.6

Infrastructural Problems of Organized Retailers in India

![Infrastructural problems of organized Retailers](chart.png)

**Source:** ICRIER Study on Impact of Organised Retailing on Unorganised Sector 2008

Chart no 1.6 depict Infrastructural problems of organized retailers in India, The above chart shows the major problem faced by the organized retailer in India is parking i.e. 30 percent followed by 21 percent of public transport, 21 percent of low government investment and 14 percent of power supply.
Chart No: 1.7

Share of Retail Segments Total Retail Sector in India

Source: A Report By Ernst & Young For IBEF 2011

Chart no 1.7 depict the share of the retail segments total retail sector in India. The clothing and textiles has the maximum share i.e. of 39 percent followed by food and grocery 11 percent, consumer durables 5 percent, furniture and fixtures 8 percent.
Chart No: - 1.8  
Rural-Urban Share of Retail Market In India

Source: A Report by Ernst & Young for IBEF 2011

Chart No  1.8  shows the Rural-Urban share of retail market in India  we can see that food and entertainment share has maximum difference in rural and urban area with share of rural area is more on food the share of urban area is more in entertainment.
1.7 Need and Importance of the Study

Retailing in India is gradually inching its way toward becoming the next boom industry. The whole concept of shopping has altered in terms of format and consumer buying behavior, ushering in a revolution in shopping in India. Modern retail has entered India as seen in sprawling shopping centers, multi-storied malls and huge complexes offer shopping, entertainment and food all under one roof. The Indian retailing sector is at an inflexion point where the growth of organized retailing and growth in the consumption by the Indian population is going to take a higher growth trajectory. The Indian population is witnessing a significant change in its demographics. A large young working population with median age of 24 years, nuclear families in urban areas, along with increasing working women population and emerging opportunities in the services sector are going to be the key growth drivers of the organized retail sector in India.

1.8 Significance of the study:

Although this study was undertaken as a part of the partial fulfillment of the degree of Doctor of Philosophy in commerce but the findings of this research cannot be ignored. We firmly believe that it still has some applications, which are follows:

The retail sector has played a phenomenal role throughout the world in increasing productivity of consumer goods and services. It is also the second largest industry in US in terms of numbers of employees and establishments. There is no denying the fact that most of the developed economies are very much relying on their retail sector as a locomotive of growth. The India Retail Industry is the largest among all the industries, accounting for over 10 per cent of the countries GDP and around 8 per cent of the employment. The Retail Industry in India has
come forth as one of the most dynamic and fast paced industries with several players entering the market. But all of them have not yet tasted success because of the heavy initial investments that are required to break even with other companies and compete with them. The India Retail Industry is gradually inching its way towards becoming the next boom industry.

1.9 Objectives of the Study:

The overall objectives of the present study was “The study of Shopping Malls and Wholesalers and its impact on small retailers in India. The specific objectives of the study are as follows:-

1. To, Study the buyers behaviors and emerging trends in purchasing practices of customers towards the shopping malls.

2. To know the employment opportunities are being created by the shopping malls and who are the real beneficiaries.

3. To analyze the changes in the tastes and preferences of the customers due to shopping malls and its impact on buying behaviour of the customers.

4. To study the different marketing strategies adopted by the shopping mall and its impact on small retailers.

5. To know the problems and prospects of shopping malls owners, retail shopkeepers and to suggest the suitable remedies to overcome the problems.
1.10 Hypotheses of the Study

The following Hypothesis was formulated for The Study

1. Due to shopping malls the purchasing practices of customers are changed.

2. Due to the shopping malls employment opportunities are increased.

1.11 Research Methodology:

To complete this study both the types of data were used i.e. Primary & Secondary data.

Collection of Data:

Primary Data: - In each city 15 selling centers was selected for the purpose of the study, Available information about the selected centers like: - location area, working, scope of commodities and other available facilities were taken.

Personal interview of the customer were conducted with the help of the structured questionnaire and interview of the neighboring shops and other selling centers was conducted with the help of structured questionnaires.

Secondary Data: Secondary data was generated from various reference books on retail and shopping malls, Retail industry, consumer behavior, different journals, magazines, Govt. bulletins & web sites etc.
Selection of Samples:

To complete this study following samples was drawn.

Table No: 1.14

<table>
<thead>
<tr>
<th>Selection of Samples</th>
<th>Aurangabad</th>
<th>Nagpur</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shopping malls</td>
<td>05</td>
<td>05</td>
<td>10</td>
</tr>
<tr>
<td>Small retailers</td>
<td>200</td>
<td>200</td>
<td>400</td>
</tr>
<tr>
<td>Customers</td>
<td>500</td>
<td>500</td>
<td>1000</td>
</tr>
</tbody>
</table>

Source: - Field Survey (2009-10)

The present study is completed by the help of 10 shopping malls and 400 small retailers with 1000 selected customers, these samples were selected by the help of convenience sampling method.

1.12 Tools & Techniques used:

The data so collected was scrutinized, tabulated & analyzed by using various statistical Tools & Techniques such as co-relation, regression, Trends & Ratios and other related Tools & Techniques.
1.13 Scope & Limitations of the Study:

1. The study was conducted on selected shopping malls in Aurangabad and Nagpur city only.

2. The impact of the new system of mall on small retailers has been focused

3. Some selected commodities have been studied prior to selection of commodities a pilot survey was conducted.

4. For the purpose of data collection and study, mainly the duration of 2006 to 2010 was considered. Wherever necessary reference was made to the previous and current circumstances.
1.14 Chapter Scheme:
The chapter’s layout of the study will be as under:-

1. Introduction
This chapter provides the basic premise for the research study. It begins with a prologue where a concept of Retail is discussed in brief. This chapter explains the importance, advantages and disadvantages of Retail industry, overview of the global Retail industry, comparative analysis of retail industry of globe and India, Indian retail industry at a glance. The chapter also highlight on the Evolution of Modern Retailing in India, with objectives of the study, hypotheses tested, methods and tools of data collection and, analysis of data.

2. Review of Literature
Chapter second deals with the overall review of the literature available on the present topic. Literature is the most important part of any research. In this topic, the review is taken for research articles and books relating to the research topic. This chapter contains Review of Research Articles, Review of Books, thesis and other related published or unpublished literature on this present topic.

3. Recent Trends in Shopping Malls And Retail Business In India
This chapter attempts to highlights the recent trends of retail management in India, the chapter focuses on the concept of Malls, Emergence of specialty retailing and Malls as an Entertainment Zones, it also gives the detail about Technology driven malls and Mall’s Future filled with opportunities, the chapter further gives the detail about Management of Malls and also shows that how rural India is an Untapped Potential for retail industry, the chapter also discuss the future of Malls across the globe and last it provides the statistics of retail
industry of India like:- Growth India Retail - Total vs Organized, India Retail - Share of Categories, Share of Organized Sector in Total Retail by Category, Organized Retailers Sales’ Turnover in the year 2009-10.

4. Buyer’s Behavior and Merchandising Management of Shopping Malls

The fourth chapter is divided into two parts the first part gives the detail about the consumer behavior towards shopping like micro marketing factor, Advertising, retail operation, e-tailing, Consumer behavior and retailing decisions, Consumer decision-making process, Types of shoppers. The second part of the chapter highlights on sales and shelf management of shopping malls like Merchandising and Shelf Management, Managing space, Store design and location and shelf management models.

5. Impact of Shopping Malls on Small Retailers- An Overview

The fifth chapter highlights on the impact of shopping malls on small retailers: - malls vs small retailers Competition or conflict, Leading Global Retail Players by revenue, Evolution of organized retail, Retail Sales Growth vis-a-vis Key macroeconomic indicators, Indian Retail market (at current market prices), FDI scenario in India, Competition from the unorganized sector, and at last the report of Impact of shopping Malls on small retailers- ICRIER Report 2011 has been discussed in brief.
6. Data Collection and Analysis.

This chapter aims at analyzing the collected data like the Methodology and respondents profile i.e. Analysis of Shopping Malls, impact on Small retailers:- Distribution of Samples by Type of Product, Profile of the small retailers in the Aurangabad and Nagpur city, Perceptions of the Traditional Retailers towards Modern retail, Correlation between Family Size and Capital Invested with Perception Variables, Distribution of small shops by value and employment, Analysis of Sales Impact due to Malls on Small Retailers and Consumers perception towards shopping malls:- Frequency of visit to Shopping Malls, Purchasing product with different visits from Shopping Malls, Knowledge of Various Products of Shopping Malls, Preference to shopping Malls and other Retailes

7. Summary, Conclusion & Suggestions

Last chapter enumerates the overall summary of the present study, important conclusions drawn by the researchers and important suggestions made by the researchers to overcome the problems which found in this study.
1.15 Concluding Remark:-

Retailing provides a crucial link between producers and consumers in modern market economy. Retail in India is most dynamic industry and represents a huge opportunity both for domestic and international retailers. Modern retailing is not threat to independent Mom and Pop stores as most of the consumers said that they never stopped visiting kirana stores. They strongly agreed on coexistence of both is requirement of the day. Their frequency of going to kirana stores is reduced but it’s kind of opportunities for reorienting Mom and Pop stores for attracting more customers. So organised retailing is beneficial for India because it’s not alarming to create conflict with unorganised stores but reshaping unorganised stores into budding/nascent organised stores. Modern retailing has miles to go in India. The growth of modern formats has been much slower in India as compared to other countries and the development of this sector is restricted by the presence of regulatory and structural constraints.
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