ARTICLE 1

CONSUMER PERCEPTION OF PRIVATE LABEL BRAND IN APPAREL RETAIL INDUSTRY

BY APARNA JINDAL

PUBLISHED IN SSRN.COM

Indian retail industry—an overview

Retailing in India is one of the pillars of its economy and accounts for 14 to 15 percent of its GDP.\(^1\)\(^2\) 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. India is one of the fastest growing retail markets in the world, with 1.2 billion people.\(^3\)\(^4\)

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..

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.\(^5\) 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.\(^6\)
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.\(^7\) IKEA announced in January that it is putting on hold its plan to open stores in India because of the 30 percent requirement.\(^8\) 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.

**Background**

India's retail and logistics industry, organized and unorganized in combination, employs about 40 million Indians (3.3% of Indian population).\(^{10}\) 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 m\(^2\)) 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 consumer. 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 licences" 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. Between 2000 to 2010, consumers in select Indian cities have gradually begun to experience the quality, choice, convenience and benefits of organized retail industry.

A NEW CHAPTER IN PROGRESS-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 consumers.

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

---

135 FDI POLICY IN MULTI BRAND RETAIL. Ministry of Commerce, Government of India. 28 November 2011.
7935 towns and cities in India. It is expected that these stores will now have full access to over 200 million urban consumers 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.

**Store brands or private label brands in Indian retailing**

There are a number of brands which are marketed by a retail store. They are private brands, distributor brands, umbrella brands and store brands. Store brands are brands which are specific to a retail store. The retailer either manufactures goods under his own label or rebrands goods manufactured by others under own label. Store brand goods are generally cheaper than national brands because the retailer can optimize the production to suit consumer demand and reduce advertising costs. Store brands are perceived as major threats to national brands by manufacturers and they also shift power to the retailer in the industry.

In some retail sectors, store brands account for 40 to 50 percent of sales. Store branding is a mature industry; consequently, some store brands have been able to position themselves as premium brands. Sometimes store-branded goods mimic the shape, packaging, and labeling of national brands. They get premium display treatment from retailers.
A decade ago the concept of Private label brands in India never existed as Indian consumers were more dependent on mom and pop stores which were unorganized. Shoppers Stop was the first retailer in 1990's to get into private label branding with STOP brand with a range of branded women ethnic wear but not many companies got into the organized retail market, as years passed by many business houses and new first generation entrepreneurs started their ventures into the retail arena with Future Group, Trent, Infiniti Retail, The Mobile Store, Westside and Univercell making a mark in the Indian organized Retail industry and eventually they started their own private label brands which has now grown to 14% of the total organized retail market which does not include the private label brands of small mom and pop stores.

With the organized retail market to reach $51 billion in 2010 as per ASSOCHAM-KPMG Study, the private label brand is going to make it big. Initially the private label was only targeted towards the non branded product range which included wheat flour, masalas and papads. Now the private label brands have grown out of proportion by entering into high technology electronic gadgets like mobiles by Univercell, The mobile store and into other electronic products by electronic retail major croma with an entire "handpicked by croma" product range.

With the growth of private label brands, National brands are losing grounds to these retailers who are not only low priced but are also on par with quality standards and for the retailers themselves who are able to get anywhere from 20-40% margin on the sales, whereas national brands pay only 12-20% margin for the sale. The second reason being the regional effect of taste and preferences in a country like India wherein retailer have been found to be having 30% products having local taste and preference and 70% which is found in an all India basis to cater the the regional needs and wants. Effect of private label brands on national brands was best exemplified during the tussle between frito lays and Future group and later on frito lay's brand like lays got
off-shelf and tasty treat private label brand of Future group took over and now is amongst the highest seller in the Future group retail outlets and have a considerable amount of market share in fried chips market and now the private label also extends to fruit juices, sauces, etc.

The credit to the growth story of private label brands does not include only the retail outlets but also the national brands. The earlier strategies of national brands have themselves now eaten their own market. At the start of last decade Multinational companies like Hindustan Unilever Ltd, Procter and Gamble, Britannia and others started outsourcing their product manufacturing to third parties. Companies shared their formulas and technology updates with the third parties to manufacture products which were on par with the quality of products manufactured by the MNC's themselves only to keep them away from the manufacturing and human resource problems and give more attention towards the Research and Development of new products and expanding the product lines.

While the third party manufacturers parted ways with MNC's and as they already had the technology ready to produce such quality products which not only helped the third party companies to get their own brand into the market but also helped new entrants like ITC (Sunfeast Bisucuits, Vivel Soaps, and Bingo Chips) and retail biggies like Future Group to get into the market who need not invest in the manufacturing or into human resource and were able to get their products faster in the market and had to only invest in Research and development Capability.

The Private label not only helped customers to get products at a lower rate but also provided quality products. They helped many new entrants to invest negligible amount into manufacturing but created problems to big wigs like Hindustan Unilever, Procter and Gamble and Britannia who had initially outsourced their production to lessen human resource problems and have now
created a ready back end process for new entrants and private label retailers to manufacture their quality products from these third party manufacturers at a far less rate and retailers like Future Group and Trent have been able to get private label brands faster and easier into the market.

Today, a decade later organized retail players Trent boasts of 90% sales through private labels, Reliance Retail having 80% of their sales and Pantaloons at 75% of their sales and plans of getting more private label brands and extending brands like Sach by Future group to small retail outlets and extending the product line and getting into new product categories. It is an alarming signal for FMCG majors towards a situation like Walmart-Tide, wherein Walmart stopped purchasing from P&G and got their own private label products with similar capability and now have a progressive share in the detergent market.

Year after Year FMCG majors are getting tough competition in the Indian scenario with fake products, local brands and now the growing private label brands who also have the muscle power and have more capability than any other local or counterfeit product manufacturer to not only produce but to sell and are increasingly lowering the bargaining power of the FMCG majors. Even is such a situation there are chances of FMCG majors making the most of it by themselves helping private label brands to manufacture and share their capabilities and make profits from sharing than losing the game like Samsung and Toshiba did with Best Buy in the US.

MAJOR INDIAN RETAILORS

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, has launched its store in Melbourne recently. It plans to open three stores in London by 2008-end.\textsuperscript{136}

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.

- 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

\textsuperscript{136} “Mahindra joins the retail bandwagon, to sell lifestyle products, www.ksa-technopak/pressroom”
In order to identify the thrust of work done in the marketing of private label brands, a review of existing literature was undertaken. A few selected studies are reported below.
Rucheera Gumber (2006) focused on the different strategic tools being used by retailers. A private label is a strategic tool, which helps retailers redefine their offering to the consumer in the light of competition, consumer need gaps, and the retailer costs. Private label brands are also a strategic tool to attract and retain customers. According to her, retailers can increase the sales volume of private label products by positioning a private label as one, which provides a higher perceived value. Indian retailers are just beginning to realise the power of private label brands. She recommends that retailers can capitalize on low brand penetration in certain categories to launch a private label.

The AC Nielsen Online Consumer Opinion Survey (2004) polled over 21,100 respondents in 38 markets from Europe, Asia Pacific, North America, Latin America and South Africa. The study asked consumers, what they thought about supermarket own brands as an alternative to other brands in terms of their quality, value for money, packaging and positioning. This study, for the first time, tells retailers what consumers think of private labels and offers them a good starting point to chalk out future strategies. John Stanley opines that the time for selling product has gone, it’s now a brand issue. According to him, in Europe private labels, those generated by the retailer have now become a dominant issue. On an average, 45% of products sold in Europe are sold via private label, this compares with 25% in the USA.

Overall private labels are used to provide products with a lower price. In Europe, these prices can be 10-18% cheaper; whilst in the USA some private label products are 25% cheaper than the brand leader. According to him, the general feeling is that in times of recession, private labels increase their market share, but tend to maintain that market share as economies recover. He

---


139 Stanley John, The Future of Private Labels’, retailindustry.about.com/library/uc02/uc 4.htm - 30k as on 3.7.06
predicts that private labeling will continue to grow and in Europe especially, will become international. Discount stores will develop their own private labels at the expense of branded products. Apart from price driven private labels, the up market labels will develop. The private label will continue to compete with brand leaders and pose threats to a branded product that is not a market leader.

Carlton Dennis W and. Perloff M Jeffrey found In a A Gallup Poll (2001)140 that nearly 80 percent of people who try a product with a store-brand label become repeat buyers. Typically the store-brand buyer is a better-educated, affluent person who reads and understands the labels. The Poll indicates that 40 percent of shoppers shop selectively: They do not just choose the national brand, but compare products on a variety of dimensions (quality, price, and special offers) before making a decision.

In another nationwide study by Gallup organization (2005)141 75% of consumers defined store brands as "brands" and ascribed to them the same degree of positive product qualities and characteristics - such as guarantee of satisfaction, packaging, value, taste and performance - that they attribute to national brands. Moreover, more than 90% of all consumers polled were familiar with store brands, and 83% said that they purchase these products on a regular basis. According to the study whether a store brand carries the retailer's own name or is part of a wholesaler's private label program, store brands give retailers a way to differentiate themselves from the competition. Store brands enhance the retailer's image and strengthen its relationship with consumers. Retailers know that consumers can buy a national brand anywhere, but they can only buy their store brand at their stores.

140 Carlton Dennis W and. Perloff M Jeffrey gallop poll 2001
Wps.aw.com/aw_carltonper_modernio_4/0,9313,1424975-content, 00.html - 13k - as on 5.7.06
Meyers Research Centre (2001) conducted in ten locations nationwide, "double blind" taste tests for the Private Label Manufacturers Association. Approximately 300 consumers nationwide made the nearly 1,800 "preferred taste" decisions among products. While one-third of those surveyed said they buy store brands in their supermarkets "always" or "often," fully eight out of 10 participants said they "regularly" buy national brands. The survey showed that by a 51% to 49% margin, consumers say they now prefer the taste of the private label product to the national brand version in 12 popular categories.

A "test" of suburban New Jersey consumers conducted by Steve John (2000) found the consumers "had a difficult time determining which is the store brand and which is the national brand". "It demonstrates how private label is leading a revolution not only in the way consumers shop today, but also how retailers are now stocking their stores in response to their changing demands.

Rajiv Lal (1994) states that when a shopper goes into Marks & Spencer or Sainsbury's in London looking for a new store-brand umbrella, he knows he's going to walk out with a good-value, high-quality product. But the same is not true in France or the United States. His research found that one of the main retailing differences between the U.K. and the United States is that American retailers try to offer products to a broader spectrum of consumers than is the case in the U.K. They have been expanding their inventory to sell as many products as possible with the purpose of getting people in for some reason. Once they're there, the mentality goes, they'll buy other things. He concludes that "It is a consumer's perception of a high-quality store brand that opens up

---

the possibility for differentiation, loyalty, and profitability”. "The consequence of this store-brand strategy is not good for the manufacturer since it enhances the power of the retailer.

According to a research for Market Assessment (2001145) conducted by NOP (New Jersey) the attitude to own-label products varies significantly according to product category. Amongst lower-value items, consumers are happy to choose own-label products where there is no discernible difference between retailer and manufacturer brands. At the higher end of the market, penetration varies depending on factors such as age, social background and geographical location.

According to Gabrielsen, and Sørgard, (1999) 146 “Store brand," “consumer brand,” ”private label”– whatever name you choose the entity can be powerful. Retail globalization certainly is increasing the reach of private label products, and sophisticated supplier development means local players worldwide are developing rapidly. For many mid-market retailers, the entry price-point of private label brands help them to build sales from the discounters, and premium private label brands have attracted sales from specialist delicatessens and niche players. The customer ultimately extends the breadth of the private label products purchased.

In the words of Putsis (2000) 147 “From private label to brand owner –it is a quantum leap extension. The development of private label is an indicator of the changing relationship between brand owner and distributor. In the UK, the average market share of private label is 42% with sales estimated at £61.1 billion in 2003. Own brand ready meals have a 71% market share. According to him, private label tends, tend to be popular in commodity-type categories

145 NOP poll. new jerseywww.marketresearch.com/map/prod/434303.html - 16k as on 15.6.06
where there is less opportunity for differentiation. With distribution guaranteed, the main limit to growth for these private labels and sub-brands is the number of outlets their retailer owners can open. Because of the interest from own-label manufacturers looking for growth by exploring licensing opportunities, a licensing strategy is an essential requirement for today’s brand managers.

With a sample size of 25000 respondents IGD Consumer Research (2003) 148 studies consumer perception about store brands for groceries. The research provided the definition and development of retailers brand, shoppers perception of brand, strategies of key retailers, including Asda, Tesco, Sainsbury. It offered advice on how to make shoppers purchase more of own brand goods. Shoppers are increasingly exposed to new innovations from retailer brands. According to the study the major factor that would make a shopper buy more would be better value, high standards and healthy ambience. The major reasons for purchasing store brands in groceries are lower price; better value than branded ones and quality same as branded one.

The IGD Consumer Research (2002) 149 explains the factors that give customers good value. The study specifies that if benefits are greater than the sacrifice made, consumers achieve good value. It concludes that shoppers require quality, lowest price and high standard of customer service from retailers. Other elements which shoppers want their retailer to provide include choice, brands they know, promotions, a nice shopping environment and good parking facilities. All these factors are in favour of store brands. With the emergence of strong retailers the retailer’s own branded product (or service), will also emerge as a major factor in the marketplace. The study found that where the retailer has a particularly strong identity (such as Marks & Spencer in clothing) this ‘own brand’ may be able to compete against even the
strongest brand leaders, and may dominate those markets which are not otherwise strongly branded.

According to G Krishnamurthy (2006)\textsuperscript{150}, organised retail formats across the country finally seem to be working in India. While most chains have reported profits this year, expansion continues but without the trail of losses. For each chain, however, the story is different.

The biggest turnaround story is that of Shoppers' Stop. The chain, which had reported a marginal cash profit during the last fiscal after making huge losses in the preceding years, has made a turnaround with a profit before tax of Rs 10.2 crore for the year ending March 31, 2003. Apart from making external changes like improving the quality of its product mix, Shoppers' Stop has also looked internally and introduced training programmes like Jo Jeeta Wohi Sikandar, a motivational scheme for its employees. Likewise, Trent broke even last year with profits amounting to Rs 16 lakh. Plugging the gaps in its offerings, Westside, which sources its wares directly from manufacturers, has been focusing more on the women's segment and has specifically taken care of having big sizes through its Gia brand of clothing.

KSA Technopak (2003)\textsuperscript{151} in association with ORG-MARG conducted a study on consumer attitude towards shopping. The study was spread over four zones of India viz. North, South, West and East. It covered a random sample of 7300 respondents in twelve cities. It reflects that buying patterns vary according to the customs and lifestyle of a region. In the south approximately seven hours are spent on shopping per week. This figure is the highest amongst the four zones this probably explains the spurt of new malls and supermarkets in the south than in the other zones.

\textsuperscript{150} Krishnamurthy G, June 2006 At Last Retail Wags". Business Today pp 110-112
\textsuperscript{151} KSA Technopak and ORG MARG(2003), "Consumer Attitude Towards Shopping". www.retailyatra.com/PageDetails.asp?Cat_Id=5
Further, the study has attempted to find out what a customer expects out of a store. Here, the six attributes desired by most number of people (65% and above) are polite and courteous salespeople, good quality of products, non-intrusive sales persons, value for money, attractive display and range of products. Although desired by a very low percentage of people (only 10%) yet the attribute of an entertainment centre for children has figured in. There is also emphasis on scheme and promotion to pull customers. Further the trend is towards more convenience and flexibility in terms of exchange / returns policies, which play a vital role in encouraging the purchase.

India represents the most compelling international investment opportunity for mass merchant and food retailers looking to expand overseas, according to AT Kearney’s Global retail development index (2005)152 conducted an annual study of retail investment attractiveness among 30 emerging markets. The study found that countries in the top third of the annual index experience retail sales growth rates twice as high as countries in the bottom of the index, indicating retailers should pay particular attention to entering these markets early.

According to the study India moved from second place to first in the 2005 index, displacing Russia, which had held the top spot since 2003. The country's retail market totals $330 billion, is vastly underserved and has grown by 10 percent on average over the past five years. It is also one of the most fragmented retail markets in the world -- the combined market share of the top five retailers totals less than two percent. Kearney anticipates that global retailers such as Wal-Mart, Carrefour, Tesco and Casino will rapidly take advantage of the more favourable FDI rules and enter India through partnerships with local retailers. Other retailers such as Marks & Spencer and Benetton Group who are currently operating through a franchise model will most likely switch to a hybrid ownership structure. Combating the moves of

152 WWW.ATKearney.com
global retailers, leading Indian retailers such as Pantaloon, Westside and Big Bazaar will look to increase scale and enhance logistics and supporting technology.

The study Retailer brands - heaven or hell, opportunity or threat investigate from four angles why retail brands are growing. Employing panel and adhoc information collected on some 2,000 categories in 33 countries, the authors uncover reasons for different private label success rates between countries, categories, consumer segments and retailers. Results provide a comprehensive account on whether and why a certain category, and thus its key players, need to worry about retail brands. We show how organizations can use this understanding in developing effective counter strategies, both by improving the consumer equity created by its brands and by effectively cooperating with their new competition, the retailers.

The paper by Richard Piper and Stephan Buck takes as its starting point the UK and uses consumer panel data to examine the trends in retailer concentration and own label on a long and short term basis. It considers the extent to which recent trends in the major multiples are part of an established pattern, or whether they reflect the threat of discount retailing from other European countries. It examines similar data for a number of European countries and asks to what degree an homogeneous retail trade is likely to develop in Europe. Does pan-European marketing and branding offer a counter to retailer power for the major manufacturers? Is it realistic for manufacturers to pursue a partnership strategy with retailers, and if so what information is needed? The paper concludes by examining the role of the information provider and the implications of retailer power in relation to the ownership of key data. It argues the case for independently based information on the market place.

153 Oliver Koll and Richard Herbert, ESOMAR, Retail Conference, Budapest, April 2005
154 Richard Piper and Stephan Buck, The growing strength of the retailer and effects on FMCG brand manufacturers ESOMAR, Triad 2000, New York, June 1995
According to the study155 by Leslie de Chernatony, in an era of increasing multiple grocery retailer dominance, weaker manufacturers cut brand investment, while stronger manufacturers maintained brand support. Questions were raised about the way consumers perceive competing items under varying conditions of manufacturer brand activity. Consumer research, across six product fields, showed that regardless of long-term changes in manufacturer's brand advertising, consumers always perceived manufacturer brands as one category with own-labels and generics as an alternative category. This is thought to be due to the way that generics were so strongly associated with particular retailers. Problems in branding terminology are highlighted by this research and it is proposed that marketers should adopt the terms manufacturers' brand and distributors' brand when analyzing the competitive structure of product fields. Clarification of these terms is advanced.

RATIONALE OF THE STUDY

India is one of the most promising retail destinations of this century. Global retailers are eying India as their current favourite. The reasons are an increase in working women who have less time and want convenience shopping, rising middle class with high disposable income, and preference of youngsters for big brands. Last year saw a proliferation of corporate chains in India. Rahejas, Piramals, Tatas, to name a few, are all offering the growing educated middleclass latest novelties. Greater margins have attracted retailers to increase and promote private label brands. Further, more consumers are purchasing Store Brand (Private label) products today than ever because of the growing awareness of the good value Store Brands offer.

Store Brand prices are almost always lower than the national brands. Store Brand retail sales exceed $48 billion annually and continue to grow. Moreover, a review of literature shows that while the topic is popular in the

economically developed nations, very little work has been done in India on marketing of private label brands. Further most researches related to private label brands have been done in marketing of groceries and very little work has been done in the area of apparels marketing.

Keeping the above background in mind, it was felt that there was a need to understand how consumers in India perceive private labels in the apparel industry. In these times of increasing competition and the survival of the fittest the private label brands will appear increasingly attractive to the consumer as he will also look for value for money.

**OBJECTIVES OF THE STUDY**

The study attempts to achieve the following objectives

- To study the perception of retail store brands (private labels) of the Indian consumers in the apparel industry.
- To compare the consumer perception of Retail Store Brands vis-a-vis the National brands in the apparel industry.
- To identify differences in perception of consumers regarding private label brands on the basis of demographics and socio economic factors.

**RESEARCH METHODOLOGY**

Developing a research plan calls for decision on data sources, research design, research approach and research instrument. In order to achieve the above-mentioned objectives data will be collected from primary sources, that is, the consumers. Shoppers who will be shopping in lifestyle retail outlets will be targeted to gather the necessary information. No research can escape from utilising secondary source of data. Different journals magazines and websites will be referred to study present status of organized retailing in India.

The questionnaire will be used along with personal interview for collecting data from the shoppers. Retail outlets like Shoppers Stop, Globus, Lifestyle, Westside and the like will be approached for identifying the respondents as these stores have a strong presence in Private Label brand. It is proposed to
have a sample size of approximately 1000 respondents. The data so collected will be tabulated and analysed using appropriate statistical tools and techniques.

**Hypotheses**

The study shall test the following hypotheses:

- There is no difference in perception of consumers between national brands and retail brands
- There is no difference in the perception of consumers regarding private label brands on the basis of gender
- There is no difference in the perception of consumers regarding private label brands on the basis of income
- There is no difference in the perception of consumers regarding private label brands on the basis of education
- There is no difference in the perception of consumers regarding private label brands on the basis of occupation

**LIMITATIONS OF THE STUDY**

Lifestyle retail stores are an emerging phenomenon in Indian cities. Though a part of life in western countries, these stores are still at nascent stage in India. Consumers are still habitual of shopping in shops situated in their vicinity. Mall culture and the concept of “shopping for everything” under one roof picked up only after 2000. Thus the past learning for the purpose of study is limited to these few years. Further, lifestyle retail stores are a common phenomenon in metros, so the study will be undertaken in Delhi and NCR only.

**DISCUSSIONS**

The survey showed a clear difference in perception among different demographic section of respondents. A purchase decision is a result of a complex interplay among various factors in the minds of the buyers. Now
what are those factors that influence the minds of the purchase to buy a brand which is either a national brand or a private label brand? Respondent s were asked to rate the point of purchase factors which influenced them to buy private label brands. The data proved that word of mouth ranked highest of all methods buyers used to make purchase decisions, followed by advertising and promotion. When the word-of-mouth category was examined further, the data revealed that friends were approximately twice as likely to influence the purchase decision as family members. Friends were also among the most trusted of all forms of purchase influence. Respondents were asked about their opinion on displays at the stores wherein a huge percentage said that yes displays are excellent. They display almost everything they have in their store. Private label brands also show more deals and offers as compared to popular national brands.

References


5. ^a b "Retailing in India Unshackling the chain stores". The Economist. 29 May 2008.
6. ^a b Agarwal, Vibhuti; Bahree, Megha (7 December 2011). "India puts retails reforms on hold". The Wall Street Journal.
8. ^a b "Ikea shelves Indian retail market move". The Financial Times. 22 January 2012. 
   http://www.ft.com/intl/cms/s/0/a8fb7d9c-4500-11e1-a719-00144feabdc0.html#axzz1kCPluyha?ftcamp=crm/email/2012122/nbe/ExclusiveComment/product.
11. ^a b c d e "FDI IN MULTI-BRAND RETAIL TRADING". KPMG. 2010.
    https://www.in.kpmg.com/SecureData/aci/Files/FDI%20in%20retail2.pdf.
Parliament of India. http://www.columbia.edu/~jb38/papers/pdf/Lok-
17. ^ "Indian Retail story from Myths to Mall." 11 August 2007.
18. ^a,b,c Bahree, Megha (November 25, 2011). "India Unlocks Door for
http://online.wsj.com/article/SB1000142405297020463090457705813183
2465876.html?mod=WSJINDIA_hpp_LEFTTopStories.
19. ^ "Wal-Mart Waits With Carrefour as India Wins Instant Gain: Retail".
Bloomberg BusinessWeek. 30 November 2011.
carrefour-as-india-wins-instant-gain-retail.html.
20. ^a,b "Indian retail: The supermarket’s last frontier". The Economist. 3
2011.
http://www.careratings.com/content/ResourceCenter/reports/Web%20Cont
ent%20%20-%20Retail%20March%202011.pdf.
https://www.deloitte.com/assets/Dcom-
Global/Local%20Assets/Documents/Consumer%20Business/GlobPowDE
LOITTE_14%20Jan.pdf.
23. ^a,b "India's retail reform: No massive rush". The Economist. 2 December
reform.
2011.
http://www.atkearney.com/images/global/pdf/Retail_Global_Expansion-
The retailing as a process is least understood in India. For a start up, it is important to have a comprehensive view of what retailing means and where he wants to focus on. Most of the world player like Wal Mart-Mart, Circuit city, Sears have developed in house expertise in each of these processes like The Retail design group, various trading houses etc. many have out-sourced these due to lack of expertise. The Indian organized sector needs to understand how to manage each of these processes and success will be contingent upon mastering them.

The following is the process involved in starting a retail outlet:

- **SITE SELECTION**: Market selection, site selection, site acquisition, store design, store construction and store upgrading and remodelling.
- **ASSORTMENT PLANNING**: Choice of target assortment, product development, vendor management, outsourcing merchandise management.
- **MANUFACTURING AND SOURCING**: Buying raw material, Manufacturing Buying finished goods, arranging delivery, payments.
- **LOGISTICS AND DISTRIBUTION**: Ordering and allocation, freight forwarding, warehousing, distribution, inventory management and replenishment.
• MARKETING AND BRANDING: Marketing definition research, brand strategy, pricing, developing advertising strategy, organizing support events, marketing monitoring.

• IN STORE OPERATION: Creating store environment, recruiting, training labour, Managing store operation, selling to and serving customer, handling after sales services.

CLASSIFICATION OF RETAIL FORMATS

Broadly the organized retail sector can be divided into two segments, In-store retailers, who operate through fixed point of sale outlets and designed to attract a high volume of walk-in customers, as referred to as the brick-and-mortar formats, and the Non-store Retailers, who reach out to the customers at their homes or offices through direct selling, telemarketing and E-commerce.

The common formats of brick-and-mortar retailing can be summarized as follows:

<table>
<thead>
<tr>
<th>FORMATS</th>
<th>DESCRIPTION</th>
<th>VALUE PROPOSITION</th>
</tr>
</thead>
<tbody>
<tr>
<td>SPECILITY STORE (Multi-Brands)</td>
<td>Focus on a specific product category, Medium sized layout in strategic location</td>
<td>Greater choice to the consumer, Comparison between brands possible</td>
</tr>
<tr>
<td>EXCLUSIVE BRAND Or COMPANY OUTLET</td>
<td>Exclusive store owned/managed or franchised out by a given brand or manufacturer; Can be Exclusive Single-brand store</td>
<td>Complete range available for a specific brand or manufacturer with certified product quality</td>
</tr>
<tr>
<td>Category</td>
<td>Description</td>
<td>Value Proposition</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>DEPARTMENT STORE (Multi-product/Multi Brands)</td>
<td>Large store having a variety of products, Organized into different departments such as clothing, house ware etc; skewed towards apparel</td>
<td>One-stop shop catering to varied consumer needs, Service as differentiator</td>
</tr>
<tr>
<td>CONVENIENCE STORE</td>
<td>Small self service formats located in crowded urban areas</td>
<td>Convenient, multi-functional, extended operating hours</td>
</tr>
<tr>
<td>DISCOUNT STORE</td>
<td>Stores offering discounts on the retail price through selling high volume and reaping the economies of scale</td>
<td>Low-prices</td>
</tr>
<tr>
<td>SUPERMARKETS</td>
<td>Large multiple &amp; cohesive self-service retail outlets, catering to varied customer needs, located in residential high streets</td>
<td>One-stop family shop in food &amp; household categories</td>
</tr>
<tr>
<td>CATEGORY KILLER (Multi-Brands)</td>
<td>Very large store with focus on a specific products category, located in busy marketplace in Metros and large cities</td>
<td>Consumer get extremely wide choice of brands in a specific product category</td>
</tr>
<tr>
<td>HYPERMARKET</td>
<td>Huge multi-divisional layout with a warehouse-like appearance, generally located in remote parts of a city</td>
<td>Low-price, vast choice, including service; value drivers</td>
</tr>
</tbody>
</table>
MALLS

A huge enclosure housing different formats of retailers, Form ideal shopping destination in Metros, large cities and easily accessible urban outskirts/rural setting

Variety of shop available close to each other, all under a common roofs &uniforms shopping environment; ideal hangouts

POPULAR RETAIL FORMATS IN INDIA

EXCLUSIVE OUTLETS

m) Exclusive Band Outlets are either company owned or franchised. There are different levels of control of the company on the store manager or franchised outlet manager.

n) Company Owned: Management of the manufacturer controls company outlets and pays for all administrative expenses. They have to work on lower gross margins because expenses are paid for. With malls and quality space being created such outlets seems to have a promising future and should lead to subsequent growth of the brands.

FRANCHISE

Management of the franchised outlet controls and pays for administrative expenses. They can work on higher gross margins because expenses are not paid for. Franchisee Outlets receive support from the manufacturer in various forms like training (sometime recruitment) of staff, visual merchandising, designing store layout (interiors) etc. There are already new established brands from abroad coming into India and quality retail space available all across the nation, as long as key considerations of right location, right product at right
price and right time are systematically enforced there is a commanding future for such type of outlets with promising returns.

Both these type of outlets can be present in the High Street shopping areas or inside a mall wherein they have their own set of advantage and disadvantages. While stores in the malls attract traffic, many of them are browsers or prospective future consumer. As more malls come up in the near future, we expect a large number of such stores to come up and drive overall branded apparel sales. Stores in high streets attract brand loyal clientele which often has pre-set positive disposition towards the brands.

MULTI-BRAND OUTLETS

Multi-Brand Outlets are the ones which stock merchandise of more than one brand. They can be a small formats store (300-1500 sq. ft) present in the high streets, malls or local market area. While they offer a set of brands to choose from, they often offer limited range constrained by available space. They usually buy goods on an outright basis and hence have greater margins. But, at the same time, they are at a greater risk of being left with unsold stock.

There is also large format multi brand outlet (b/w 1500-5000sq.ft), which are often city specific. They thus have a loyal consumer base, but due to their bigger size they often fail to get good returns on capital employed, often on account of inherent inefficiencies that the un-organized set up faces.

Key characterized of multi brands outlets includes a large covered area with many brands on offer, with a complete range of products across different brands. They have fewer walk-ins than department stores but more than exclusive outlets or specialty stores. These stores try and offer lower price than in an exclusive brand outlet or specialty store.

DEPARTMENT STORES
The third format that sells a number of brands under one roof is that of department stores. These can be b/w 3000-5000sq.ft or can extend up to 20,000sq.ft or beyond, depending upon the company, city in which the store is present and the location within the city. Key characteristics of department stores are that they have largest covered area (among all retail formats) with a number of categories and brands on offer. They attract the highest of walk-ins per day and are often service oriented, with a knowledgeable sales staff and a systematic, organized set up behind them. Department stores try to offer an enjoyable shopping environment that may lead to increased time spent within the store, and hence, more sales.

Department stores are generally located in Destination towns, metros and mega metros. These stores have a large layout, which often enables free access of merchandise. The merchandise mix is usually of cohesive category, i.e. cluster/brands, skewed towards garments etc, and their merchandise range is generally focused towards addressing a wider audience with service as a main differentiating factor.

Large Department stores such as Shopper’s Stop, Pantaloon, Lifestyle, Globus and Westside etc that primarily deal in clothing, fashion accessories and home décor products are the main anchors in most of the malls and their number will continue to grow due to ongoing upsurge in Malls and development of quality retail space.

SPECIALITY STORES

Specialty Stores are strategically located with a medium focus and an interactive layout. They are generally single-category focused and have individual, group cluster of same class with high loyalty categories of product. Typical examples of such kind of retail formats are BATA, Planet M, etc. Their general business strategy is the merchandise value proposition, which is driven and clearly differentiated from other brands.
Specialty Stores also need to know their customer thoroughly as the merchandise collection is specific, making customers visit again and again. According to the American Express Retail Index on shopper loyalty, 56% of specialty store shopper says that they have been loyal to the same store for more than five years in the United States. The take out from this simple. It is necessary for specialty store to have a robust customer loyalty program. Many of the branded specialty stores in India are yet to get into the process of having an organized customer loyalty program. This is necessary as product and services tend to be similar in nature in the competing stores.

Chains such as Bangalore based Kids Kemp, the Mumbai based book retailer Crossword, RPG’s Music World and the Times Group’s music chain planet M, are focusing on specific market segment and have established themselves strongly in their sectors. More recent developments in this field are the specialty malls like Gold Souk, Auto Mall, The Homeland and the likes.

SUPERMARKETS

Supermarkets as their name suggests are typically located in busy market or residential localities of the metros and other large cities. They are generally large in size and their typical layout enables free access of merchandise. They generally have not only household categories but also have food as an integral parts of their store formats. Typical example are Quality Bazaar, Foodworld, Food Bazaar etc. these stores are generally catchments focused and relationship driven with variety, quality and service as their key drivers.

HYPERMARKETS

The Hypermarkets format is the latest and most appealing concept that has hit the Indian consumer. This format is generally a drive-away destination and is normally very large in size as compared to the other store formats.
Hypermarkets offer various divisions of product and services, often in bulk quantities, high is more akin to wholesale format. Except in some cases like the Cash & Carry model of Metros, the hypermarkets are normally family oriented and the bulk buyers are mostly their loyal customers.

In India, the prime example of such formats is Spencer’s (formerly giant) have RPG group and Big Bazaar of Pantaloon retail, and Walmart the international giant.

Of the recent entrants to this format of retailing in India, and serious ones at that, are the Germans retail major Metro Cash & South Africa Shoprite. Metro, though a B2B model has opened two of its outlets in Bangalore. Shoprite has opened shop in Mumbai. These hypermarkets are a class apart since they offer variety and price advantage as their key value drivers to gain footfalls and conversions.

POWER RETAILING & CATEGORY KILLERS

Both these terms are similar in connotation. The first talks of how a retailer can leverage the intrinsic advantage of his business to create a winning cocktail while the latter highlights how some retailers have been able to use their strengths to ‘kill’ competition in the category they service. The main difference is that the former has been used more in the context of brick and mortar stores while the latter has been used more in discussions and to describe internet companies.

The format has not as yet gained popularity in India, perhaps because even the largest retailer in India is yet to attain the width and depth enjoyed by a full-blown department store in the West. Thus, while you have a Spencer’s, Trent, Big Bazaar and Home Store beginning to happen in the hyper marker space, our retailers are yet to reach the stage and dimensions of JC penny, Macy’s or
even Abdullah’s of Singapore. While some of big retailers might be stocking 300400 units, a retailer abroad of the dimensions we are talking about would stock between 1000-1500 units. But new research is beginning to throw up the possibility of extending the concept of power retailing to smaller retail outlets. A prime example of category killing is “The Loft’, a footwear store in Powai, Mumbai, and measuring 18,000 sq.ft.

DISCOUNT STORE

Discounting is not a dominant format of Retailing in India as compared to international standards where around 60 percent of the business comes from this format. Internationally, the largest retailer in the world, Wal-Mart, is a discounter. These discounters have advantages of price, assortment dominance, and quality assurance, and have the ability to quickly build scale and pass on the benefits to their customers.

Indian retailers have lagged behind in this field mainly because, unlike their Western counterparts, they have much less bargaining power vis-à-vis the manufacturers. However, the scenario is now changing. Increased investments and the entry of big business houses in retailing is leading to the emergence of big retailers who can both bargain with the suppliers, as well as reap the benefits of economics of scale.

KIOSKS, CORNERS, SHOP-IN-SHOPS AND CONVENIENCE STORES

Kiosks, Corners, Shop-in-Shops and Convenience Stores are some of the other retail formats that are fast gaining popularity in India. The Kiosk and Corner stores are popularity in India. The Kiosk and Corner stores are generally found in busy market places and are quite small in comparison to the regular stores found in marketplace. They normally have fast moving consumer goods (FMCG’s), mostly edible items such as biscuits, beverages etc. the buying is mostly impulse drive, they can be easily found along high streets, market places etc. e.g. the Pepsi fountain shop, which also sells biscuits, minerals
water, chewing gum etc. these Kiosks are generally attractive looking to lure customers and are readily available in India across regions.

The Shop-in-Shops are located with the large department stores whereas the Convenience stores are now getting popular at fuel stations where people can avail of the regular shopping while their vehicles get refuelled.

RETAILING 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. 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\textsuperscript{158}. 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\textsuperscript{159}.\textsuperscript{1}

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\textsuperscript{160}.

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\textsuperscript{161}.

On 14 September 2012, the government of India announced the opening of FDI in multi-brand retail, subject to approvals by individual states.\textsuperscript{162} 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

\begin{footnotesize}
\textsuperscript{158} “Retailing in India Unshackling the chain stores”. *The Economist*, 29 May 2008

\textsuperscript{159} Agarwal, Vibhuti; Bahree, Megha (7 December 2011). “India puts retail reforms on hold”. *The Wall Street Journal*.


\textsuperscript{162} *Times of India Newsreport*.
\end{footnotesize}
notified the FDI reforms for single and multi brand retail, thereby making it effective under Indian law\textsuperscript{163}.

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

**Growth over 1997-2010**

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.\textsuperscript{164}

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.


“FDI in multi-brand retail comes into effect; way clear for Walmart”. The Economic Times. 20 September 2012.

\textsuperscript{164} “FDI IN MULTI-BRAND RETAIL TRADING”. KPMG. 2010.
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.165

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 consumer, as against 2/3rd by farmers in nations with a higher share of organized retail.[19] The 60%+ margins for middlemen and traditional retail shops have limited growth and prevented innovation in Indian retail industry.

165 “FDI IN MULTI-BRAND RETAIL TRADING”, KPMG. 2010.
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 labor market reforms. Such reforms Professor Bhagwati argued will accelerate economic growth and make a sustainable difference in the life of India are 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 $25 billion were being planned by several Indian and multinational companies in the next 5 years. It is a huge industry in terms of size and according to India Brand Equity Foundation (IBEF), it is valued at about US$ 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.

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%\(^\text{169}\). 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.\(^\text{170}\)

Although prior to Jan 24, 2006, FDI was not authorised in retailing, most general players had been operating in the country. Some of entrance routes used by them have been discussed in sum as below:-

1. Franchise Agreements

It is an easiest track to come in the Indian market. In franchising and commission agents’ services, FDI (unless otherwise prohibited) is allowed with the approval of the Reserve Bank of India (RBI) under the Foreign Exchange Management Act. This is a most usual mode for entrance of quick food bondage opposite a world. Apart from quick food bondage identical to Pizza Hut, players such as Lacoste, Mango, Nike as good as Marks as good as Spencer, have entered Indian marketplace by this route.

2. Cash And Carry Wholesale Trading

100% FDI is allowed in wholesale trading which involves building of a large

\(^{169}\) Economic and financial indicators", 3 indiafmcg.blogspot.com;july 2008.

\(^{170}\) Indian Retail story from Myths to Mall." ,indiafmcg.blogspot.com, 11 August 2007.
distribution infrastructure to assist local manufacturers. The wholesaler deals only with smaller retailers and not Consumers. Metro AG of Germany was the first significant global player to enter India through this route.

3. Strategic Licensing Agreements

Some foreign brands give exclusive licences and distribution rights to Indian companies. Through these rights, Indian companies can either sell it through their own stores, or enter into shop-in-shop arrangements or distribute the brands to franchisees. Mango, the Spanish apparel brand has entered India through this route with an agreement with Piramyd, Mumbai, SPAR entered into a similar agreement with Radhakrishna Foodlands Pvt. Ltd


The foreign brands such as Nike, Reebok, Adidas, etc. that have wholly-owned subsidiaries in manufacturing are treated as Indian companies and are, therefore, allowed to do retail. These companies have been authorised to sell products to Indian consumers by franchising, internal distributors, existent Indian retailers, own outlets, etc. For instance, Nike entered through an exclusive licensing agreement with Sierra Enterprises but now has a wholly owned subsidiary, Nike India Private Limited.

**Growth after 2011**

Before 2011, India had prevented innovation and organized competition in its consumer retail industry. 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 consumer.\textsuperscript{171}

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.\textsuperscript{172} 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.,\textsuperscript{173}

The Economist forecasts that Indian retail will nearly double in economic value, expanding by about $400 billion by 2020\textsuperscript{174}. 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

\begin{footnotes}


\textsuperscript{172} "Indian retail: The supermarket's last frontier", The Economist. 3 December 2011.


\textsuperscript{174} "India's retail reform: No massive rush", The Economist. 2 December 2011.
\end{footnotes}
between 20% to 30% per year.\textsuperscript{175} These data correspond to retail prospects prior to November announcement of the retail reform. The Indian market offers endless possibilities for investors.\textsuperscript{176}

It might be true that India has the largest number of shops per inhabitant. However we (locatus) have detailed figures for Belgium, the Netherlands and Luxembourg. 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.

**INDIAN RETAIL MARKET**

Indian market has high complexities in terms of a wide geographic spread and distinct consumer preferences varying by each region necessitating a need for localization even within the geographic zones. India has highest number of outlets per person (7 per thousand) Indian retail space per capita at 2 sq ft (0.19 m\textsuperscript{2}/person) is lowest in the world Indian retail density of 6 percent is highest in the world.\textsuperscript{177} 1.8 million households in India have an annual income of over ₹45 lakh (US$81,900).\textsuperscript{178}

While India presents a large market opportunity given the number and increasing purchasing power of consumers, there are significant challenges as well given that over 90% of trade is conducted through independent local stores. Challenges include: Geographically dispersed population, small ticket

\textsuperscript{175} "Reasons to Invest in India", Engineeringfromindia.com.

\textsuperscript{176} Retail Global Expansion: A Portfolio of Opportunities", AT Kearney. 2011.

\textsuperscript{177} "Fashion meets tech as handsets get sleek expensive", www.ksa-technopak.com

\textsuperscript{178} "LCD televisions, laptops are flying off the shelves", www.ksa-technopak.com
sizes, complex distribution network, little use of IT systems, limitations of mass media and existence of counterfeit goods.\textsuperscript{179}

**MAJOR INDIAN RETAILORS**

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, has launched its store in Melbourne recently. It plans to open three stores in London by 2008-end.\textsuperscript{180}

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.

- 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

\textsuperscript{179} “Traditional Retail Trade in India,” www.bostonanalytics.com, 28 June 2009.
\textsuperscript{180} “Mahindra joins the retail bandwagon, to sell lifestyle products,” www.ksa-technopak/pressroom
• 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 Tamil Nadu’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 (Consumer Electronics)(www.next.co.in)
• Vivek Limited Retail Formats: Viveks, Jainsons, Viveks Service Centre, Viveks Safe Deposit Lockers
• PGC Retail -T-Mart India [4], 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.
ENTRY OF MNCS

The world's largest retailer by sales, Wal-Mart Stores Inc and Sunil Mittal's Bharti Enterprises have 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, consumer appliances and fruits and vegetables to retailers and small businesses, was open in north India at the end of 2008.\(^1\) 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-consumer retail.\(^2\)

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.\(^\)\(^3\)

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.

---

\(^1\) [Bharti & Wal-Mart joint venture](http://www.bharati.com)

\(^2\) [Carrefour readies plan to enter India’s retail industry](http://www.indiaenews.com/business)

\(^3\) [Costco, US’s fifth biggest, eying India?](http://www.indiretailbiz.epress.com)