CHAPTER 3 - CONCEPT AND EVOLUTION OF RETAIL INDUSTRY
CONCEPT AND EVOLUTION OF RETAIL INDUSTRY

3.1 INTRODUCTION TO THE WORLD OF RETAILING

Most customers in their local stores don’t realize that retailing is a high-tech, global industry. For an example of the sophisticated technologies used by retailers, consider the following: if you are interested in buying an e-book reader, a number of retailers have websites at which you can learn about the features of the different models. You can buy the e-reader at one of these websites and have it delivered to your home or to a nearby store. The retail buyer responsible for the e-reader product category has analyzed the market place and made decisions on which model and brand to stock in the retailer’s stores. In addition to considering national brands such as Sony, the buyer might decide to work with e-reader manufactures in China to develop a unique model that will be available only at the retailer’s stores and its website.

When you decide to buy an e-reader in a store, the point of sale (POS) terminal used to make the transaction transmits data about the transactions to the retailers distribution centre and then on to the manufacturer. Data about your purchase are incorporated into a sophisticated inventory management system. When the in-store inventory level drops below a prespecified level, an electronic notice is automatically transmitted authorising the shipment of more units to the retailers distribution centre and then to the store. The retail buyer analyzes the sales data to determine how many and which reader models will be stocked in the retailer’s store and what price will be charged. Finally, the retailer will store information about your e-reader purchase in its data warehouse and use this information to offer special promotions to you.

Traditionally, the Indian retail landscape has been dominated by unorganised retailers like a Karyana Stores, Cloth merchants, etc., who buy and resell merchandise from local suppliers or wholesalers. Most of today’s modern retail formats, that have been proliferating over metros, cities and towns, were nonexistent twenty years ago. Pantaloon retail, Big Bazaar, Hometown, Westside, Spencer’s retail, Reliance trends, Reliance Fresh, Shoppers’ Stop, Lifestyle, etc. were either small start up firms or did not even exist fifteen years back. Leading international retailers are heading towards India for setting up their stores. Walmart, world’s largest corporation and Carrefour, the
CHAPTER 3 – CONCEPT AND EVOLUTION OF RETAIL INDUSTRY

QUALITY OF SERVICES: A COMPARATIVE STUDY OF SERVICES PROVIDED BY RETAILERS TO ITS CUSTOMERS THROUGH SERVQUAL

world’s second largest retailer are awaiting foreign direct investment laws to be amended suitably to allow them to open their stores in India ("Marketing." http://www.scribd.com/doc/127524135/MARKETING 12 Aug. 2013). However till such time, Walmart and Carrefour have entered India through the cash – and – carry business route that allows 100% FDI. Sears, American’s fourth largest retailer will approximately 3,800 full-line and speciality retail stores is also looking at entering India through the same route, since it already has a major presence in the wholesale business in U.S. and Canada. In November 2011 the Indian government came up with the policy to allow 51% FDI in multi brand retail and 100% FDI in single brand retail. However due to the political opposition 51% FDI in multi brand retail has been held up stalling the plans of Walmart, Carrefour, TESCO to enter India in the near future. Whereas the new policy of 100% FDI in single brand retail paves the way for Prada, IKEA, GAP etc. to set up exclusive stores, managed and owned fully by them in India. Retailing is such a common part of our everyday lives that we often just take it for granted. Retail managers make complex decisions in selecting their target markets and retail locations; determining what merchandise and services to offer; negotiating with suppliers; distributing merchandise to stores; training and motivating sales associates; and deciding how to price, promote and present merchandise. Considerable skill and knowledge are required to make these decisions effectively. Working in this highly competitive, rapidly changing environment is both challenging and exciting, and it offers significant financial rewards.

3.2 WHAT IS RETAILING?

Retailing is the set of business activities that adds value to the products and services sold to customers for their personal or family use (Limon, 2012). Often people think of retailing only as the sale of products in stores, but retailing also involves the sale of services such as overnight lodging in a motel, a doctor’s exam, a haircut, a DVD rental or a home delivered Pizza. Not all retailing is done in stores. Examples of non store retailing include internet sale of hot sauces (www.firehotsauces.com), the direct sale of cosmetics by Avon, catalogue sales by L.L.Bean and Patagonia and DVD rentals through Redbox’s Kiosks.
3.3 THE RETAILER’S ROLE IN A SUPPLY CHAIN

A retailer is a business that sells products and/or services to customers for their personal or family use. Retailers are a key component in a supply chain that links manufacturers to customers. A supply chain is a set of firms that make and deliver goods and services to customers. Manufacturers typically design and make products and sell them to the retailers or wholesalers. When manufacturers like Nike and Apple sell directly to customers, they are performing production and retail business activities. Wholesalers engage in buying, taking title to, after storing, and physically handling goods in large quantities and then reselling the goods (usually in smaller quantities) to retailers or other businesses. Wholesalers and retailers may perform many of the same functions but wholesalers focus on satisfying retailers’ needs, while retailers direct their efforts to satisfying the needs of customers. Some retailers like Costco and Home Depot, functions as both retailer and wholesaler: They perform retailing activities when they sell to customers, but they engaged in wholesaling activities when they sell to other businesses, such as restaurants or building contractors. In some supply chains, the manufacturing, wholesaling, and retailing activities are performed by independent firms, but most supply chains feature some vertical integration. Vertical integration means that a firm performs more than one set of activities in the channel, as occurs when a retailer engages in wholesaling activities by operating its own distribution centres to supply its stores. Backward integration arises when a retailer performs some wholesaling and manufacturing activities, such as operating warehouses or designing private-label merchandise. Forward integration occurs when a manufacturer undertakes retailing and wholesaling activities such as Ralph Lauren operating in its own stores. Most large retailers such as Safeway, Walmart and Lowe’s manage their own distribution centres and perform activities undertaken by wholesalers. They buy directly from manufacturers, have merchandise shipped to their warehouses, and then distribute the merchandise to their stores (Robinson, 2010).

3.4 RETAILERS CREATE VALUE

Why are retailers needed? Wouldn’t it be easier and cheaper to buy directly from manufacturers? The answer, generally, is no because retailers are more
efficient at performing the activities described below that increase the value of products and services for customers. These value-creating activities include (1) providing an assortment of products and services, (2) breaking bulk, (3) holding inventory, and (4) providing services.

**Providing Assortments**

Supermarkets typically carry 20,000 to 30,000 different items made by more than 500 companies. Offering an assortment enables their customers to choose from a wide selection of products, brands, sizes, and prices at one location. Manufacturers specialize in producing specific types of products. For example, Frito-Lay makes snacks, Dannon makes dairy products, Skippy makes peanut butter, and Heinz makes ketchup. If each of these manufacturers had its own stores that sold only its own products, customers would have to go to many different stores to buy the groceries needed to prepare a single meal.

**Breaking Bulk**

To reduce transportation costs, manufacturers and wholesalers typically ship cases of frozen dinners or cartons of blouses to retailers ("carrera sunglasses jhju - Post-Op Living Forum." 12 Aug. 2013, http://www.postopliving.com/index.php/posty-boards/dilation-and-hygiene-41206-carrera-sunglasses-jhju 12 Aug. 2013). Retailers then offer the products in smaller quantities tailored to individual customers’ and households’ consumption patterns—an activity called **breaking bulk**. Breaking bulk is important to both manufacturers and customers. It enables manufacturers to efficiently make and ship merchandise in larger quantities and enables customers to purchase merchandise in smaller, more useful quantities.

**Holding Inventory**

A major value-providing activity performed by retailers is **holding inventory** so that the products will be available when customers want them ("Retail Management relivingmbadays relivingmbadays MBA." http://relivingmbadays.wordpress.com/category/retail-management/ 12 Aug. 2013). Thus, customers can keep a smaller inventory of products at home because they know local retailers will have the products available when they
need more. This activity is particularly important to customers with limited storage space.

**Providing Services**

Retailers provide services that make it easier for customers to buy and use products. For example, retailers offer credit so that customers can have a product now and pay for it later. They display products so that customers can see and test them before buying. Some retailers employ salespeople in stores or maintain Web sites to answer questions and provide additional information about products ("Retail Management relivingmbadays - relivingmbadays MBA." 12 Aug. 2013, http://relivingmbadays.wordpress.com/category/retail-management/ 12 Aug. 2013).

### 3.5 SOCIAL AND ECONOMIC SIGNIFICANCE OF RETAILING

Most retailers try to be socially responsible. **Corporate social responsibility (CSR)** involves an organization voluntarily taking responsibility for the impact of its activities on its employees, its customers, the community, and the environment. Firms typically go through several stages before they fully integrate corporate social responsibility into their strategy. Companies in the first stage engage only in CSR activities required by law. In this stage, companies are not actually convinced of the importance of CSR actions. In the second stage, companies go beyond activities required by law to engage in CSR activities that provide a short-term financial benefit to the company. For example, a retailer might reduce the energy consumption of its stores just because doing so costs less. In the third stage, companies operate responsibly because they believe this is the “right thing” to do. Companies in the fourth and final stage engage in socially and environmentally responsible actions because they believe these activities must be done for the “wellbeing” of everyone. These companies have truly incorporated the concept of CSR into their business strategy.

### 3.6 STRUCTURE OF RETAILING AND DISTRIBUTION CHANNELS AROUND THE WORLD

**Global Retailers**

Retailing is a global industry. Many retailers are pursuing growth by expanding their operations to other countries. Table 3.1 lists the 20 largest
Walmart remains the undisputed leader in the retail industry, with sales that are more than three times greater than those of Carrefour, the second-largest retailer.

Table 3.1: Global Powers in Retailing

<table>
<thead>
<tr>
<th>S.NO.</th>
<th>Company</th>
<th>Retail Sales ($ Billions)</th>
<th>Countries of Operations</th>
<th>Sales CAGR (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Walmart Stores</td>
<td>374526</td>
<td>15</td>
<td>10.3</td>
</tr>
<tr>
<td>2</td>
<td>Carrefour S.A.</td>
<td>112604</td>
<td>34</td>
<td>3.6</td>
</tr>
<tr>
<td>3</td>
<td>Tesco PLC</td>
<td>94740</td>
<td>13</td>
<td>12.4</td>
</tr>
<tr>
<td>4</td>
<td>Metro AG</td>
<td>87586</td>
<td>32</td>
<td>4.6</td>
</tr>
<tr>
<td>5</td>
<td>The Home Depot Inc.</td>
<td>77349</td>
<td>6</td>
<td>5.8</td>
</tr>
<tr>
<td>6</td>
<td>The Kroger Co.</td>
<td>70235</td>
<td>1</td>
<td>6.3</td>
</tr>
<tr>
<td>7</td>
<td>Schwarz Unternehmens</td>
<td>69346</td>
<td>24</td>
<td>12.6</td>
</tr>
<tr>
<td>8</td>
<td>Target Corp.</td>
<td>63367</td>
<td>1</td>
<td>7.6</td>
</tr>
<tr>
<td>9</td>
<td>Costco Wholesale</td>
<td>63088</td>
<td>8</td>
<td>10.7</td>
</tr>
<tr>
<td>10</td>
<td>Aldi GmbH &amp; Co.</td>
<td>58487</td>
<td>15</td>
<td>4.3</td>
</tr>
<tr>
<td>11</td>
<td>Walgreen Co.</td>
<td>53762</td>
<td>2</td>
<td>13.4</td>
</tr>
<tr>
<td>12</td>
<td>Rewe-Zentral AG</td>
<td>51929</td>
<td>14</td>
<td>2.8</td>
</tr>
<tr>
<td>13</td>
<td>Sears Holdings Corp.</td>
<td>50703</td>
<td>5</td>
<td>10.5</td>
</tr>
<tr>
<td>14</td>
<td>Groupe Auchan SA</td>
<td>49295</td>
<td>10</td>
<td>5.5</td>
</tr>
<tr>
<td>15</td>
<td>Lowe’s Companies</td>
<td>48283</td>
<td>2</td>
<td>12.8</td>
</tr>
<tr>
<td>16</td>
<td>Seven &amp; I Holdings</td>
<td>47891</td>
<td>4</td>
<td>NA</td>
</tr>
<tr>
<td>17</td>
<td>CVS Caremark Corp.</td>
<td>45087</td>
<td>1</td>
<td>14.4</td>
</tr>
<tr>
<td>18</td>
<td>E. Leclerc</td>
<td>44686</td>
<td>6</td>
<td>4.5</td>
</tr>
<tr>
<td>19</td>
<td>Edeka Zentrale AG</td>
<td>44609</td>
<td>3</td>
<td>NA</td>
</tr>
<tr>
<td>20</td>
<td>Safeway, Inc.</td>
<td>42286</td>
<td>2</td>
<td>5.6</td>
</tr>
</tbody>
</table>


The largest 250 retailers operated in 6.8 countries on average, with 21.3 percent of their sales coming from outside the retailers’ home countries. Retailers headquartered in Europe are more international than U.S.-based
Retailers. The average European retailer in the top 250 had a presence in 11.1 countries, with over one-third of their total retail sales coming from foreign countries. In contrast, the 87 U.S.-based companies among the top 250 had 88.3 percent of their sales from domestic operations. Retailers offering food and other fast-moving customer goods (FMCG) dominate the top-250 list; however, retailers in this sector tend to be the least international. On average, FMCG retailers operated in 4.9 countries, generating 23.4 percent of sales from foreign operations. Retailers that focus on hard lines such as customer electronics, appliances, and furniture experience better financial performance than FMCG and apparel retailers. However, the large retailers with the best financial performance are well known for their strong brands, such as Hennes & Mauritz (H&M), Fast Retailing (better known for the Uniqlo chain in Japan), and Inditex (best known for Zara), as well as Apple and Amazon.

3.6.1 Differences in Distribution Channels

The nature of retailing and distribution channels around the world differs. Some critical differences among the retailing and distribution systems in the United States, European Union, China, and India are summarized in Exhibit 1–3. For example, the U.S. retail industry has the greatest retail density and concentration of large retail firms. Many U.S. retailers operate stores with over 20,000 square feet and operate their own warehouses, eliminating the need for wholesalers. This combination of large stores and large firms in the United States results in a very efficient distribution system. The Chinese and Indian distribution systems are characterized by small stores operated by relatively small firms and a large independent wholesale industry. These efficiency differences mean that a much larger percentage of the Indian and Chinese labour force is employed in distribution and retailing than is the case in the United States. The European distribution system falls between the
American and the Chinese and Indian systems on this continuum of efficiency and scale. In northern Europe, retailing is similar to that in the United States, with high concentration levels in some national markets. For example, 80 percent or more of sales in sectors such as food and home improvements are made by five or fewer firms. Southern European retailing is more fragmented across all sectors. For example, traditional farmers’ market retailing remains important in some sectors, operating alongside large “big-box” formats. Social and political objectives are important factors that have created these differences in distribution systems in the major markets. An important priority of the Indian and European economic policies is to reduce unemployment by protecting small businesses such as neighbourhood retailers. Some countries have passed laws protecting small retailers, as well as strict zoning laws to preserve green spaces, protect town centers, and inhibit the development of large-scale retailing in the suburbs. The population density in the United States is much lower than that in India, China, or Europe. Thus, there is less low-cost real estate available for building large stores in these countries compared with the United States. Finally, retail productivity is reduced when countries restrict the hours that stores can operate. For example, in France, many stores close at 7 p.m. on weeknights. Labor unions in France and elsewhere in Europe are opposed to U.S.-style 24/7 shopping because of the strains it could put on store employees.

Table 3.2: Comparison of Retailing and Distribution across the World

<table>
<thead>
<tr>
<th></th>
<th>US</th>
<th>EU</th>
<th>INDIA</th>
<th>CHINA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concentration</td>
<td>High</td>
<td>High</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Retail Density</td>
<td>High</td>
<td>Medium</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Average Store Size</td>
<td>High</td>
<td>Medium</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Role of Wholesalers</td>
<td>Limited</td>
<td>Moderate</td>
<td>Extensive</td>
<td>Extensive</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>Extensive</td>
<td>Extensive</td>
<td>Limited</td>
<td>Limited</td>
</tr>
<tr>
<td>Restrictions location</td>
<td>Few</td>
<td>Considerable</td>
<td>Considerable</td>
<td>Few</td>
</tr>
</tbody>
</table>

3.7 OPPORTUNITIES IN RETAILING

Management Opportunities

To cope with a highly competitive and challenging environment, retailers hire and promote people with a wide range of skills and interests. Students often view retailing as part of marketing, because managing distribution (place) is one of the 4P of marketing. But retailers are businesses and, like manufacturers, undertake all the traditional business activities. Retailers raise capital from financial institutions; purchase goods and services; use accounting and management information systems to control their operations; manage warehouses and distribution systems; design and develop new products; and undertake marketing activities such as advertising, promotion, sales force management, and market research. Thus, retailers employ people with expertise and interests in finance, accounting, human resource management, supply chain management, and computer systems, as well as marketing. Retail managers are often given considerable responsibility early in their careers. Retail management is also financially rewarding. Starting salaries are typically between $35,000 and $55,000 for college graduates entering management trainee positions. After completing a management trainee program, retail managers can double their starting salary in three to five years if they perform well. Senior buyers and others in higher managerial positions and store managers make between $120,000 and $160,000.

Entrepreneurial Opportunities

Retailing also provides opportunities for people who wish to start their own business. Some of the world’s richest people are retailing entrepreneurs. Many are well known because their names appear over stores’ doors; others you may not recognize.
3.8 RETAIL IN INDIA

Retailing in India is one of the pillars of its economy and accounts for 14 to 15 percent of its GDP. The Indian retail market is estimated to be US$ 450 billion and one of the top five retail markets in the world by economic value ("Indian retail sector Investment Opportunities in India." [http://investmentopportunitiesinindia.wordpress.com/category/indian-retail-sector] 12 Aug. 2013). India is one of the fastest growing retail market in the world, with 1.2 billion people. India's retailing industry is essentially owner manned small shops. In 2010, larger format convenience stores and supermarkets accounted for about 4 percent of the industry, and these were present only in large urban centers. India's retail and logistics industry employs about 40 million Indians (3.3% of Indian population). Until 2011, Indian central government denied foreign direct investment (FDI) in multi-brand retail, forbidding foreign groups from any ownership in supermarkets, convenience stores or any retail outlets. Even single-brand retail was limited to 51% ownership and a bureaucratic process. In November 2011, India's central government announced retail reforms for both multi-brand stores and single-brand stores. These market reforms paved the way for retail innovation and competition with multi-brand retailers such as Walmart, Carrefour and Tesco, as well single brand majors such as IKEA, Nike, and Apple. The announcement sparked intense activism, both in opposition and in support of the reforms. In December 2011, under pressure from the opposition, Indian government placed the retail reforms on hold till it reaches a consensus. 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 Walmart, Tesco and Carrefour to open while other states will not. Organized retailing, in India, refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc ("Retailing in India - Wikipedia, the free encyclopedia." 09 Aug. 2013, http://en.wikipedia.org/wiki/Retailing_in_India 12 Aug. 2013). These include the publicly traded supermarkets, corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses. Unorganized retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, the local corner shops, owner manned general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors, etc ("Retailing in India - Wikipedia, the free encyclopedia." 09 Aug. 2013, http://en.wikipedia.org/wiki/Retailing_in_India 12 Aug. 2013). Organized retailing was absent in most rural and small towns of India in 2010. Supermarkets and similar organized retail accounted for just 4% of the market. A vegetable retail market in Kerala, India on a sunny day; During monsoons, vendors experience more produce spoilage. Most Indian shopping takes place in open markets or millions of small, independent grocery and retail shops. Shoppers typically stand outside the retail shop, ask
for what they want, and cannot pick or examine a product from the shelf. Access to the shelf or product storage area is limited. Once the shopper requests the food staple or household product they are looking for, the shopkeeper goes to the container or shelf or to the back of the store, brings it out and offers it for sale to the shopper. Often the shopkeeper may substitute the product, claiming that it is similar or equivalent to the product the customer is asking for. The product typically has no price label in these small retail shops; although some products do have a manufactured suggested retail price (MSRP) pre-printed on the packaging. The shopkeeper prices the food staple and household products arbitrarily, and two customers may pay different prices for the same product on the same day ("Retailing in India Report (Mark Solved.!) - Colleged." http://colleged.info/find-retailing-in-india-report 12 Aug. 2013). Price is sometimes negotiated between the shopper and shopkeeper. The shoppers do not have time to examine the product label, and do not have a choice to make an informed decision between competitive products. India's retail and logistics industry, organized and unorganized in combination, employs about 40 million Indians (3.3% of Indian population). The typical Indian retail shops are very small. Over 14 million outlets operate in the country and only 4% of them being larger than 500 sq ft (46 m²) in size. India has about 11 shop outlets for every 1000 people. Vast majority of the unorganized retail shops in India employ family members, do not have the scale to procure or transport products at high volume wholesale level, have limited to no quality control or fake-versus-authentic product screening technology and have no training on safe and hygienic storage, packaging or logistics. The unorganized retail shops source their products from a chain of middlemen who mark up the product as it moves from farmer or producer to the customer. The unorganized retail shops typically offer no after-sales support or service. Finally, most transactions at unorganized retail shops are done with cash, with all sales being final. Until the 1990s, regulations prevented innovation and entrepreneurship in Indian retailing. Some retails faced complying with over thirty regulations such as "signboard licenses" and "anti-hoarding measures" before they could open doors. There are taxes for moving goods to states, from states, and even within
states in some cases. Farmers and producers had to go through middlemen monopolies. The logistics and infrastructure was very poor, with losses exceeding 30 percent. Through the 1990s, India introduced widespread free market reforms, including some related to retail. In between 2000 to 2010, customers in select Indian cities have gradually begun to experience the quality, choice, convenience and benefits of organized retail industry.

3.8.1 Growth of Retail in India
India in 1997 allowed foreign direct investment (FDI) in cash and carry wholesale. Then, it required government approval. The approval requirement was relaxed, and automatic permission was granted in 2006. Between 2000 to 2010, Indian retail attracted about $1.8 billion in foreign direct investment, representing a very small 1.5% of total investment flow into India.

3.8.2 Growth over 1997-2010 in India
Single brand retailing attracted 94 proposals between 2006 and 2010, of which 57 were approved and implemented. For a country of 1.2 billion people, this is a very small number. Some claim one of the primary restraints inhibiting better participation was that India required single brand retailers to limit their ownership in Indian outlets to 51%. China in contrast allows 100% ownership by foreign companies in both single brand and multi-brand retail presence.

Indian retail has experienced limited growth, and its spoilage of food harvest is amongst the highest in the world, because of very limited integrated cold-chain and other infrastructure. India has only 5386 stand-alone cold storages, having a total capacity of 23.6 million metric tons. However, 80 percent of this storage is used only for potatoes. The remaining infrastructure capacity is less
than 1% of the annual farm output of India and grossly inadequate during peak harvest seasons. This leads to about 30% losses in certain perishable agricultural output in India, on average, every year. Indian laws already allow foreign direct investment in cold-chain infrastructure to the extent of 100 percent. There has been no interest in foreign direct investment in cold storage infrastructure build out. Experts claim that cold storage infrastructure will become economically viable only when there is strong and contractually binding demand from organized retail. The risk of cold storing perishable food, without an assured way to move and sell it, puts the economic viability of expensive cold storage in doubt. In the absence of organized retail competition and with a ban on foreign direct investment in multi-brand retailers, foreign direct investments are unlikely to begin in cold storage and farm logistics infrastructure. Until 2010, intermediaries and middlemen in India have dominated the value chain. Due to a number of intermediaries involved in the traditional Indian retail chain, norms are flouted and pricing lacks transparency. Small Indian farmers realize only 1/3rd of the total price paid by the final Indian customer, as against 2/3rd by farmers in nations with a higher share of organized retail. The 60%+ margins for middlemen and traditional retail shops have limited growth and prevented innovation in Indian retail industry. India has had years of debate and discussions on the risks and prudence of allowing innovation and competition within its retail industry. Numerous economists repeatedly recommended to the Government of India that legal restrictions on organized retail must be removed, and the retail industry in India must be opened to competition. For example, in an invited address to the Indian parliament in December 2010, Jagdish Bhagwati, Professor of Economics and Law at the Columbia University analysed the relationship between growth and poverty reduction, then urged the Indian parliament to extend economic reforms by freeing up of the retail sector, further liberalization of trade in all sectors, and introducing labour market reforms. Such reforms Professor Bhagwati argued will accelerate economic growth and make a sustainable difference in the life of India’s poorest. A 2007 report noted that an increasing number of people in India are turning to the services sector for employment due to the relative low compensation offered
by the traditional agriculture and manufacturing sectors. The organized retail market is growing at 35 percent annually while growth of unorganized retail sector is pegged at 6 percent. The Retail Business in India is currently at the point of inflection. As of 2008, rapid change with investments to the tune of US $ 25 billion was being planned by several Indian and multinational companies in the next 5 years. It is a huge industry in terms of size and according to India Brand Equity Foundation (IBEF), it is valued at about US$ 395.96 billion. Organised retail is expected to garner about 16-18 percent of the total retail market (US $ 65-75 billion) in the next 5 years ("retail-education: Retailing." 22 Mar. 2012, http://retail-education99blogspotcom.blogspot.com/2011/04/retailing.html 12 Aug. 2013).

India has topped the A.T. Kearney’s annual Global Retail Development Index (GRDI) for the third consecutive year, maintaining its position as the most attractive market for retail investment. The Indian economy has registered a growth of 8% for 2007. The prediction for 2008 is 7.9%. The enormous growth of the retail industry has created a huge demand for real estate. Property developers are creating retail real estate at an aggressive pace and by 2010, 300 malls are estimated to be operational in the country.

3.8.3 Growth after 2011 in Retail Sector in India

Before 2011, India had prevented innovation and organized competition in its customer retail industry ("Retailing in India - Wikipedia, the free encyclopedia." 12 Aug. 2013, http://en.wikipedia.org/wiki/Retailing_in_India 14 Aug. 2013). Several studies claim that the lack of infrastructure and competitive retail industry is a key cause of India's persistently high inflation. Furthermore, because of unorganized retail, in a nation where malnutrition remains a serious problem, food waste is rife. Well over 30% of food staples and perishable goods produced in India spoils because poor infrastructure and small retail outlets prevent hygienic storage and movement of the goods from the farmer to the customer ("Can FDI in retail tell me where my vegetables came from? - Take ...." http://www.moneyshiksha.in/fdi-in-retail/ 14 Aug. 2013). ("Can FDI in retail tell me where my vegetables came from? - Take ...." http://www.moneyshiksha.in/fdi-in-retail/ 12 Aug. 2013). One report estimates the 2011 Indian retail market as generating sales of about $470 billion a year,
of which a minuscule $27 billion comes from organized retail such as supermarkets, chain stores with centralized operations and shops in malls. The opening of retail industry to free market competition, some claim will enable rapid growth in retail sector of Indian economy. Others believe the growth of Indian retail industry will take time, with organized retail possibly needing a decade to grow to a 25% share ("fdi and impact on indian economy (special ref. to retail sector) - GJMR." 27 Jan. 2012, http://gjmr.org/IIJRIME/vol2issue1/3.pdf 14 Aug. 2013). A 25% market share, given the expected growth of Indian retail industry through 2021, is estimated to be over $250 billion a year: a revenue equal to the 2009 revenue share from Japan for the world's 250 largest retailers. The Economist forecasts that Indian retail will nearly double in economic value, expanding by about $400 billion by 2020. The projected increase alone is equivalent to the current retail market size of France. In 2011, food accounted for 70% of Indian retail, but was under-represented by organized retail. A.T. Kearney estimates 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. These data correspond to retail prospects prior to November announcement of the retail reform. The Indian market offers endless possibilities for investors. It might be true that India has the largest number of shops per inhabitant. However we (locates) have detailed figures for Belgium, the Netherlands and Luxemburg. In Belgium, the number of outlets is approximately 8 per 1,000 and in the Netherlands it is 6. So the Indian number must be far higher ("Retailing in India - Wikipedia, the free encyclopedia." 12 Aug. 2013, http://en.wikipedia.org/wiki/Retailing_in_India 14 Aug. 2013).

3.8.4 Major Indian Retailers

Indian apparel retailers are increasing their brand presence overseas, particularly in developed markets. While most have identified a gap in countries in West Asia and Africa, some majors are also looking at the US and Europe. Arvind Brands, Madura Garments, Spykar Lifestyle and Royal Classic Polo are busy chalking out foreign expansion plans through the distribution route and standalone stores as well. Another denim wear brand, Spykar, which is now moving towards becoming a casualwear lifestyle brand,

The low-intensity entry of the diversified Mahindra Group into retail is unique because it plans to focus on lifestyle products. The Mahindra Group is the fourth largest Indian business group to enter the business of retail after Reliance Industries Ltd, the Aditya Birla Group, and Bharti Enterprises Ltd. The other three groups are focusing either on perishables and groceries, or a range of products, or both ("fdi and impact on indian economy (special ref. to retail sector) - GJMR." 27 Jan. 2012, http://gjmr.org/IJRIME/vol2issue1/3.pdf 14 Aug. 2013).

- REI AGRO LTD Retail: 6TEN and 6TEN kirana stores
- Future Groups-Formats: Big Bazaar, Food Bazaar, Central, Fashion Station, Brand Factory, Home Town, E-Zone etc.
- Raymond Ltd.: Textiles, The Raymond Shop, Park Avenue, Park Avenue Woman, Parx, Colourplus, Neck Ties & More, Shirts & More etc.
- Fabindia: Textiles, Home furnishings, handloom apparel, jewellery
• RP-Sanjiv Goenka Group Retail-Formats: Spencer’s Hyper, Spencer's Daily, Music World, Au Bon Pain, Beverly Hills Polo Club
• The Tata Group-Formats: Westside, Star India Bazaar, Steeljunction, Landmark, Titan,Tanishq, Croma.
• Reliance Retail-Formats: Reliance MART, Reliance SUPER, Reliance FRESH, Reliance Footprint, Reliance Living, Reliance Digital, Reliance Jewellery, Reliance Trends, Reliance Autozone, iStore
• K Raheja Corp Group-Formats: Shoppers Stop, Crossword, Hyper City, Inorbit Mall
• Nilgiri’s-Formats: Nilgiris’ supermarket chain
• Shri Kannan Departmental Store (P) Ltd ., : Groceries, Clothing, Cosmetics [Western Tamilnadu's Leading Retailer]
• Lifestyle International-Lifestyle, Home Centre, Max, Fun City and International Franchise brand stores.
• Pyramid Retail-Formats: Pyramid Megastore, TruMart
• Next retail India Ltd (Customer Electronics)(www.next.co.in)
• Vivek Limited Retail Formats: Viveks, Jainsons, Viveks Service Centre, Viveks Safe Deposit Lockers
• PGC Retail -T-Mart India, Switcher, Respect India, Grand India Bazaar,etc.,
• Aditya Birla Group- Formats: more., acquired Pantaloon from Future group, acquired Trinetra (Fabmall and Fabcity)
• Vishal Retail Group-Formats: Vishal Mega Mart
• BPCL-Formats: In & Out
• Shoprite Holdings-Formats: Shoprite Hyper
• Paritala stores bazar: honey shine stores
• Kapas- Cotton garment outlets
• AaramShop - a platform which enables hybrid commerce for thousands of neighborhood stores.
• Gitanjali- Nakshatra, Gili, Asmi, D'damas, Gitanjali Jewels, Giantti, Gitanjali Gifts, etc.
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The world's largest retailer by sales, Wal-Mart Stores Inc and Sunil Mittal’s Bharti Enterprises has entered into a joint venture agreement and they are planning to open 10 to 15 cash-and-carry facilities over seven years. The first of the stores, which will sell groceries, customer appliances and fruits and vegetables to retailers and small businesses, is slated to open in north India by the end of 2008 ("retail-education: Entry of MNCs." 22 Mar. 2012, http://retail-education99.blogspot.com/2011/04/entry-of-mncs.html 14 Aug. 2013). Carrefour, the world’s second largest retailer by sales, is planning to set up two business entities in the country one for its cash-and-carry business and the other a master franchisee which will lend its banner, technical services and know how to an Indian company for direct-to-customer retail.

3.8.5 Challenges in Indian Retail Industry

A McKinsey study claims retail productivity in India is very low compared to international peer measures. For example, the labor productivity in Indian retail was just 6% of the labor productivity in United States in 2010. India's labor productivity in food retailing is about 5% compared to Brazil's 14%; while India's labor productivity in non-food retailing is about 8% compared to Poland's 25%. Total retail employment in India, both organized and unorganized, account for about 6% of Indian labor work force currently - most of which is unorganized. His about a third of levels in United States and Europe; and about half of levels in other emerging economies. A complete expansion of retail sector to levels and productivity similar to other emerging economies and developed economies such as the United States would create over 50 million jobs in India. Training and development of labour and management for higher retail productivity is expected to be a challenge. To become a truly flourishing industry, retailing in India needs to cross the following hurdles:

- Automatic approval is not allowed for foreign investment in retail.
- Regulations restricting real estate purchases, and cumbersome local laws.
- Taxation, which favours small retail businesses.
- Absence of developed supply chain and integrated IT management.
- Lack of trained work force.
- Low skill level for retailing management.
- Lack of Retailing Courses and study options
- Intrinsic complexity of retailing – rapid price changes, constant threat of product obsolescence and low margins.

In November 2011, the Indian government announced relaxation of some rules and the opening of retail market to competition ("fdi and impact on indian economy (special ref. to retail sector) - GJMR." 27 Jan. 2012, http://gjmr.org/IJRIME/vol2issue1/3.pdf 14 Aug. 2013). The world’s fifth largest retailer by sales, Costco Wholesale Corp (Costco) known for its warehouse club model is also interested in coming to India and waiting for the right opportunity. Tesco Plc., plans to set up shop in India with a wholesale cash-and-carry business and will help Indian conglomerate Tata group to grow its hypermarket business.

3.8.6 India Retail Reforms

Until 2011, Indian central government denied foreign direct investment (FDI) in multi-brand Indian retail, forbidding foreign groups from any ownership in supermarkets, convenience stores or any retail outlets, to sell multiple products from different brands directly to Indian customers. The government of Manmohan Singh, prime minister, announced on 24 November 2011 the following:

- India will allow foreign groups to own up to 51 per cent in "multi-brand retailers", as supermarkets are known in India, in the most radical pro-liberalisation reform passed by an Indian cabinet in years;
- single brand retailers, such as Apple and Ikea, can own 100 percent of their Indian stores, up from the previous cap of 51 percent;
- both multi-brand and single brand stores in India will have to source nearly a third of their goods from small and medium-sized Indian suppliers;
- all multi-brand and single brand stores in India must confine their operations to 53-odd cities with a population over one million, out of some 7935 towns and cities in India. It is expected that these stores will now have full access to over 200 million urban customers in India;
- multi-brand retailers must have a minimum investment of US$100 million with at least half of the amount invested in back end infrastructure, including cold chains, refrigeration, transportation, packing, sorting and processing to considerably reduce the post harvest losses and bring remunerative prices to farmers;
- the opening of retail competition will be within India's federal structure of government. In other words, the policy is an enabling legal framework for India. The states of India have the prerogative to accept it and implement it, or they can decide to not implement it if they so choose. Actual implementation of policy will be within the parameters of state laws and regulations.

3.9 EVOLUTION OF RETAIL IN INDIA

While barter is considered to be the oldest form of retail trade, retail in India has evolved to support the unique needs of our country given its size and complexity. Haats, Mandis and Melas have always been a part of the Indian landscape. They still continue to be present in most parts of the country and form an essential part of life and trade in various areas. The PDS or the Public Distribution System would easily emerge as the single largest retail chain existing in the country. A detailed discussion forms a part tracing the evolution of Indian retail would be incomplete without a mention of the canteen Stores Department and the Post Offices in India. The Khadi & Village Industries (KVIC) was also set up post independence. Today, there are more than 7,050 KVIC stores across the country. In Maharashtra, Bombay bazaar, which runs stores under the Sahakari Bhandar and Apna Bazaars run a large chain of co-operative stores. In the past decade, the Indian marketplace has transformed dramatically. However, from the 1950’s to the 80’s investments in various industries was limited due to the low purchasing power in the hands of the customer and the government’s policies favoring the small scale sector. Initial steps towards liberalization were taken in the period of 1985-90. It was at this time that many restrictions on private companies were lifted, and in the 1990’s, the Indian economy slowly progressed from being state led to becoming ‘market friendly’. While independent retail stores like Akbarally’s, Vivek’s and Nalli’s have existed in India for a long time, the first attempts at
organized retailing were noticed in the textiles sector. One of the pioneers in this field was Raymond’s, which set up stores to retail fabric. It also developed a dealer network to retail its fabric. These dealers sold a mix of fabrics of various textile companies. The Raymond’s distribution network today comprises of 20,000 retailers and over 429 showrooms across the country. Other textile manufacturers who also set up their own retail chains were Reliance which set up Vimal showrooms and garden Silk Mills with Garden Vareli. It was but natural that with the growth of textile retail, ready-made branded apparel could not be far behind and the next wave of organized retail in India saw the likes of Madura garments, Arvind Mills etc set up showrooms for branded men’s wear. With the success of the branded men’s wear store, the new age departmental store arrived in India in the early nineties.

3.9.1 Khadi and Village Industries Commission

The Khadi and Village Industries Commission (KVIC) is a statutory body established by an Act of Parliament (No. 61 of 1956, as amended by act no. 12 of 1987 and Act No.10 of 2006. In April 1957, it took over the work of former All India Khadi and Village Industries Board.

Objectives

The broad objectives that the KVIC has set before it are...

- The social objective of providing employment.
- The economic objective of producing saleable articles.
- The wider objective of creating self-reliance amongst the poor and building up of a strong rural community spirit.
Functions
Some of the major functions of KVIC are ...

- The KVIC is charged with the planning, promotion, organisation and implementation of programs for the development of Khadi and other village industries in the rural areas in coordination with other agencies engaged in rural development wherever necessary.

- Its functions also comprise building up of a reserve of raw materials and implements for supply to producers, creation of common service facilities for processing of raw materials as semi-finished goods and provisions of facilities for marketing of KVI products apart from organisation of training of artisans engaged in these industries and encouragement of co-operative efforts amongst them. To promote the sale and marketing of khadi and/or products of village industries or handicrafts, the KVIC may forge linkages with established marketing agencies wherever feasible and necessary.

- The KVIC is also charged with the responsibility of encouraging and promoting research in the production techniques and equipment employed in the Khadi and Village Industries sector and providing facilities for the study of the problems relating to it, including the use of non-conventional energy and electric power with a view to increasing productivity, eliminating drudgery and otherwise enhancing their competitive capacity and arranging for dissemination of salient results obtained from such research.

- Further, the KVIC is entrusted with the task of providing financial assistance to institutions and individuals for development and operation of Khadi and village industries and guiding them through supply of designs, prototypes and other technical information.

- In implementing KVI activities, the KVIC may take such steps as to ensure genuineness of the products and to set standards of quality and ensure that the products of Khadi and village industries do conform to the standards.

- The KVIC may also undertake directly or through other
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- The KVIC is authorized to establish and maintain separate organisations for the purpose of carrying out any or all of the above matters besides carrying out any other matters incidental to its activities.

3.9.2 The Canteen Stores Department

ORIGIN

The origin of CSD is essentially set in the British era when Army Canteen Board in India was established as an offshoot of the Navy and the Army Canteen Board in the UK. While the latter was abolished in 1922 in the UK, and was replaced by NAAFI (Navy, Army and Air Force Institute), its counterpart in India continued till 1927. The Army Canteen Board in India was established mainly to provide canteen facilities to British troops in India through grocery shops and bars run by canteen contractors. The achievements of NAAFI in the UK did not inspire any corresponding change in India. However, the Army Canteen Board, liquidated in 1927, was replaced by the Canteen Contractors’ Syndicate (CSS). It floated in the form of a limited company, under government control with its registration office at Karachi. This company started off with a paid-up capital of Rs 6 lakhs only. The shareholding was confined to the canteen contractors. The CSS functioned with reasonable efficiency until the commencement of World War II.
An agreement drawn up with the organization, the government had kept a provision for taking over the organization in an emergency or a war situation. After World War II broke out, this provision was not made use of in the initial stages. However, after the heavy build up of the British troops in India, the CSS could no longer cope-up with the situation. Therefore, on 1 July 1942, the Government of India made use of the specific provision in Services(India) under the Directorate of Wholesale Trade and Indian Canteen Corps to handle the retail trade in operational areas. Canteen suppliers poured in from abroad and the organization functioned extremely well during the War. By 31 March 1946, it was not only able to pay back to the government the assignments of funds made available to it but could also function on its own trading capital. However, with the end of the War and homeward movement of the British troops, the import facilities dwindled and the turnover of the organization shrunk. With the pulling out of troops from the operational areas, the Indian Canteen Corps was disbanded and the staff retrenched. This was closely followed by the independence and partition of the country, and the war-time organization gave birth to two Canteen Stores Departments, i.e., CSD (India) and CSD(Pakistan). The retail trade, however, reverted to the contractors. A board of Liquidation was formed to oversee the liquidation of assets of the war-time organization which ceased to function from 31 December 1947. The Canteen Stores Department, the present organization, thus took birth on 1
January 1948 with a working capital of Rs 48 lakhs assigned to it from assets of its predecessor war-time organization. The Government of India had granted the organization a life of three years on experimental basis ("Canteen Stores Department-History Origin." http://www.csdindia.gov.in/customer/HistoryOrigin.aspx 14 Aug. 2013). The experiment was a success by a long margin. The myth that Indian troops were not canteen-minded had been blown sky high. The situation was reviewed in 1950 and the Department was accepted as a government undertaking on a permanent basis. Canteen facilities for the Indian troops had come to stay.

3.10 DRIVERS OF RETAIL CHANGE IN INDIA

Retail is the new buzzword in India. Buying ritual has become shopping experience. It is a celebration and entertainment. Lifestyle is changing rapidly. The concept of value for money is gaining importance. The information that the Indian customer has access to is immense which leads to the freedom of choice and in turn the demand for the differently organized retail formats. The traditional way of retailing is also organized but differently organized. The changing income profiles, change in consumption patterns, changing demographics, diminishing difference between rural and urban India demand the change in the way the retail business is carried out in India. We all witness to the change in retail in the country. The local Bania has gradually transformed himself into a small supermarket. This change is not only restricted to metros but has rapidly spread over to a smaller cities and towns. The reason for this change is due to the most important element in the whole process i.e. the Indian customer. We are witness to the change happening in retail in the country. The local grocery shop has gradually transformed himself into a small supermarket. The transformation of what used to be known as Phoenix Mills, into High Street Phoenix is a reality. This change is not restricted to the metro cities but has rapidly spread to smaller cities and towns as well. The person driving this change is the Indian customer. In this article we look into the reasons of the retail change in India. The size of the population in India has always made it a large market. However, from the 1950’s to the 80’s investments in various industries was limited due to the low purchasing power in the hands of the customer and the government’s policies
focusing on the small-scale sector. Initial steps towards liberalization were taken in the period of 1985-90. The late Prime Minister PV Narasimha Rao and the finance minister, Manmohan Singh, are credited with having ushered in the first level. It was at this time that many restrictions on private companies were lifted, and in the 1990’s the economy slowly progressed from being state led to becoming ‘market friendly’.

**Socio Economic Factors:**
Socio-economic factors are seen as fundamental to development. India is today a nation which has a large middle class, a youth population which is happy spending and a steady rate of growth of GDP. The primary indicator of socio-economic change is the increase in life expectancy from 58 years in the year 1991-92 to an average of 66 years in 2006-07. India aims to achieve 100% literacy (15 – 35 age groups) by the year 2006-07. Basic amenities like drinking water and electricity are also likely to be commonly available. Thus we can say that there is a definite improvement in the basic quality of life of an average Indian citizen. With the basic necessities being taken care of, there is, a good chance that the demand for other products and services may increase.

**Changing Income Profiles:**
Steady economic growth has fuelled the increase in personal income in India. The middle class forms, the backbone of the India market story and it is the rising incomes in the young middle class population that is fuelling its growth. The definitions of income classes vary from one study to another. For the purpose of this article, the income classification done by NCAER is considered. According to the NCAER data, the middle income and the upper middle income categories are likely to witness the most significant expansion in the coming decade. The upper and middle class are likely to increase their share in the population from 19.6% in 1995-96 to 42.6% in 2009-10, a substantial increase, while the middle income category to witness an increase from 32.9% to 39.8% in the same period. Not only does the population determine the volume of the market, but the relative size of the different income segments as well. The building up of the Indian middle class and the higher income echelons will provide a demand for niche and branded
products. The disposable income of Indian customers has increased steadily. The proportion of the major consuming class (population that has an annual income that is higher than Rs 90,000 has risen from 20 percent in 1995-96 to 28 per cent in 2001-02; this is expected to move up to 35 per cent by 2005 – 06 and to 48 per cent by 2009-10. This translates into a CAGR of 9.3 per cent over the next 8 years and will result in higher spending capacity and eventually, in greater consumption.

**Population**
The size of population in India has always made it a large market. 1.10 billion People and almost 40 % of the population is youth which makes it more lucrative market. Aspiration, wants of these people thought are different but it definitely creates the opportunities for the retail trade which keep growing every day. One more aspect of this population is that the 26 % of the population is still below the poverty line but still catering to the basic needs of these people (As per the Maslow’s Hierarchy of Needs) is daunting task which creates enormous opportunities for retail.

**Diminishing difference between Rural and Urban India**
Rural India amounts to 70 % of India’s population and this itself offers a tremendous opportunity for generating volume driven growth. It is interesting to note that LIC sold 50% of its policies in Rural India in year 2005-06. Of the over two million BSNL mobile phone connections more than 50 % are in small towns and villages. This kind of phenomenon is evident in all type of products and services. So the diminishing difference between the Rural and Urban India is pretty evident. This makes it easier for the marketer to develop and market new goods and services for the Indian customer.

**The rise of the self-employed**
Rural India has always been largely self-employed. But now the proportion of the self-employed in urban India has risen to 40% plus, replacing the employed salary earner as the new ‘mainstream market’. A Hansa Research Group (HRG) study shows that even in the ‘creamy layer’, comprising the top two social classes in towns of 10 lakh plus population in urban India, 40% of chief wage earners of households are shopowners, petty traders, businessmen and self-employed professionals. Unlike the salary earner, the self-employed
use products much more to signal success and are also fast adopters of any productivity tools, like cellphones and two-wheelers, that can help them earn more.

**Striving**

Most Indian customers, whether rich or poor, want to get ahead in a hurry. From being destiny-driven and resigned, they are now destination-driven and striving to grasp opportunities to earn more in order to construct a better life for themselves and their children. If one were to segment the country into the Arriving, the Striving and the Resigned, the proportion of Resigned has definitely decreased and become geographically concentrated, rather than well-dispersed, as it was earlier.

**The rise of the woman**

Like the self-employed, women too are saying “I can and I will,” and emerging as partners in family progress. Not so much from earning the second income (a mere 23% of Indian households have working wives and that proportion decreases as incomes increase) but by being CEOs of households and intellectual nurturers of their children.

### 3.11 THE SIZE OF RETAIL IN INDIA

The retail trade in India is highly fragmented in nature and it is often remarked that retail in India is nascent and mostly unorganized. While this may be the case viewed from, a mature developed world perspective, the reality is that not only agricultural produce but also manufactured goods such as toiletries, tobacco products and even basic electrical / electronic devices are available in the remotest corner of India. What one sees of the retail sector in India is just the tip of the iceberg. As retail is not regarded as an industry in India, it is difficult to get a correct picture of the size of this sector. The local grocery store, the road side betel leaf (pan) stalls and the vegetable vendor who are much a part of the Indian retail, landscape are termed by many as the unorganized sector. While it is true that they do not use technology, they are well aware of the needs and wants of their customers, they know what and how much to stock and are aware of their likes and dislikes. Many of them would also know their customers by name and offer add on services like free home delivery and credit facilities. This is the traditional form of retail in
India. While it is true that traditional formats exist in all markets of the world, the level of maturity of the market determines the dependence on the formats — traditional or modern. In the year 2006, the Indian retail market was estimated at Rs 1,200,000 crores, of which the organized market is estimated to stand at Rs 55,000 crores. At this juncture, it needs to be noted that since the size of the unorganized trade is significantly larger than the size of the organized trade, it is difficult to get an exact picture of the true size of the business. Figures given by various agencies vary. Students need to remember that figures that have been taken into consideration have been used to illustrate the size of the sector and its significance in the trade today. A large number of research houses, consultants and industry federations have speculated on the size that Indian retail is likely to touch in the years to come. A common refrain has been that organized retail in India is expected to grow at 25 – 30 per cent per annum in the next 5 – 6 years, while total retail as a sector would grow at the rate of 5% per annum. In the following section, we analyze prominent sector in Indian retail with respect to the composition of the sector, key players and the estimated size of the market. As stated earlier, since exact figures from the industry and its various segments are not available, the size and projected growth of the sectors have been taken from various industry estimates and reports.

**Segment 1: Food and Grocery**

**The Composition of the Sector**

Food as a sector has been defined to comprise of food and grocery and the food and beverages sector which would include catering services and restaurants, fast food centers etc. This would mean the providers of food and catering services like meals, snacks and or beverages by way of dine in or take away or delivery service. The Indian food and groceries sector can be divided into fresh groceries, branded packaged foods, personal hygiene products and toiletries and dry unprocessed groceries.

**The Size of the Sector:**

The Food & grocery segment constitutes 62% of the Rs 1,200,000 crores Indian retail market. On the basis of the estimates given by the Central Statistical Organization, just 0.8% of this retail segment is in the organized
Retail industry is basically that sector of the economy which is engaged in selling finished products to end customers. Most of the goods sold are made by some third party though these days big retail chains have introduced their brand line as well which is known as private labels. As per the AT Kearney ranking, India is at number four in the list of thirty emerging countries for retail development.

Basically there are three kinds of retailers that are generally available –

- Organized Retail – These are owned by private or government and are based on some principles and procedures like Wal-Mart, Big Bazaar. Possess license to sell the product.
- Unorganized Retail – Owned by an individual and they are also based on some principles.
- Grey Market – Unauthorized small stores that are owned by an individual.

They are not bound by any principles or rules as they are run illegally. Organized retailers often many advantages which an unorganized store could not offer e.g. customer now has a wider range of choices of goods, better shopping experience, more convenient and many other benefits. They also...
offer great discounts with some supermarkets offering more than 5% below MRP whereas unorganized stores generally sell products at MRP. The number of SKUs available is also much more than that available in unorganized stores and so there are less problems of stock out or no stock ("Growth Of Organized Retail In India  Business Article MBA Skool ...." Zigu, 14 Aug. 2013, http://www.mbaskool.com/business-articles/marketing/1139-growth-of-organized-retail-in-india.html 15 Aug. 2013). The farmers have also benefited from organized retailing as they are in direct touch with the retailers and resulting in bypassing of the intermediaries who used to eat away the margin of both retailer and farmer. In a way they have helped in boosting the growth of other sectors which are related to them like agriculture, manufacturing etc. Companies are also in direct touch with the customer and so they have better awareness that which products are selling and which are consuming the shelf space. It has also enhanced the employment potential by providing direct employment to many people who are involved in many activities that take place during organized retailing. In organized retail sector we generally have modern format stores which include supermarkets, hypermarkets, discount stores, departmental stores, shopping malls and similar kind of stores. While in unorganized sector we have small kirana stores which are the local shops that are owned and operated on a small scale generally in a limited space. Owners themselves operate it so it has the benefit of low operational costs. As they are in the near locality they have better understanding of customer requirements. In India it was in 1995 when organized retail finally started taking shape when the Indian government had started relaxing policies and market liberalization was taking place. The sector has undoubtedly drawn benefit in that period because of the liberalization as the government is encouraging more and more FDIs into the country. At that time almost 90-95% of the retail sector was still unorganized in India. The sector continued to flourish encouraging many Indian industrialists to enter into organized retail sector. The sector reached its peak growth in 2006 when customers were more seeking organized retail format and there was greater exposure to foreign brands. The retail shopping districts started developing and more shopping centres, lifestyle malls and shopping complexes have emerged offering people shopping, entertainment
and food chains at the same place. This concept first took shape in tier I cities but soon it spread into tier II and III cities as well. Many bigwigs have become popular in this industry including Big Bazaar, Reliance Fresh, Nilgiris, More and many others. Right now the industry has reached its matured phase with growing Indian economy. Salary is expected to rise by an average of 13% and customer spending is expected to increase by 12%. As per the emerging trends, the disposable income of people has increased over the time which is expected to grow further and they are spending more than earlier. There has been an increase in working population in the range of 19-60 years which is expected to reach 620 million in 2012. Even young people are purchasing more and have become specific about from where they are purchasing. At this point of time, organized retailers are focusing more on tier II and III cities where there is still scope of further growth. Retail companies are now emphasizing more on increasing their presence in the new emerging retail formats such as supermarkets, convenience stores, hypermarkets and specialty stores. As per the Business Monitor International (BMI) India Retail Report, the total retail sales in India is expected to grow from US$ 395.96 billion in 2011 to US$ 785.12 billion by 2015. This is all due to the increase in earning and spending power of people and as a result many international companies including Wal-Mart are planning to enter into retailing in India which will boost the competition in the retail industry. Some of the prominent organized retailers that we have in India are –

**Nilgiris**

It is a famous supermarket chain in South India established in 1905 by Muthuswamy Mudaliar. USP is selling of goods that are freshly produced, of superior quality and creates value for customer. It is the only major supermarket chain that sells its own products.

**Foodworld**

A chain of supermarket stores that is a division of Spencer & Co. Earlier it was called as Spencer’s Daily. Three aspects to which the company sticks to are stock turn, volumes and efficiency.
Reliance Fresh
A convenience store format owned by Reliance Industries and has about 560 outlets across the country. They sell fresh fruits and vegetables, staples, groceries, fresh juice, bars and dairy products.

More
A retail chain store operated by Aditya Birla Retail Ltd is the retail arm of Aditya Birla Group Company. It operates in two types of store formats namely supermarket and hypermarket. Currently, it has more than five hundred supermarkets and more than eight hypermarkets across the country.

Big Bazaar
A chain of hypermarket in India and it has 210 stores across 80 cities and towns. It offers a wide range of merchandise including fashion and apparels, food products, general merchandise, furniture, electronics, books, fast food and leisure and entertainment sections.

Segment II: FOOD AND GROCERY RETAIL MARKET IN INDIA
Food and grocery segment constitutes about 62 per cent of the total INR 12000 billion (USD 270 billion) Indian retail market. There are about 12 million retailers in India and 80 per cent of those are actually mom and pop shops run by family members. The modern organized retailing is about 3 per cent of the total. In South, however, the modern retailing is said to be 10% of the total. As per IMAGES F&R Research estimates organized food and grocery retail market was a mere 0.5 per cent of the total in 2004. This organized segment has now grown to just about 0.8 per cent in 2006 valued at INR 500 billion at 2004-05 prices ("FOOD AND GROCERY | RETAIL INDUSTRY IN INDIA." 25 Sep. 2012, http://indiareta.blogspot.com/2012/09/food-and-grocery.html 15 Aug. 2013). The organized food and grocery retail sector grew at the rate of 35.6 percent in 2005 and at 42.5 per cent in 2006 over the previous year. Until recently, this segment was dominated by players with regional presence as most of them had established themselves in local markets only such as Subhiksha in Chennai, Trinethra in Andhra Pradesh and Margin Free Markets in Kerala. Food World tried to expand to West India (Pune) but failed. This was primarily attributed to inefficient supply chain management and lack of investment in establishing
effective SCM network in different regions. But players like Food Bazaar has established a pan-India presence and Subhiksha has moved towards north India and currently testing the NCR market. It can be noted that grocery retailing accounts for nearly half of the packaged fast moving customer goods (FMCG) sales. ACNielsen study indicates that there will be significant switch in spending from traditional grocery stores to modern stores in the region. (Source: India Retail Report 2007: An Images F&R Research)

**Key Drivers to F&G Retail growth**

- Changing customer preferences due to increased disposable income. Customers are demanding wider range and unique merchandise with consistent quality – ‘all under one roof’
- Gradual increasing cosmopolitization of Indian population due to western influence and internationalization of palates and lifestyle created the need of wider array of products and services
- New types of packaged and convenience foods such as processed meat and meat products requiring refrigerated storage and transportation and retail shelf space

As of now the emphasis in food and grocery retailing is on dry groceries. The wet groceries like fruits, vegetables and meat products account for only 3-5 per cent of the over all offering of the organized players. However, customer spending indicate that about 40% of total customer spending is on wet groceries. The major challenge would thus be putting appropriate supply chain management infrastructure for wet products and those who will be able to do it faster will have a major differentiation advantage to leverage. The signs of eliminating involvement of middlemen and backward integration in SCM among Indian retailers are increasingly visible ("FOOD AND GROCERY | RETAIL INDUSTRY IN INDIA." 25 Sep. 2012, http://indiareta.blogspot.com/2012/09/food-and-grocery.html 15 Aug. 2013). Major players in the fray are Big Bazaar (belonging to Pantaloon), Giant (rechristened as Spencer’s), Star India Bazaar (of Tata Group), Landmark (in association with South African Retail giant Shoprite), Reliance Industries, Rainbow Retail (of Raheja Group), Godrej, Adani, Trinethra (now under AV Birla Group), Dairy Farm, Jubilant Group among others.
Factors that will determine the success of F&G stores
- Ability of the companies to achieve economies of scale and supply chain integration leading to cost reduction, improved stock turnover and better credit terms from vendor
- Building scaleable model that is replicable across regions and extending models to smaller cities and towns
- Passing on benefits of lower costs to customers offering better value proposition than what neighbourhood stores offer.
- Home delivery to match the customer convenience offered by the unorganized segment
- Better shopping environment benchmarked to international standard
- Focus on private label particularly for staple foods
- Extend into other categories for private label brands

Challenges to be overcome
- Efficiency related issues in supply chain management areas for significant cost reduction
- Food and grocery is still a localized affair. People are unwilling to travel far off distances for grocery shopping when options are available nearby. Finding solution to this issue is thus a big challenge

Leading F&G Retail stores

**SUBHIKSHA**
Chennai based retail chain is the largest discount stores in India with over 315 stores. Started in 1997 it is the first company to start tie ups with the manufacturers for cost saving. In 2006 it has 315 stores with 60 stores in Bangalore, Mysore and one store in NCR. The turnover of the company is INR 3.34 billion. They have launched aggressive television campaign to reach masses. They plan to invest additional INR 1000 million to add 180 more stores in eight cities of which 100 stores will be in Mumbai city itself. As per plan they would like to have 600 stores by the year end 2007.

**FABMALL**
Bangalore based Fabmall operated 12 stores and achieved INR 500 million in sales in 2003-04. It has been acquired by Trinethra of Hyderabad with 80 outlets in eight cities in Andhra Pradesh covering retail space of more than
1300000 sqft. Post acquisition, Trinethra had added five more stores under Fabmall and now operating both the formats. Trinethra super retail with 172 stores subsequently got acquired by AV Birla Group which acquired 90 percent stake. Balance 10% is still with India Value Fund managed by GW capital, a private equity fund. By year 2006-07 Trinethra has 198 stores in more than four cities with total area of 525566 sqft and sales INR 2780 million

**FOODWORLD**
Dairy Farm International entered Indian market and took over Food World from Spencer as a route to dilute the shareholding in RPG group. It had a four city presence and 100 stores in 2005-06 as compared to the previous year 79 outlets. Dairy Farm now plans to set up bigger stores as well as large format stores. As per plan they would like to set up 500 outlets by year 2010.

**SPENCER’S RETAIL**
A RPG group company entered into F&G retail in 2001. In the year 2006-07 they had 68 stores in 17 cities with retail space of 582490 sqft. They have both small (2000sqft) as well as large (8000-15000 sqft) format outlets selling both fresh products and durable item under one roof. Small format outlets sell fresh food, groceries, chilled and frozen foods.

**FOOD BAZAR**
Food Bazaar, the Pantaloon group’s F&G chain, has in all 45 outlets across more than 20 cities and is located within the group’s value retail format Big Bazaar. Food Bazaar’s value proposition – selling below MRP – helped in high stock turn over. It has launched private label brands of tea, salt, sugar, spice and processed foods. The turnover for the year 2003-04 was INR 1.5 billion which is expected to go up to INR 32.5 billion by year 2010. The company plans to have 110 outlets in 2007 and 250 outlets in 2010. They have over 10000 SKUs.

**TRUMART**
Launched by Piramal group and managed by Mumbai based Crossroads. First outlet was opened in Pune in upscale Bhandarkar Road of 6000 sqft size. They have 12 outlets in five cities in 2005-06 although started initially in Pune and Mumbai. Now they have 42 outlets (2006-07) in 14 cities with plan to have
150 outlets in the year 2010. They plan to have 82 outlets in 2007. The theme of their stores is AUOR (All under one roof).

**NILGIRI’S**

It has pioneered the organized retail operation in the country – started as early as 1905 in Bangalore. In 2004-05 it has about 140000 sqft retail space which has now gone up to 200000 sqft. They have mainly franchisees and a few company owned format outlets. They have pioneered franchisee model in India in F&G retail.

**ARAMBAG FOODMART**

It belongs to the Arambag Hatcheries and is a household name in Kolkata. Spread over Kolkata and other cities in West Bengal company operates 24 stores with an average area of 600-1000 sqft of retail space. It deals in groceries, confectioneries, toiletries, frozen foods and of course its products Arambag Chicken (dressed chicken). The unique features of these stores is below MRP price, good quality and convenient location. There has been gradual increase in sales from INR 181 million in 2004-05 to INR 212 million in 2005-06 to the current to INR 260 million now.

**NAMDHARI’S FRESH**

Namdgari’s Fresh (NF) a sister concern of Namdhari Seeds Pvt. Ltd, a leading Seed company was started four years back with a vision to be the leader in Quality Fresh Produce following Integrated Pest Management Practices with eco friendly bio-agents. Currently they have 13 outlets in Bangalore and 3 more in Delhi.

**RELIANCEFRESH**

Reliance entered the F&G sector recently with its Reliance Fresh outlets foraying through the Hyderabad stores. First set of roll out included 11 stores all located in the same city. First day turnover was INR 2.2 million. The company is targeting at least 35 outlets in major cities. Expansion is planned and is in progress to cover immediately Delhi, Mumbai and nearby areas in the first phase. They are planning 70 cities and 784 urban towns and 6000 odd rural mandi towns to cover 100 million sqft of retail space backed by about 68 strong distribution network by year 2011. The company expects to get sales approximately of INR 1000 billion.
3.12 FOOD SERVICES RETAIL MARKET IN INDIA

The size of the Indian food industry estimated at US$ 200 bn in the year 2006-07, is estimated to reach US$ 300 bn by 2015. The food service industry has two distinct sectors - the organized segment and the unorganized segment. The food services industry in India was estimated to be worth Rs. 580 bn in 2008, out of which Rs. 80 bn, or 7.24%, was accounted for by the organized sector. It is estimated that the customer food services value sales grew by 20% in 2008 over 2007. Dhabas and roadside eateries comprising street stalls are the most common forms of restaurants and have traditionally addressed eating out requirements of Indians. The organized foods services segment is characterized by accounting transparency, organized supply chain with quality control and sourcing norms, and multiple outlets.

Growth Drivers for the food services industry


Growth of middle class: India has the presence of a strong 300 m middle class population. This is roughly equal to the population of US, the country with the third largest population in the world. The middle class has been the largest patron of the food services industry and the increase in the middle class is expected to lead to its growth.

Younger population: Over 65% of India's population is below 35 years of age. A majority of this age group eats out. An increase in this population segment provides opportunity for the growth of the foods segment industry.

Rising urbanization: On an average, the spending on eating out in Tier 1 and Tier 2 towns is double that of Tier 3 towns. With 29% of India’s population residing in urban centers and growing fast, higher spending on eating out is expected to benefit the industry.

Increase in nuclear families: Going out and ordering in are more prevalent food habits among the nuclear families than the joint families in India.
According to estimates, approximately 1.5-2% of joint families give rise to nuclear families every year. This is expected to benefit the industry.

**Increase in number of working women force:** Participation of urban Indian woman in the workforce increased from 14% to 17% between 2000 and 2005. 51% of the population which eats out constitutes of woman. With the number of women who are joining work force on the rise, households are expected to increase the frequency of eating out. This is as a result of less time available for women for household activities. This is expected to directly aid in the growth of the foods services industry.

**Challenges faced by the food services industry**

**Poor infrastructure:** A major concern for a country like India is poor infrastructure. Food companies suffer from poor transportation facility and erratic power supply. An indication of the severity of the infrastructure problem is the spoilage of 25-30% of the crops each year due to infrastructure bottle necks. The result of these bottle necks is that prices for food material tend to be on the higher side with the quality being suspect.

**Lack of organized supply chain:** Food companies in India suffer on account of non availability of facilities like high tech controlled production, on farm grading, packing, cold chains, logistics, warehousing, integrated processing units, inefficient supply chain and lack of specialized distribution companies for perishables produce/ processed food products. Such facilities are basic requirements for a food companies in the west where specialized companies provide such services, thus ensuring that food of the required quality and quantity is procured and it reaches the end customer on time with little or no loss.

**Food regulation and licenses:** The Indian food and processing industry is governed by multiple legislations and dealing with the collection of food laws and governing bodies is a challenge. Furthermore, the number of licenses required to operate a food service store is a signification road block. There are at least 10 basic licenses which vary from state to state which have to be procured before setting up a food supply store. In addition the duration of these licenses vary from 1 to 3 years. The red tape provides hurdles for the growth of this industry.
High price of real estate: The location of a food service outlet is critical to the success of the venture. However, high prices of land and high rentals have impacted the food service sector.

Shortage of skilled and semi-skilled manpower: The food services industry is highly dependent on man power whether it is the chef or the delivery boy. Presently, there is a shortage of trained man power which is serving as a bottleneck for the growth of the industry ("Prospects of Indian food services industry - Views on News from ...." http://www.equitymaster.com/detail.asp?date=01/19/2010&story=4&title=Prospects-of-Indian-food-services-industry 15 Aug. 2013).

3.13 TEXTILE INDUSTRY IN INDIA

The Textile industry in India traditionally, after agriculture, is the only industry that has generated huge employment for both skilled and unskilled labor in textiles. The textile industry continues to be the second largest employment generating sector in India. It offers direct employment to over 35 million in the country. India is the second producer but India will lead in all. According to the Ministry of Textiles, the sector contributes about 14% to industrial production, 4% to the country's gross domestic product (GDP) and 17% to the country's export earnings. The share of textiles in total exports was 11.04% during April–July 2010, as per the Ministry of Textiles. It is estimated that India would increase its textile and apparel share in the world trade to 8% from the current level of 4.5% and reach US$80 billion by 2020. During 2009-2010, Indian textiles industry was pegged at US$55 billion, 64% of which services domestic demand ("Textile sector in India is set to grow in the coming quarters." http://www.stockmarketsreview.com/extras/textile_sector_in_india_is_set_to_grow_in_the_coming_quarters_20110412_130710/ 15 Aug. 2013).

History

The archaeological surveys and studies have found that the people of Harappan civilization knew weaving and the spinning of cotton four thousand years ago. Reference to weaving and spinning materials is found in the Vedic Literature.
There was textile trade in India during the early centuries. A block printed and resist-dyed fabrics, whose origin is from Gujarat is found in tombs of Fostat, Egypt. This proves that Indian export of cotton textiles to the Egypt or the Nile Civilization in medieval times were to a large extent. Large quantity of north Indian silk was traded through the silk route in China to the western countries. The Indian silks were often exchanged with the western countries for their spices in the barter system. During the late 17th and 18th century there were large export of the Indian cotton to the western countries to meet the need of the European industries during industrial revolution. Consequently there was development of nationalist movement like the famous Swadeshi movement which was headed by the Aurobindo Ghosh. There was also export of Indian silk, Muslin cloth of Bengal, Bihar and Orissa to other countries by the East Indian company.

**Production**

India is the second largest producer of fibre in the world and the major fibre produced is cotton. Other fibres produced in India include silk, jute, wool, and man-made fibers. 60% of the Indian textile Industry is cotton based. The strong domestic demand and the revival of the Economic markets by 2009 has led to huge growth of the Indian textile industry. In December 2010, the domestic cotton price was up by 50% as compared to the December 2009 prices. The causes behind high cotton price are due to the floods in Pakistan and China. India projected a high production of textile (325 lakh bales for 2010-11). There has been increase in India's share of global textile trading to seven percent in five years. The rising prices are the major concern of the domestic producers of the country.

- **Man Made Fibers:** These includes manufacturing of clothes using fiber or filament synthetic yarns. It is produced in the large power loom factories. They account for the largest sector of the textile production in India. This sector has a share of 62% of the India's total production and provides employment to about 4.8 million people.

- **The Cotton Sector:** It is the second most developed sector in the Indian Textile industries. It provides employment to huge amount of people
but its productions and employment is seasonal depending upon the
seasonal nature of the production.

- The Handloom Sector: It is well developed and is mainly dependent on
  the SHGs for their funds. It market share is 13% of the total cloth
  produced in India.
- The Woolen Sector: India is the 7th largest producer of the wool in the
  world. India also produces 1.8% of the world's total wool.
- The Jute Sector: The jute or the golden fiber in India is mainly
  produced in the Eastern states of our country like Assam, West
  Bengal. Indian is 3rd largest producer of jute in the world.
- The Sericulture and Silk Sector: India is the 2nd largest producer of
  silk in the world. India produces world's 18% total silk. Mulberry, Eri,
  Tasar, and Muga are the 3 main types of the silk produced in the
  country. It is a labor-intensive sector.

3.14 CONSUMER DURABLES RETAIL MARKET IN INDIA
Customer Durables Industry in India to post ~15% CAGR growth over next
five years. We believe that the customer durables industry’s growth has been
two pronged: (a) driven by lower penetration in rural markets and (b) new
innovations and replacement demand in urban markets.

Key growth drivers include:
1. Continued economic growth demonstrated through 8.4% CAGR growth in
   GDP over last 5 years
2. Favorable demographics: 64% of the population in working age category
3. Increasing Urbanization, nuclear families
4. Increase in disposable incomes; which drives consumption
5. Increasing affordability coupled with declining prices of products
6. Lower customer product penetration
7. Availability of new products and technologies,
8. Easy financing schemes and
9. Increase in organized retail

However, increasing raw material prices, intense competition and increased
cost of service and distribution are major challenges being faced by industry.
Valuation and view:
In a scenario of shorter product life cycles and increasing competition, we believe that the companies with strong R&D, wide distribution network, strong brand would dominate the segment. Indian customer durables sector has limited stock selection available for value investors. We have positive outlook on Bajaj Electricals.

Table 3.3: SEGMENTATION OF CUSTOMER DURABLE INDUSTRY

<table>
<thead>
<tr>
<th>WHITE GOODS</th>
<th>BROWN GOODS</th>
<th>CUSTOMER ELECTRONICS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refrigerators</td>
<td>Microwave Ovens</td>
<td>Televisions</td>
</tr>
<tr>
<td>Washing Machines</td>
<td>Chimneys</td>
<td>DVD Players</td>
</tr>
<tr>
<td>Air Conditions</td>
<td>Cooking Range</td>
<td>VCD Players</td>
</tr>
<tr>
<td>Audio Systems</td>
<td>Mixers</td>
<td>Mobile Phones</td>
</tr>
<tr>
<td></td>
<td>Grinders</td>
<td>MP3 Players</td>
</tr>
<tr>
<td></td>
<td>Electric Fans</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Irons</td>
<td></td>
</tr>
</tbody>
</table>

Sources: IBEF, GEPL Capital Research

TVs, Refrigerators and air conditioners constitute more than 60% of the market

Figure 3.1: Sales of Electronic Household Items in India
Lifestyle products to drive the growth

- We believe the Indian customer industry will exhibit robust 15% sales growth in 2011 and likely to maintain double digit sales growth over medium term.
- Categories like Flat panel TVs, Microwave ovens, Air Conditioners and Refrigerators are likely to post strong growth.
- Urban growth is likely to be driven by new technology/innovative products, lifestyle products and replacement demand such as LED TVs, Laptops, Split ACs, etc.

Table 3.4: Flat Panel TVs, Microwaves are growing at faster rate

<table>
<thead>
<tr>
<th>Customer Durables</th>
<th>Market Size</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flat Panel TV</td>
<td>2.8</td>
<td>4.5</td>
</tr>
<tr>
<td>Refrigerator</td>
<td>9.0</td>
<td>12.0</td>
</tr>
<tr>
<td>Washing Machines</td>
<td>5.0</td>
<td>6.0</td>
</tr>
<tr>
<td>Air Conditioners</td>
<td>3.4</td>
<td>4.4</td>
</tr>
<tr>
<td>Microwave</td>
<td>1.0</td>
<td>1.5</td>
</tr>
</tbody>
</table>

Sources: CEAMA, MOSPI, GEPL Capital Research

Figure 3.2: Per capita expenditure on Furniture, furnishings and appliances increasing at healthy rate
CHAPTER 3 – CONCEPT AND EVOLUTION OF RETAIL INDUSTRY

Key Growth Drivers

Figure 3.3: Customer Durables growth is directly linked to GDP growth (8.4% CAGR)

Figure 3.4: Increasing per capita disposable income has key role to play in customer durable growth story (Amt in Rs.)
Figure 3.5: People in 15-64 years age group are major customers of the products

Figure 3.6: Flat Panel TV- market shares
Figure 3.7: Refrigerators- Market shares

![Refrigerators Market Shares Chart]

Figure 3.8: ACs- Market shares

![ACs Market Shares Chart]