CHAPTER III

CONCEPTUAL FRAMEWORK OF RETAIL SUPERMARKET
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CONCEPTUAL FRAMEWORK OF RETAIL SUPERMARKET

3.1. Introduction:

An important aspect of the current economic scenario in India is the emergence of organized retail. There has been a considerable growth in organized retailing business in recent years and it is poised for much faster growth in the future. A strong retail sector would be the formative step towards the economic development of India as the retail segment contributes to over 10 percent of India’s GDP.1 India has topped the Consumer Confidence survey in all the four quarters of 2010.2 This shows that Indian consumers are most optimistic about their capacity in earning and this would make a positive impact on all sectors specifically on the retail sector.

Indian retail market is considered as the most successful emerging market for investment and the fifth largest retail destination globally. It is expected to have a consistent growth in future years. In the second quarter of the financial Year 2009-10, the income of the retail sector grew up by 7.2 per cent over the corresponding period of last year.3 This sector is expected to record healthy sales in 2010-11 and grow by 10.2 per cent in 2011-12. The sector’s PAT (profit after tax) margin is expected to expand over the next three years on

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1 “Formats for Retail Success”, The Economics Times (Bangalore Ed), November 17, 2009, p. 7.
account of a faster rise in income vis-a-vis expense. For the year ending March 2011, projects worth ₹ 8,281 crore are expected to be completed adding retail space of 115.1 lakh square feet. During 2011-12, projects worth ₹ 24,143 crore are expected to be completed adding a capacity of 168.6 lakh square feet.\

In the developed economies, organized retail is in the range of 75-80 per cent of total retail, whereas in developing economies, the unorganized retail sector dominates the retail business. The Indian retail market was worth about $410 billion in 2009-10, registering only 5 percent of sales through organized retail and the chances are immense in India for organized retail. It is expected that this retail should continue to grow rapidly—up to $535 billion in 2013, with 10 percent coming from organized retail.\

Many Indian corporate conglomerates like Reliance, Tata and the like, have entered the retail sector and have announced attractive and ambitious future expansion plans. Transnational retail companies are also attempting to put their footprints in India to set up retail chains in collaboration with big Indian companies. Few Transnational retail companies such as Wal-Mart, Tesco, Metro AG, Carrefour and the like, have already entered into Indian Market as joint venture in

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6 "Expanding opportunities for Global Retailers", The 2010 A.T. Kearney Global Retail Development Index, p. 4.
multi-brand wholesale format on cash and carry basis and are growing successfully with profitable yield.

The growth in Indian organised retail is very similar to some of the other large sectors however, the only difference being that it is not as consolidated as in sectors like Telecom (where 4-5 players command majority of the market share). Despite a few setbacks, the organised retail would emerge much stronger than ever before and would also see significant players emerging in the next few years.7

The Indian food and grocery market is growing at the rate of 5 – 20 percent and in the near future it is expected to grow at the rate of 30 percent and even more. Due to this reason the retail market of India has been declared as the most favorable market for making investments at the global level. The following table explains the growing consumer expenditure on food and grocery from the period 2006 to 2010.

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Year</th>
<th>Consumer expenditure on Food and Grocery (US$ mn)</th>
<th>Growth rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2006</td>
<td>1,80,813.56</td>
<td>-</td>
</tr>
<tr>
<td>2</td>
<td>2007</td>
<td>2,20,071.21</td>
<td>17.8%</td>
</tr>
<tr>
<td>3</td>
<td>2008</td>
<td>2,30,100.09</td>
<td>4.4%</td>
</tr>
<tr>
<td>4</td>
<td>2009</td>
<td>2,42,863.78</td>
<td>5.3%</td>
</tr>
<tr>
<td>5</td>
<td>2010</td>
<td>2,62,207.83</td>
<td>7.4%</td>
</tr>
</tbody>
</table>

Source: *Indian Retail Research Report*, Northbridge Capital, April 2010, p. 15

Retail sector in India is primarily categorised by the type of products retailed and not on the different retail formats. The Food and Beverages vertical accounts for the largest share of revenues at 74 per cent of the total retail market. This category has the highest consumer demand across all income levels and in various retail formats. The Indian consumer behavior of preferring proximity to retail formats is highly pronounced in this sector, with food, grocery and allied products largely sourced from the local stores or push-cart vendors. Food and Grocery business remains in the first rank on the retail front for the several years as the expenditure on this would be a major portion among all other expenses. The following table shows the share of retail sector on various retail verticals.

Table 3.2
Share of various retail verticals in India

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Category</th>
<th>2009 (Actual)</th>
<th>2014 (Estimates)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Size (bn. US $)</td>
<td>Rank</td>
<td>Size (bn. US $)</td>
</tr>
<tr>
<td>1</td>
<td>Food &amp; Grocery</td>
<td>270</td>
<td>339</td>
</tr>
<tr>
<td>2</td>
<td>Healthcare</td>
<td>36</td>
<td>58</td>
</tr>
<tr>
<td>3</td>
<td>Apparel &amp; Home Textiles</td>
<td>34</td>
<td>45</td>
</tr>
<tr>
<td>4</td>
<td>Housing</td>
<td>33</td>
<td>47</td>
</tr>
<tr>
<td>5</td>
<td>Education</td>
<td>30</td>
<td>47</td>
</tr>
<tr>
<td>6</td>
<td>Telecom</td>
<td>26</td>
<td>42</td>
</tr>
<tr>
<td>7</td>
<td>Jewelry &amp; Watches</td>
<td>26</td>
<td>36</td>
</tr>
<tr>
<td>8</td>
<td>Personal Transport</td>
<td>25</td>
<td>39</td>
</tr>
<tr>
<td>9</td>
<td>Travel and Leisure</td>
<td>13</td>
<td>21</td>
</tr>
<tr>
<td>10</td>
<td>CDIT</td>
<td>12</td>
<td>18</td>
</tr>
<tr>
<td>11</td>
<td>Home – Furniture, Furnishing</td>
<td>11</td>
<td>15</td>
</tr>
<tr>
<td>12</td>
<td>Personal Care</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>13</td>
<td>Eating out</td>
<td>5</td>
<td>8</td>
</tr>
<tr>
<td>14</td>
<td>Footwear</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>15</td>
<td>Health &amp; Beauty Services</td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: Technopak Analysis (bn. – billion; US – United States)

8 “Retail – Market & Opportunities”, a report by Indian Brand Equity Foundation, 2007, p. 3.
In addition, rural India, which makes up 40 percent of India’s $280 billion retail market, offers alluring opportunities for the retailers. While the rural market is still dispersed and logistics networks are still inadequate, its economy is holding strong during the recession, with per capita income rising faster than estimated for overall places in India. Rural areas have surpassed urban centers in terms of the number of households earning $2,000 per year and such areas are accepted as the beginning point at which consumers start buying select branded products. Retailers are eager to tap into this growth.9

The macroeconomic factors favor a promising growth of modern grocery retailing. India’s educated, aspirational middle class, which is growing ever larger, is demanding for a better retail environment and more global brands and styles. India in the GRDI (Global Retail Development Index) held the first rank from 2005 to 2007 and in 2009, held the second Rank in 2008 and took the third rank in the year 2010. Despite the slight dip, India remains quite attractive for retail and continues to grow rapidly.10 The GRDI is prepared by A.T. Kearney every year ranking top thirty nations performing well in retail sector. The Following table exhibits GRDI from the period 2005 to 2010.

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Table 3.3
Ranks as per Global Retail Development Index

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Country</th>
<th>Ranks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>China</td>
<td>1</td>
</tr>
<tr>
<td>2</td>
<td>Kuwait</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>India</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>Saudi Arabia</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td>Brazil</td>
<td>5</td>
</tr>
<tr>
<td>6</td>
<td>Chile</td>
<td>6</td>
</tr>
<tr>
<td>7</td>
<td>UAE</td>
<td>7</td>
</tr>
<tr>
<td>8</td>
<td>Uruguay</td>
<td>8</td>
</tr>
<tr>
<td>9</td>
<td>Peru</td>
<td>9</td>
</tr>
<tr>
<td>10</td>
<td>Russia</td>
<td>10</td>
</tr>
<tr>
<td>11</td>
<td>Tunisia</td>
<td>11</td>
</tr>
<tr>
<td>12</td>
<td>Albania</td>
<td>12</td>
</tr>
<tr>
<td>13</td>
<td>Egypt</td>
<td>13</td>
</tr>
<tr>
<td>14</td>
<td>Vietnam</td>
<td>14</td>
</tr>
<tr>
<td>15</td>
<td>Morocco</td>
<td>15</td>
</tr>
<tr>
<td>16</td>
<td>Indonesia</td>
<td>16</td>
</tr>
<tr>
<td>17</td>
<td>Malaysia</td>
<td>17</td>
</tr>
<tr>
<td>18</td>
<td>Turkey</td>
<td>18</td>
</tr>
<tr>
<td>19</td>
<td>Bulgaria</td>
<td>19</td>
</tr>
<tr>
<td>20</td>
<td>Macedonia</td>
<td>20</td>
</tr>
<tr>
<td>21</td>
<td>Algeria</td>
<td>21</td>
</tr>
<tr>
<td>22</td>
<td>Philippines</td>
<td>22</td>
</tr>
<tr>
<td>23</td>
<td>Dominican Republic</td>
<td>23</td>
</tr>
<tr>
<td>24</td>
<td>South Africa</td>
<td>24</td>
</tr>
<tr>
<td>25</td>
<td>Mexico</td>
<td>25</td>
</tr>
<tr>
<td>26</td>
<td>Colombia</td>
<td>26</td>
</tr>
<tr>
<td>27</td>
<td>El Salvador</td>
<td>27</td>
</tr>
<tr>
<td>28</td>
<td>Romania</td>
<td>28</td>
</tr>
<tr>
<td>29</td>
<td>Bosnia and Herzegovina</td>
<td>29</td>
</tr>
<tr>
<td>30</td>
<td>Guatemala</td>
<td>30</td>
</tr>
</tbody>
</table>


NA – Not available (Not in the first 30\textsuperscript{th} ranks)
As the Indian Government continues to reform and liberalize the market, global retail giants like UK’s Tesco, France’s Carrefour and American Wal-Mart are looking to make a sturdy foray into the Indian retail market in their original format. Multinational corporate giants are attracted towards Indian retail trade as India is the fifth largest retail market in the world and its personal consumption is over 50 percent of its GDP as given in Figure 3.1. But before the entry of such global Retail giants, many Indian Retail companies laid their footprints in almost all major cities and towns of India.

**Exhibit 3.1**

**Personal Consumption of various countries as a percentage of GDP**

![Bar Chart](chart.png)

The increase in personal consumption expenditure is primarily due to the steady growth on per capita income. The increase in per capita income leads to gain on consumer confidence levels and the ultimate effect is the retail sales continue to flourish in India. Buoyed by a strong increase in private consumption, Indian retail sector is waiting to explode.

In addition, Indian Government has taken the decision to allow FDI (Foreign Direct Investment) in retail trade to establish chain of stores and supermarkets in India. The Indian retail trade grows owing to a gradual increase in the disposable incomes of the middle class households, as a result of good performance of Information Technology (IT), Service and Infrastructure sectors. More and more players are entering the retail business in India to introduce new formats like malls, supermarkets, discount stores, departmental stores and the like, changing the traditional look of Indian retail trade. However, both the Indian and global supermarket giants should not ignore the fact that the major share of Indian retail trade is in the hands of small retailers.

3.2. Definition of ‘Retail’ and ‘Retailing’:

Supermarket is a place or venue where retailing activity is carried on. So it is important to understand the term ‘retail’ and ‘retailing’. According to Collins Dictionary, Retail is “The activity of
selling goods direct to the public, usually in small quantities." Etymological references reveal that the term Retail comes from the French word 'retailler' derived from the old French word tailer, which means "to cut off, clip, pare, divide" in terms of tailoring. It was first recorded as a noun with the meaning of a "sale in small quantities" in 1433 (from the Middle French retail, "piece cut off, shred, scrap, paring"). Like the French, the word retail in both Dutch and German (detailhandel and Einzelhandel, respectively) also refers to the sale of small quantities of items.

Merriam Webster Dictionary provides that the verbal form of the term retail refers to "sell in small quantities directly to the ultimate consumer". According to Oxford Advanced Learners Dictionary the word retail means "selling of goods to the public, usually through shops/stores". Thus the dictionary meaning and etymological references provide that retail refers to act of selling goods directly to the ultimate consumers in small quantities through a shop. Even though this is the dictionary meaning, in commercial parlance the meaning of the term retail is to be understood clearly.

According to Philip Kotler, "Retailing includes all the activities involved in selling goods or services to the final consumers for

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personal, non-business use. A retailer or retail store is any business enterprise whose sales volume comes primarily from retailing. According to Dunne and Lusch, “Retailing consists of the final activities and steps needed to place a product made elsewhere into the hands of the consumer or to provide services to the consumer”.

Swapna Pradhan defines retail as the first point of customer contact. Vedamani mentions that retail implies a first-hand transaction with the customer. Retailing involves a direct interface with the customer and the coordination of business activities from end to end – right from the concept or design stage of a product of offering, to its delivery and post-delivery service to the customer. According to Gilbert, Retail is any business that directs its marketing efforts towards satisfying the final consumer based upon the organization of selling goods and services as means of distribution.

In the words of Pandit, Levy and Weitz, “Retailing is the set of business activities that adds value to the products and services sold to consumers for their personal or family use.” Sajal and Randhawa point out that “the term retailing applies not only to the selling of tangible products like loaves of bread or pairs of shoes, but also to the

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17 Swapna Pradhan, op. cit., p. 4.
selling of service products. Companies who provide meals out, haircuts and aroma therapy sessions are all essentially retailers, as they sell to the final consumer and yet customers do not take goods away from these retailers in a carry bag. The consumption of the service product coincides with the retailing activity itself.\textsuperscript{21}

The High Court of Delhi referred to Black’s Law Dictionary to define the term ‘retail’ as “sale of goods or commodities to ultimate consumers, as opposed to the sale for further distribution or processing”.\textsuperscript{22} It can be inferred from the Delhi High Court ruling that retailing is the interface between the producer and the individual consumer buying for personal consumption and this excludes direct interface between the manufacturer and institutional buyers such as the Government and other bulk customers.

On the basis of foregoing definitions and references, it is concluded that the retailing involves all types of activities towards the ultimate consumers selling either goods or services in small quantities through an establishment and a retailer is one who stocks the producer’s goods and is involved in the act of selling it to the individual consumer, at a margin of profit.

### 3.3. Definition of supermarket:

The term supermarket is to be understood clearly relevant to the present occasion. The Dictionary of Business Terms says,
“Supermarket is a large self-service food store selling groceries, meats, household goods, and so on, usually on a cash-and-carry basis”.23 English Business Dictionary defines supermarket as "A large store, usually selling food and household goods, where customers serve themselves and pay at a checkout".24

In the words of Cundiff and Still, “Supermarkets are large retailing business unit selling mainly food and grocery items on the basis of the low-margin appeal, wide variety and assortments, self-service and heavy emphasis on merchandise appeal.”25 According to Kotler supermarket is “a large, low-cost, low-margin, high-volume, self-service store that carries a wide variety of food, laundry and household products”.26

Sajal views that supermarkets have the tendency to limit themselves largely to food, to be located in congested areas (rather than on the outskirts as many of the early supermarkets did) and to appeal to consumers through lowered costs of distribution on staple products and well-known brands, rather than acting as dumping grounds for the surplus stocks of manufacturers who could not find a profitable market elsewhere.27

27 Sajal, op. cit., p. 39.
As global retail chains have expanded their foray recently, different interpretations are given for the term "supermarket" in different countries around the world. However, United States (U.S.) occupies the pioneering position on supermarkets as this concept gained popularity in the U.S. There are three criteria used to define a supermarket: the minimum size requirements, the characteristics and extent of self-service, and the stock requirement.

Plunkett defines supermarket as “A market that offers a complete line of groceries, meat and produce with a minimum of $2 million in annual revenue, at least 9 percent of which comes from GM/HBC (General Merchandise/Health and Beauty Care). Stores typically carry approximately 15,000 items”\(^{28}\) According to this definition a store is considered as supermarket on the basis of commodities sold, turnover and the floor area.

In the United States a supermarket was first defined by the supermarket Institute as a self-service departmentalized food store having a minimum sales volume of $2,50,000 per year. In 1954 the minimum sales volume was revised to $5,00,000, and now it has been revised to $1 million per year. In the United Kingdom a supermarket is defined as a self-service food store with centralised check-outs and sales area of over 2,000 square feet.\(^{29}\)


Recently, due to the varied formats of retail, the supermarket has been viewed from the floor area point of view. According to such definitions stores of greater floor area is to be taken into account while deciding a retail format as supermarket. In this angle K.V.S. Madan refers a supermarket as “A self-service store offering a wide variety of food and household merchandise. Supermarkets usually are a part of a corporate chain. They usually follow centralised purchasing system and are supplied by distribution centres of the parent organisation. The supermarkets are further categorized as large supermarkets with an area of 3,500 to 5,000 square feet and Mini supermarkets with an area of 1,000 to 2,000 square feet.”30

Supermarkets are self-service format offering a full line of groceries and other produce occupying between 20,000 to 40,000 square feet of total selling area.31 The average store size of a supermarket is approximately one third that of a hypermarket, but their product range is around 80 percent of the grocery SKUs (Stock Keeping Units) carried by a hypermarket.32 Many recent studies show that floor area is not to be ignored while deciding the type of a retail store as supermarket. At the same time the floor size depends upon the population of the area where the supermarket is situated.

Thus in order to have clear demarcation, the floor area can be taken only for secondary categorisation i.e., to decide a supermarket as mini or large. Similarly, SKUs may also depend on the demographic profile of the population. Therefore neither the floor area nor the SKUs can be taken as primary criteria to define a supermarket. Among all definitions the definition of Philip Kotler sufficiently conveys the meaning of the supermarket as far as India is concerned, specifically on sub-urban areas. Thus the term supermarket can be defined as a store where wide variety of grocery and food commodities are sold at low margin with emphasis on merchandise appeal partially or fully with self-service to the ultimate consumers.

3.4. Classification of Retail Formats:

The classification of Retail formats will give us clear understanding about the supermarket. The retail format has come across through different formats from time to time. A retail format can be classified on the basis of ownership and on the basis of store. Among all other things the store gives a better identity for a retail organisation. Therefore classification of retail formats on the basis of store can be taken as the suitable classification. The following exhibit will explain the classification of retail formats.
3.4.1. Classification of retail formats on the basis of Ownership:

On the basis of ownership retail formats can be classified as Independent retail store, Retail Chain, Franchise, Leased Departments and Consumer Co-operative.

i) Independent retail store:

Independent retail store is a standalone retail store selling either food or non-food items or both. This store is run either by family members or on a partnership format. The size of such retail stores may be big or small. Mostly such stores are unorganised in nature. Indian retail sector is dominated by such type of retail format. Following are some of the Independent retail store.

a. Kirana stores: Kirana store is popularly referred in North India and it is a retail outlet located at residential area. Such stores are also known as baniya in North India and provisional stores in south
India. In western countries these stores are called as ‘mom and pop stores’. It fulfills the daily basic needs of the people. Normally kirana stores sell food and non-food commodities located at the neighborhood of consumers. This type of store dominates Indian retail segment. There are approximately 12 million kirana stores in India, most of which are operated by small family businesses using household labour.\(^{33}\)

b. **Mandi**: Mandi is a Hindi word which refers to a trading hub or a market place formed for the purpose of selling commodities, generally for agricultural produce. It is a traditional Indian market place accommodating many unorganized retailers serving urban and rural masses. In mandis the sellers sell various commodities such as eatables, vegetables and fruits, pulses, cereals, spices and the like. In India there are more than 6,800 mandis are functioning and cater to the needs of many people.\(^{34}\)

**ii) Retail Chain:**

This type of retail format is mostly in corporate form owning and controlling two or more outlets, employing central buying and merchandising and selling similar lines of merchandise.\(^{35}\) Shopper’s Shop, Spencer’s, Reliance Fresh and the like are some of the examples of chain stores.


\(^{34}\) "Haats, Mandis and Melas", The Business World Marketing Whitebook 2006, p. 100.

\(^{35}\) Keller and Kotler, op. cit., p. 507.
iii) **Franchise:**

According to Philip Kotler, franchising is a “Contractual association between a franchiser and franchisees, popular in a number of product and service areas.” McDonalds, Pizza Hut, KFC and Margin Free Market are some of the examples of this format. The person who lends the right to sell is called the franchiser and the person who enters into an agreement to sell is called franchisee. This franchising format may be applied for food or non-food category. The type of franchise may be a product based or business based, but the list of its sub-categories is enlarging day by day.

iv) **Leased Departments:**

When a section of a department in a retail store is given on lease or rented to an outside party, it is termed as a leased department. The case of Spencer's which lease out a portion of its stores for confectionary shop can be cited as an example for this.

v) **Consumer Co-operatives:**

In the words of Philip Kotler, “Consumer Co-operative is a retail firm owned by its consumers. Members contribute money to open their own store, vote on its policies, elect a group to manage it, and receive dividends.” Amutham Co-operative supermarket and Khadi Craft in Tamil Nadu and Apna Bazaar in Mumbai are the examples of such stores.

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36 Idem.
37 Pradhan, op. cit., p. 71.
38 Keller and Kotler, loc. cit.
3.4.2. Classification of retail formats on the basis of the Merchandise offered:

i) **Convenience stores:**

Convenience stores are small stores that are easy to approach, situated in central locations in the vicinity of customer flows and opening hours are usually longer than in supermarkets. This store serves the customer’s sudden need to make to-up purchases or the desire to get lunch or a snack. The 7-Eleven store of U.S. is an example of such store. This type of stores operate in different names like Shoppe (large ‘superette’ up to 900 sq. m.); Marché Plus (discount convenience); à Huit (emergency shopping); and Proxi (small, up to 250 sq. m.). In some regions of Canada it is called as ‘corner stores’, ‘mini-marts’, or ‘variety stores’, in some parts of U.S. it is functioning in the name of ‘mini-markets’ and ‘party stores’.

ii) **Supermarkets:** Supermarkets are self-service format offering a full line of groceries and other produce, occupying in a vast floor area lesser than a hypermarket. These stores normally keep stock of approximately 15,000 SKUs. Some of the examples of supermarkets are More, Reliance Fresh and D-Mart.

iii) **Hypermarket:** Hypermarket is combination of a general merchandise store and the supermarket with over 50,000 sq ft of retail space. Hypermarkets have sections for food items, book

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shop, apparel section, household appliances, cosmetics, electronic goods and so on. Hypercity, Big Bazaar, Star Bazaar are the examples of hypermarket. In India currently there are less than 100 hypermarkets operated by 5-6 big retailers.\(^{41}\)

\textbf{iv)} \textit{Discount Stores:} These are the stores or factory outlets that provide discount on the Maximum Retail Price (MRP) of products. They focus on mass selling or selling the stock left after the season is over. \textit{Subhiksha, Margin Free Market, D-Mart, Loot, M&B Factory} and the like are the examples.

\textbf{v)} \textit{Specialty Stores:} These are Retail stores specialized in a narrow range of items for a particular clientele. Such stores concentrate on selling one particular merchandise line of goods. They sell products through standalone units. Examples for such stores are RPG's Music World, Crossword book store, Planet M, Landmark and the like.

\textbf{vi)} \textit{Departmental stores:} It is a large retail store organized into departments offering a variety of merchandise, commonly part of a retail chain. It functions under one building. Every department deals with one specific kind of item and is a unit in itself. Cundiff and Still says, “A departmental store is a large retailing business unit which handles a wide variety of shopping and specialty goods and is organized into separate departments for purpose of promotion, service and control.”\(^{42}\)

\(^{41}\) Idem.

\(^{42}\) Cundiff, op. cit., p. 212.
vii) **Off price retailers:** According to Kotler, these stores are places where leftover goods, overruns, irregular merchandise are sold at less than retail.\(^{43}\) They acquire out-of-season products and distressed merchandise from other retailers, including bankruptcies and from manufacturers having production overruns. They slightly differ from discount stores who sacrifice their profit margin through bulk purchases and this type of retailer is mostly seasonal in nature.

viii) **Factory Outlets:** Factory outlets are also called as 'Outlet stores'. Basically, they sell manufacturer closeouts, discontinued merchandise, irregulars, factory overruns and cancelled orders.

ix) **Catalogue showrooms:** This type of store normally sell goods through catalogues displayed in the outlet, with the customer collecting goods immediately from a pick-up point on the premises. Such types of stores are not popular in India.

x) **Boutique shops:** A boutique shop is a small shopping outlet that specializes in the sale of elite and fashionable items such as clothing and jewellery. It is a small, specialized shop that deals with a limited clientele and offers a limited product line.\(^{44}\)

xi) **Category killers:** It is a kind of discount specialty store that offers less variety but a wide assortment of merchandise in the

\(^{43}\) Keller and Kotler, loc. cit.

\(^{44}\) Friedman, op. cit., p. 67.
category that is handled. The goal of such stores is to dominate on one or few categories of merchandise with a wide selection and killing the choice of other retailers to deal with that particular merchandise.

**xii)** **Warehouse club:** In this retail format a wide variety of merchandise in bulk at a wholesale price is sold. This store is normally established in warehouse-type buildings and customers are required to buy in bulk.

**xiii)** **Other formats:** List of Retail stores offering merchandise is not exhaustive, however, Super Warehouse Store, Limited Assortment Store, Supercentre and Dollar Store are some forms of Retail stores offering merchandise.

### 3.4.3. Non-store retailing:

Non-store retailing means selling goods and services outside the confines of a retail facility. It is a generic term, describing retailing which take place outside of shops and stores (that is, off the premises of fixed retail locations and of markets stands). The non-store retailers are known by medium they use to communicate with their customers, such as direct marketing, direct selling, vending machines and e-tailing. Non-store retailing is patronised to time conscious consumers and consumers who can't easily go to stores, or compulsive buyers. Most non-store retailers offer consumers the convenience of buying 24

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hours a day seven days a week and delivery at location and time of their choice. This non-store retail format includes:

i) **Direct Selling:** Selling commodities at the door steps of the ultimate consumers.

ii) **Electronic Retailing:** This form of retail is also known as e-tailing and Internet retailing. It is a retail format in which the retailer and customer communicate with each other through an interactive electronic network. After an electronic dialogue between the retailer and customer, the order for merchandise can directly be made through the internet or telephone. The merchandise is then delivered to the customer's address.

iii) **Vending machines/Kiosks:** The sale of products through a machine with no personal contact between buyer and seller is called automatic vending. This method is used for selling milk, soft drink, coffee and the like.

iv) **Village Haats:** The term *Haat* is a Hindi word, which means market or bazaar. The village *Haat* is operated in rural areas. The buyers and sellers gather once in a week or month from nearby villages and small towns. Their object is to trade on anything, from fresh vegetables to cattle to manufactured products. This type of retail format is a typical and traditional Indian retail format functioning throughout India. These *haats* are a source of entertainment and socialization among Indian rural people. It is the nerve centre of the economic, social and
cultural life for many Indian farmers. It is known by many names in India like *peta, angadi, hatwari, shanddies, chindies* or *painths*. The average sale per outlet is estimated at ₹ 900 per day and the average sales per day at a *haat* is around ₹ 2.25 lakh.46

v) **Push Cart Vendors:** There are categories of vendors roaming on streets in various localities selling fruits, vegetables, and other eatables, from which mostly housewives makes purchases that too on credit.

vi) **Online Retailing:** Online retailing is also known as B2C or business-to-consumer e-commerce or internet marketing. It is basically a Web-enabled interface between a company and its targeted buyers for selling products and services through its website with the facility of online payment.

vii) **Market stalls:** A market stall is immobile and temporary structure erected by merchants to display and shelter their products in a street market or other setting. This type of stalls can be easily erected and dismantled. It can be shifted or moved on wheels. The same type of stall is also used as a display area at fairs and conventions. The market stalls can be in the form of carts designed to be pulled by hand or cycles, makeshift structures like tents or converted tow-caravans and motor vehicles. Food or vegetable vendors are the few examples.

3.4.4. **Services retailing:**

Service oriented retail offers services instead of merchandise, Retail Banking, Car Rentals, Tours and Travel Services, Domestic LPG suppliers, Telecommunication authorities, Electric Supply Company, Insurance Companies and the like are some of the examples of such services retailing.

3.5. **Evolution/History of supermarket:**

In the early days a buyer had to buy a commodity from a retail store by asking the employee of that store and he would fetch the products from the shelves behind the merchant's counter. The buyers would wait in front of the counter indicating the items they want. Also, most of the commodities were not available in individually wrapped consumer-sized packages as we get today. The employee of the shop had to measure out the commodities and wrap them in smaller quantity as required by the buyers.

Even now this practice prevails in many of the retail organisations. But this is a labour-intensive and expensive practice. Moreover, the shopping process would be slow. Only one or few buyers could be attended at a time by the employees. The buyers could not exercise their freedom of choice in the selection of commodities. The number of customers who could be attended to at one time was determined by the number of employees working in a store. In order to avoid these drawbacks the concept of self-service store was introduced and that model is considered to be the evolution for the concept of supermarket.
In the evolution of supermarket there is no authoritative reference point in history that marks the shift from small general stores to supermarkets. In order to have better understanding, the historical background of supermarket has been analysed in two different angles one is at global level and the other at the Indian level.

3.5.1. Historical background of Supermarkets at Global level:

Globally many countries have their own role on the evolution of supermarket concept. The contribution of United States of America is significant than other countries. Prior to 1900, American shoppers purchased their groceries through a wide array of specialty shops and general stores. Meat was purchased from a butcher, fish from a fishmonger, bread from a baker, and vegetables from a vegetable stand. These stores were mostly sole proprietorships and often run in a haphazard manner. Since the owners of these shops purchased their merchandise from collection of jobbers and middle men, they incurred high costs for the commodities and struggled to get better profit on their sales.

The Great Atlantic & Pacific Tea Company (A&P) changed all of this. A&P was founded as the Great American Tea Company in 1859 by George Huntington Hartford and George Gilman. This company was a merchandiser of tea, coffee and spices bought in bulk from suppliers. While purchasing tea directly from ships, they found that they could lower the cost by two-thirds and still make a profit. In the late 19th century, it began offering groceries in addition to tea. In
1912, it introduced the concept of "cash and carry". As the idea was very successful the company opened many such stores in America. By 1925, the company had almost 14,000 stores and sales of almost $450 million. In the 1930s, many of the stores were converted to supermarkets.\textsuperscript{47} By the end of 1939, A&P supermarkets numbered over 1,100 while 2,000 grocery stores had been closed.\textsuperscript{48}

Earlier to A&P, Macy's was formed in the year 1843 and opened four retail dry goods stores, but all the four store formats could not succeed. In the year 1858 a new store was established in the name of 'R.H Macy Dry Goods' and this store also produced its own made-to-measure clothing for both men and women. As this company did not concentrate purely on grocery and food items at its early stage, it could not claim as the pioneer in supermarket. However, this was the oldest company which is presently functioning in supermarket format at U.S.A.\textsuperscript{49}

Piggly Wiggly Store is another milestone in the history of supermarket. The fundamental feature of a supermarket is self-service mode of functioning. The concept of a self-service grocery store was developed by an American entrepreneur Clarence Saunders at his Piggly Wiggly stores. Saunders is considered as the inventor of self-service store as he was awarded a patent for the idea he adopted in


\textsuperscript{49} Geisst, op. cit., pp. 259-260.
his stores. He got the patent no. 1242872 from the United States patent authorities for his internal store layout in 1916.\textsuperscript{50}

Saunders’ concept was successful and he began to offer franchises. Piggly Wiggly stores proliferated quickly. But other grocers found self-service very appealing and shifted their operations to that method without applying for a Piggly Wiggly.\textsuperscript{51} Later, the Piggly Wiggly mart evolved into a chain of supermarkets like Kroger and Safeway. These still remained small, and mostly family-run, but served a wide range of products including meat, dairy products and dry goods. But Piggly Wiggly Store could not last long and that store was divided into strategic units and sold to regional grocery chains, including Kroger, Safeway, National Tea, and Colonial. Presently the Piggly Wiggly supermarket chain operates about 25 supermarkets.\textsuperscript{52}


\textsuperscript{52} Plunkett, op. cit., p. 454.
Exhibit 3.3
Patented internal store layout of Piggly Wiggly stores

C. SAUNDERS,
SELF SERVING STORE.
APPLICATION FILED OCT. 21, 1916.

Patented Oct. 9, 1917.
3 SHEETS—SHEET 2.

Source: http://uspto.gov
Similarly another supermarket Roundy's was established in the year 1872 in Illinois of U.S.A, which was originally founded in the name of Smith, Roundy & Co. They run several food and grocery based store formats and only during the later years they followed the complete feature of a supermarket format. Even though, this company was formed earlier they could not claim as the pioneer in supermarket as they entered into the supermarket format only at a latter period.

In the history of supermarket, Ralphs Grocery Company is another important noteworthy company. Not many supermarkets have a history of more than 100 years. This Company is one among the few, which is currently celebrating 129 years of continuous operation in Southern California. It was founded by George Albert Ralphs in 1872. Initially he was working as a Grocery clerk in a small store in downtown Los Angeles. Within a year, he had saved enough money to buy his own grocery store. After two years along with his brother Walter, he formed Ralphs Bros. Grocers as a partnership concern.

In 1901, Ralphs shifted to a new site after selling the Ralphs Bros. Grocers to permit construction of the Hayward Hotel. During the next decade, the expansion accelerated. Ralphs had opened many attractive stores in more modern and huge buildings featuring better service and home delivery. In fact, Ralphs is considered as one of the country's first chain store operations and was a pioneer in establishing the “supermarket” as it is known today.
By 1928, Ralphs had opened nearly a dozen markets. It abandoned home delivery service and switched to the "cash and carry" system. By 1936, the company had expanded to 25 supermarket-type stores. Such supermarkets had attractive store designs, glass windows for brighter and more pleasant shopping. It also had wider aisles and bigger and better, free parking lots.

By the 1940s, Ralphs supermarkets featured self-service in a number of departments including produce, delicatessen and dairy. In 1953, Ralphs had begun to use computer technology at the early stages. It had introduced laser scanning checkout systems in 1974. In 1994, Ralphs was acquired by the Yucaipa Companies. Yucaipa already owned ABC Markets, Alpha Beta, Boys Markets and Cala Foods. Soon, all the ABC Markets, Alpha Betas and Boys Markets were rebranded as Ralphs. At the same time, ‘Food 4 Less’ was merged with Ralphs. In 1997, Yucaipa sold the Ralphs Grocery Company to Fred Meyer, Inc., owner of several chains in the U.S.A. In October 1998, the parent company, Fred Meyer, merged with The Kroger Company. Presently Ralph is a largest subsidiary of the Kroger.

In the milestone of supermarkets yet another noteworthy person to be mentioned is Michael J. Cullen born to Irish immigrant parents. He was a former executive of both Kroger and A&P and opened his first King Kullen store. It was widely cited as America’s first supermarket, although others have some legitimate claim to that title as well. King Kullen was located in a warehouse on the fringes of New
York City, and offered ample free parking and additional concessions of a bazaar-like atmosphere.\footnote{Halper, op. cit., pp. 9-36.36 – 9-36.49.}

Initially, Cullen joined The Great A & P Tea Company in 1902 at the age of 18 and worked for that company for about 17 years. Later in 1919 he joined Kroger Stores. He worked for Kroger until 1930. While working at Kroger, he developed the idea of a supermarket. He wrote a letter to the president of Kroger, proposing a new type of food store with a focus on low price, larger square footage, cash sales, no delivery service, and low rent locations with lots of parking. In his proposal, Cullen suggested that this new type of store could achieve nearly ten times the volume and profits.\footnote{Idem.}

Cullen’s letter went unanswered. As he was confident in his idea he quit his job. Later he leased a vacant garage at the corner of 171\textsuperscript{st} Street and Jamaica Avenue in Queens, just a few blocks from a busy shopping district. On August 4, 1930, King Kullen Grocery Company opened the doors to the world’s first supermarket.\footnote{Idem.}

The store carried a range of approximately 1,000 items, including automotive accessories and hardware, as well as groceries. Success was rapid. People came from miles around. To many of his customers, Cullen offered convenience and affordable food. Bold
newspaper advertisements described the store as the "World’s Greatest Price Wrecker."\(^5^6\)

The chain expanded rapidly even in the environment of the Great Depression. King Kullen stores reused large and older building, including abandoned factories and warehouses, in low-rent location on the borders of populated areas. Facilities were simple. Service was minimal. Shopping carts were used and national brands were emphasized. There was a no frill bargain environment that resonated with depression era customers. Ample, free parking was available in order to appeal to customers with automobiles and encourage them to purchase large quantities.\(^5^7\)

There were 17 King Kullen supermarkets by the year 1936, making an approximate annual turnover of $6,000,000. At that time Cullen had plans for faster expansion and franchising. However in 1936, at age 52, Cullen died suddenly following an appendix operation. Following his death, the rate of growth of the firm slowed down.\(^5^8\)

Historically, there was a debate about the origin of the supermarket, with King Kullen and Ralphs of California each other having strong claims. The Food Marketing Institute of the U.S.A. in conjunction with the Smithsonian Institute and with the funding from

\(^{56}\) Halper, op. cit., p. 9-36.47.


H.J. Heinz, made an extensive research on the concept of supermarket and defined the attributes of a supermarket as “[a]ny full-line self-service grocery store generating a sales volume of $2 million or more annually.”

On the basis of the research made by Smithsonian Institute, King Kullen Grocery supermarket was considered as the first supermarket in the United States of America. However, “the supermarket has many fathers. Like most innovations, it developed over time rather than springing fully fledged from the mind of a clever entrepreneur.”

Apart from United States of America, many nations have contributed for the evolution of supermarket, French supermarket giant Carrefour is important among them. It was established by two French families, the Fournier and the Defforey families, both of whom had already operated small shops for generations. In 1960, both the families founded a company named as ‘Carrefour Supermarkets’ and began self-service retailing by opening the first supermarket in Annecy. Carrefour has been recognized as the inventor of the hypermarket store format.

Another noteworthy supermarket giant at global level is Tesco of United Kingdom. The founder of Tesco was Jack Cohen, who initially

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began a market stall in 1919. Since 1924 he sold tea, which he bought from a tea-importing company Torring and Stockwell. In 1932, it was registered as private limited company.

Tesco plc (private limited company) is the largest retailer in the U.K., and one of the largest retail firms in the world. The company operates 4,331 supermarkets, superstores and convenience stores in 14 countries. Tesco operates six main store formats such as Tesco Express, Tesco Metro, Tesco Extra, Tesco Homeplus, Tesco OneStop and Tesco Superstores. The firm also operates non-food retailer Tesco Direct, with a 7,000-item catalog and 12,500 products.

Wal-Mart is another global supermarket giant, which is worth mentioning in the chronological history of supermarket. It was founded by Sam Walton. He born in 1918 and served in the military during World War II. After leaving the service, he purchased a Ben Franklin variety store in Arkansas in 1945 with borrowed money and began a long retailing career that lasted until his death.

The Ben Franklin variety store was so successful, but the leaseholder of the store forced Walton to relinquish it. So he returned to Arkansas and purchased another store, called Walton’s Five & Dime, located in Bentonville in 1950. Within 10 years, he owned 15 stores. The chain was renamed Wal-Mart in 1962 and began

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64 Plunkett, op. cit., p. 536.
65 Geisst, op. cit., p. 462.
employing management techniques that would make Walton famous. Wal-Mart became one of the first retail discounters, selling on small margins. All of his stores were opened in small towns in rural settings.66

Presently Wal-Mart is the global leader of supermarket. Moreover, it is the world's largest company based on revenue ($401.3 billion during 2009), the largest corporate employer in the world with 2.1 million total global employees. It operated approximately 4,268 stores throughout America in late 2009. In terms of U.S.-based firms, Wal-Mart is second only to ExxonMobil in annual revenues. Outside America, Wal-Mart had 3,685 stores by the end of 2009, with a strong presence in such nations as Mexico, Canada, and the U.K.67

Wal-Mart achieved its astounding success through deep discounts, high volume purchasing and cutting-edge technology that raised the chain's distribution and inventory control systems to the pinnacle of efficiency. Costs are cut to the bone while customers flock to the stores in droves. The global economic crisis of 2008-2009 actually boosted Wal-Mart revenues as shoppers looked for the lowest possible prices.68 Success story of Wal-Mart led other nations to commence many supermarkets and many dominated global supermarket history. The following table exhibits the top ten global leaders in supermarket.

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66 Idem.
67 Plunkett, op. cit., p. 16.
68 Idem.
### Table 3.4

**Global Top 10 supermarket chains**

<table>
<thead>
<tr>
<th>World Rank</th>
<th>Company Name</th>
<th>Originating Country</th>
<th>2009 sales (US $ mn)</th>
<th>Operating Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Wal-Mart Stores, Inc.</td>
<td>US</td>
<td>405,046</td>
<td>16</td>
</tr>
<tr>
<td>2</td>
<td>Carrefour S.A.</td>
<td>France</td>
<td>119,887</td>
<td>36</td>
</tr>
<tr>
<td>3</td>
<td>Metro AG</td>
<td>Germany</td>
<td>90,850</td>
<td>33</td>
</tr>
<tr>
<td>4</td>
<td>Tesco</td>
<td>UK</td>
<td>90,435</td>
<td>13</td>
</tr>
<tr>
<td>5</td>
<td>Schwarz Unternehmens Treuhand</td>
<td>Germany</td>
<td>77,221</td>
<td>25</td>
</tr>
<tr>
<td>6</td>
<td>The Kroger Co.</td>
<td>US</td>
<td>76,733</td>
<td>1</td>
</tr>
<tr>
<td>7</td>
<td>Costco Wholesale Corp.</td>
<td>US</td>
<td>69,889</td>
<td>9</td>
</tr>
<tr>
<td>8</td>
<td>Aldi Einkauf GmbH &amp; Co</td>
<td>Germany</td>
<td>67,709</td>
<td>18</td>
</tr>
<tr>
<td>9</td>
<td>The Home Depot, Inc.</td>
<td>US</td>
<td>66,176</td>
<td>5</td>
</tr>
<tr>
<td>10</td>
<td>Target Corp.</td>
<td>US</td>
<td>63,435</td>
<td>1</td>
</tr>
</tbody>
</table>


With the growth of suburban development after World War II, Supermarkets proliferated across Canada, the United States and in many European countries. During 1980s, middle range supermarkets began to disappear slowly and mainline stores began to proliferate. Thousands of chain grocery stores were replaced by supermarkets with new advances in store shelving and the introduction of the wheeled shopping carts. The rise of computerization and the explosion in product variety resulted into the evolution of 'super centres', 'super stores' and 'hyper marts'. Supercenters are "the combination store blending an economy supermarket with a discount department store".  

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The supermarkets specialize in selling food, although they carry other products, while a supercenter will sell food, clothing, drugs, home appliances, electronic equipment and the like. Many superstores had been opened in the early 1960s, some of them operated by chain grocers themselves. “Hypermarket is even larger than a supercenter. It sells a wide variety of goods and performs some functions ordinarily performed by whole-sellers.” Many nations including India are fast catching with these concepts. However, as the supercenter and hypermarket concepts are out of the purview of the present research, the researcher has not made further analysis over supercentres.

3.5.2. Evolution of supermarket in Indian perspective:

The evolution of supermarket format of retail in India can be understood by knowing the origin of Indian Retail. Historic ladder of Indian retail is entirely different from other countries. India is one of the ancient civilizations in the world and for any concept that will be a forerunner. In this perspective, in the retailing also Indian civilization contributes more. The retailing concept in India dates back to unknown origin, like the present, the retails sales were higher during festivals in olden days. During festival period special Melas or exhibitions were conducted. Such places of entertainment were considered as the origin for retailing in India. This type of retailing was temporary in nature.

In the Indian retail sector, the contribution of rural retail cannot be ignored. The era of rural retail sector could be categorized into two

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70 Ibid, p. 252.
formats namely, weekly markets and village fairs. Primarily, the weekly formats catered to the daily necessities of the villagers. Village fairs were larger in size with a wide variety of goods sold starting from food, clothing, cosmetics and to small consumer durables. The traditional era saw the emergence of the neighborhood 'Kirana' store to cater to convenience of the Indian consumers.

The emergence of Kirana stores or mom-and-pop stores or provisional stores is considered as the second stage in the origin of Indian retailing. These stores used to cater to the local people. While examining the origin of Indian retail we should not ignore the role of Fair Price Shops (FPS) in India. It is considered as the first organized retail format under the Public Distribution System (PDS).

Under the PDS some of the essential commodities like rice, wheat, sugar, oil and dhal are sold at subsidized price to a large number of people in order to ensure availability of food grains at an affordable price. PDS with a network of about 4,99,000 lakh Fair Price Shops is perhaps the largest distribution network of its type in the world71.

The Public Distribution System still is in function through Consumer Co-operatives and Ration shops. As a National Policy, consumer cooperatives were to be developed as self-reliant, democratic institutions, owned, managed and controlled by their members. Indian economy being an agricultural economy, vagaries of the

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weather would give opportunity to unscrupulous traders, wholesalers and retailers, to create artificial shortages for personal gain. This led the Government to support the growth of consumer cooperatives. It supplies essential consumer goods to the vulnerable sections of society at reasonable prices. It also tries to eliminate middlemen from the distribution chain. Following exhibit presents a clear understanding on Indian Retail sector.

**Exhibit 3.4**

**Evolution of Indian Retail**

<table>
<thead>
<tr>
<th>Historic/Rural Reach</th>
<th>Traditional/Pervasive Reach</th>
<th>Government supported</th>
<th>Modern Formats/International</th>
</tr>
</thead>
<tbody>
<tr>
<td>PDS Outlets</td>
<td>Convenience Stores, Mom and Pop stores/Kiranas</td>
<td>Exclusive Brand Outlets, Hypermart/Supermarkets, Department Stores, Shopping Malls</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Weekly Markets, Village Fairs, Melas</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


The Modern era has a host of small and large formats with exclusive outlets showcasing a complete range of products. The department stores and shopping malls targeting to provide a complete
destination experience for all segments of the society. The hyper and super markets are consistently trying to provide the customer with the 3 Vs (Value, Variety and Volume). This period also witnessed the emergence of shopping centers with car parking facility.

Eventually the Government supported the rural retail and many indigenous franchise stores came up with the help of Khadi & Village Industries Commission. The economy began to open up in the 1980s resulting in the change of retailing. The first few companies to come up with retail chains were in textile sector, for example, Bombay Dyeing, S Kumar's, Raymonds and the like Later Titan launched its retail showrooms in the organized retail sector. With the passage of time new entrants moved on from manufacturing to pure retailing.

For several decades, with encouragement and support from the Indian Government in the form of Share Capital participation, Working Capital loans as well as subsidies for development, the consumer cooperative movement experienced growth and profits grew reasonably to sustain the movement. Stores like Super Bazaar, Kendriya Bhandar, Apna Bazaar and Sahakari Bhandar were opened in different parts of the country, some even in remotest of areas and India saw the emergence of its first supermarket self-service chains. Co-operative stores paved the way for the common man to get exposure to modern retailing techniques such as pre-packing, price marking, price display and self-service system.72

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72 Indian Cooperatives – “What Relevance in Modern Retail?”, Images Retail, Vol. 6, Issue 1, January 2007, p. 47.
However, since the 1990s after the liberalisation, co-operative stores witnessed downfall. Shortage of funds, trade malpractices and corruption within were considered as the causes decline. Co-operative store formats like Super Bazaar were eventually closing down in 2002. The foregoing pages reveal that in India the government is the forerunner in commencing supermarkets.

Despite the downfall of co-operative supermarkets due to the rapid modernisation and constant economic development in India many private business concerns formed supermarkets with some changes. Sensing the need for change in order to offer best customer service, private business concerns commenced the improved versions of supermarket formats like hypermarkets and supercentres. These formats are considered as the fourth stage in the evolution of supermarkets in India. The retail development under the fourth stage has been discussed in detail the subsequent pages.

3.6. Major Supermarkets in India:

In India many more supermarkets have been formed only in the recent times, particularly after the liberalisation of our economy. Most of the corporate giants have formed supermarket form of retail format in the food and grocery sector. Subsequently they have started to adopt global retail models such as shopping mall, multiplex, Hypermarts, supercentres and the like. The list of supermarkets in India is not an exhaustive one and some of the prominent supermarkets have been discussed below.
3.6.1. **Nilgiris:** In India the *Nilgiris* is a noteworthy supermarket among many. It was first established in the 1905 in the name of “Nilgiris Dairy Farm Ltd” at Ooty in the Nilgiris district of Tamil Nadu to supply Dairy products for the people of Hill area. Initially they concentrated on dairy products and since 1971 they switched over to the self-service supermarket concept dealing with multi product.

3.6.2. **Spencer’s:** It is another older supermarket giant in India. It was started in the year 1863 at Chennai as an ordinary retail store by British businessmen John William Spencer and Charles Durrant. Later it formed many branches at various parts of India. In 1920 it started the first grocery chain. In 1980 it established chain of supermarkets and in 2001 it introduced the hypermarket. In 1989, Spencer’s became a part of the RPG Group. Now it runs about 220 stores across 45 cities in India, employing more than 7,000 people.

3.6.3. **Apna Bazaar:** It was opened as a traditional retail store in 1984, in BHEL, Hyderabad with an initial investment of ₹ 10,000 with just 100 products. By the year 2005, the turnover of Apna Bazaar reached ₹ 33,000 crores through 9,842 branches across 18 states. It employs 92,000 workers in all its supermarket.

3.6.4. **Shopper’s Stop:** It was started in the year 1991 in Andheri, Mumbai. It is a part of the K. Raheja Corp. Group. Presently it has 12 stores across 9 cities viz. Mumbai (Malad, Thane &
Vashi), Pune, Amritsar, Jaipur, Bengaluru, Bhopal, Ludhiana, Ahmedabad & Hyderabad. Its supermarket is functioning in the names of HyperCity and Shopper's Stop.

3.6.5. SPAR: It was started in year 2008, first at Hyderabad through the license agreement between the Dubai based Landmark Group's Max Hypermarkets India Pvt. Ltd. and SPAR International. SPAR currently has 10 stores in India, 3 stores in Bangalore, two in Hyderabad and one each in Mangalore, Coimbatore, Delhi, pune and Gurgaon.

3.6.6. More: It is a subsidiary of Aditya Birla Retail Ltd. (ABRL), started its operations in the year 2007 with the acquisition of Trinethra supermarket. Originally, Trinethra was established as a partnership firm in the year of 1986 in the Hyderabad. In 1998, it was reconstituted into a Public Limited Company by the name of Trinethra Super Market Limited. After acquiring the Trinethra, Aditya Birla Retail dropped the name Trinethra and reconstituted into 'More'. Presently, it operates over 560 stores in 12 states across India.

3.6.7. Big bazaar: It is owned by Pantaloon Retail (India) Ltd. (PRIL), headquartered in Mumbai with 317 stores across the country employing more than 18,000 people. It has more than 5 million sq. ft retail space located across the country. It runs many retail formats and it is the largest retailer in India with a turnover of over ₹ 5,000 crores. The grocery and food retail formats are Big bazaar and Food bazaar.
3.6.8. **Reliance Fresh:** It is one of the retail formats of Reliance Retail Limited (RRL). RRL has started its first retail venture called Reliance Fresh in Hyderabad on 4th November 2006. In the same year it opened 11 pilot stores under the brand ‘fresh’ and ‘select’. Now RRL operates in 21 different formats across India. It offers over 10,000 products in various categories like grocery, home care, apparel and accessories, FMCG, consumer durables, IT (Information Technology) commodities, automotive accessories and lifestyle products.

3.6.9. **Fresh @:** It was founded by Mr. Nara Chandra Babu Naidu, former Chief Minister of Andhra Pradesh in 1992 in the name of Heritage Foods with its headquarters at Hyderabad in Andhra Pradesh. Originally it was a dairy based producer, later entered into the supermarket operations. It runs two types of supermarket formats such as flagship stores, which spread over 2500 sq ft and daily format stores, which spread over 1000 sq ft and upto 2010 it has 66 flagship stores and 9 daily format stores. Presently Fresh @ functions at four south Indian states such as Andhra Pradesh, Karnataka, Kerala and Tamil Nadu.  

3.6.10. **Subhiksha:** It was first opened in Thiruvanmiyur in Chennai in March, 1997 with an investment of about ₹ 5,00,000 by R. Subramaniam, an IIM Ahmedabad alumnus. By the year 2009 it had 1600 outlets all over India. It employed 15,000

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people. However, in the year 2009 majority of its stores were closed down due to financial crunch and in later years except few stores almost all the stores were closed down.

3.6.11. Vishal supermarket: Originally Vishal supermarket was started as a tiny cloth store in Kolkata in 1986. In the year 2001 it started its first supermarket at New Delhi and established 170 outlets all over India. Since 2007 many of its supermarkets were closed down due to various reasons.

As it is difficult to list out all the supermarkets, the glimpses of some of the supermarket giants in India are given below.

Table 3.5

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Group owning the store</th>
<th>Name</th>
<th>Year of Formation</th>
<th>No. of Stores</th>
<th>2009-10 Turnover (in ₹ cr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Pantaloon Retail (India) Ltd.</td>
<td>Big Bazaar, Food Bazaar</td>
<td>2001</td>
<td>317</td>
<td>5706.07</td>
</tr>
<tr>
<td>2</td>
<td>K Raheja Group</td>
<td>Shoppers Stop</td>
<td>1991</td>
<td>29</td>
<td>1408.94</td>
</tr>
<tr>
<td>3</td>
<td>Aditya Birla Retail Limited</td>
<td>More</td>
<td>2007</td>
<td>560</td>
<td>NA</td>
</tr>
<tr>
<td>4</td>
<td>Heritage Foods (India) Ltd.</td>
<td>Fresh@</td>
<td>1992</td>
<td>75</td>
<td>792</td>
</tr>
<tr>
<td>5</td>
<td>RPG Retail</td>
<td>Spencer’s</td>
<td>1996</td>
<td>220</td>
<td>1050</td>
</tr>
<tr>
<td>6</td>
<td>Trent Ltd.</td>
<td>Trent, Star Bazaar</td>
<td>1998</td>
<td>87</td>
<td>587.49</td>
</tr>
<tr>
<td>7</td>
<td>Vishal Retail Ltd.</td>
<td>Vishal</td>
<td>1986</td>
<td>178</td>
<td>1,105</td>
</tr>
<tr>
<td>8</td>
<td>Wadhawan Food Retail Pvt Ltd</td>
<td>Spinach</td>
<td>2006</td>
<td>200+</td>
<td>NA</td>
</tr>
<tr>
<td>9</td>
<td>Reliance</td>
<td>Reliance Fresh</td>
<td>2006</td>
<td>621</td>
<td>NA</td>
</tr>
<tr>
<td>10</td>
<td>Bharti Retail</td>
<td>Easyday</td>
<td>2008</td>
<td>61</td>
<td>NA</td>
</tr>
</tbody>
</table>


74 "India Retail Rally - Taking Stock of the Dynamism in India’s Retail Sector- School of thought", Morgan Stanley Asia Pacific Research, September 5, 2007, p. 26.
3.7. Retailing in India: a forecast:

The phase of high growth of Indian retail sector is expected to continue due to huge amounts of investments and breaking up of traditional. The Indian Retail Sector which includes the traditional retail and the modern retail is estimated to grow at a very fast pace. According to Indian Retail Report 2011 the modern retail sector, which stood at ₹ 1,00,000 crore in 2009-10, however still it is fighting to get an industry status and increase its penetration in the country, while traditional retail continues to rule the roost.75

The total retail (both organised and unorganised) industry in India is currently estimated to be around ₹ 20 lakh crore. It is projected to reach ₹ 27 lakh crore by 2015. Organised retail, which is currently estimated to be ₹ 1.0 lakh crore (5 per cent share), is projected to reach ₹ 3.0 lakh crore (11 per cent share) by 2015. This means a tripling of the current size and scale of organised retail in the next five years. While organised retail would grow at a fast pace, it is important to note that a major part of the growth in total retail would come from unorganised retail which is estimated at ₹ 7.0 lakh crore. The Unorganised retail segment is expected to grow by over ₹ 4.5 lakh crore in the next five years.76

Changing life styles and tastes among the consumers, growing need for convenience, increasing disposable income for the people,

75 “School of thought”, Images Retail, Volume 10, No. 2, February, 2011, p. 49.
increasing numbers of working women, change in consumption patterns, higher aspirations among youth and impact of western lifestyle, Plastic Revolution – Increased use of credit cards and debit cards, Growth in GDP, increased private consumption, high consumer expectation, strength of traditional retail and the like would be the reasons for this expected growth.

Future of organized retail in India looks bright and promising. “It is estimated that India’s present retail market is $435 billion and the share of organized retail is expected to reach 20 percent by 2020.”77 Currently the retail sector accounts for over 30 percent of India’s GDP and employees 8 percent of the total workforce. According to an estimate, the modern retail sector has created over a million jobs directly and over 10 times as much in supply chain, back-end and support sector.78

Till recently, major organised retail giants focus urban area. But major portion of Indian population is scattered across small towns and villages. Moreover, people living in non-urban centres were imagined as primitive, impoverished and irrelevant. Now this is no longer the case. Information Technology and upgraded education system in India has changed this situation. Lifestyle patterns have been improved more in rural India too, with the per capita expenditure registering phenomenal growth rate compared with urban areas. In

1990 for every $100 earned by an Indian villager and an urbanite made $82 more. Today, the difference has dropped to $56. Thus rural India would be another attractive destination for the retail industry in the future.

The contributions of the retail sector on the Indian economic system are very much significant. The rise of the organised retail stores in the form of supermarket, departmental stores and so on contributes to the overall growth of business and the entire economy of our country.

3.8. Challenges faced by Indian retail sector:

The maximum amount of growth in the Indian retail sector was recorded in urban locations through the formats like supermarkets and hypermarkets. However, these formats also witnessed fast erosions in their margins. It is estimated that in the long run, the convenient stores that are located in the local neighbourhood will continue to survive and they would be a major challenge for organized retail. The major focus area in the Indian retail sector would be the supply chain management. In the western countries, the retail sector has sophisticated and systematic supply chain system. But developments in Indian supply chain system especially in retail sector have been quite slow. Thus importance has to be given on supply chain management in future.

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Other areas that needed attention for the growth of the Indian retail sector include duty and tax structures, infrastructure, rising land prices and effective trend forecasting. Trend forecasting needs to be carried out in the country especially in the segments of cosmetics, apparel and footwear for this will help the retail companies to curtail their expenses substantially. Another important area that requires attention is manpower. Indian retail sector lacks trained manpower. Manpower is required in retail sector to change and shuffle the stock and also to adopt modern concepts of sale.

Another area of concern is retail loss. According to the Global Retail Theft Barometer (GRTB) 2010, a survey that was conducted across 42 countries, India topped the list with a retail shrinkage of 2.72 percent as a percentage of sales. Since 2007 India had topped the list among 42 countries on retail shrinkage due to shoplifting\textsuperscript{80} and it would also be a major problem for Indian retail, specifically for supermarkets. Thus preventive measures are to be taken in this connection. In addition to the above, the following are also considered as the problems faced by Indian retailers which are needed to be rectified in the future.

- The tax structure on retail business
- Inadequate infrastructure facilities
- High cost of real estate
- Dissimilarity in consumer groups

\textsuperscript{80} \textit{The Global Retail Theft Barometer 2010}, 11\textsuperscript{th} Ed. Centre for Retail Research, Nottinghamshire, England, p. 85.
Stringent government norms in Foreign Direct Investment

Shortage of retail study options

Low reach of technical advancement

Low retail management skill

If all these areas are given immediate attention and proper facelift, then the growth phase of Indian retail sector would continue at a very fast pace. The Indian retail sector can then face advancement like setting up of retail parks that are flourishing in Europe.

3.9. Current trend on supermarkets in India:

India witnessed may success stories on the supermarket format of retail. However, in the recent past the newer and enlarged version of supermarket i.e. Hypermart overtook the success story of supermarket. Newer models of retail led to the closure of many supermarkets in India. In addition global business slump also forced many supermarkets to close their stores. In the recent past many supermarkets have been closed due to varied reasons.

Even the biggest retailers – such as Reliance Retail, Aditya Birla Retail, Spencer’s and Future Group, have closed down their stores and slowed down the expansion plans. While Reliance Retail has closed down 30 stores, Aditya Birla has closed 45 of its unprofitable stores in 2008-09. Nilgiris India’s oldest supermarket chain shut down 56 unprofitable supermarkets in the year 2009. Retail major Future Group’s CEO Kishore Biyani, who was targeting a retail space
of 30 million square feet by financial year 2011, now expects to have
the space by Financial Year 2013.

In the year 2009 Noida-based Triveni Retail venture which had
42 Triveni Khushali Bazaar outlets located across 25 small towns, had
shut down 25 of them as most of them were loss making stores. This
retail chain was actually started in 2006. Thus it could sustain
hardly 3 years.\(^1\) In the same year another retail giant Subhiksha
closed down nearly half of its 1600 stores due to financial crunch.\(^2\)
Vishal is another supermarket giant which sold out its equity to meet
its huge loss.\(^3\)

Shopper’s Stop, a departmental retail chain, Gateway
Multichannel Retail (India), its joint venture with Hypercity Retail
(India), is shutting down its retail operations under Hypercity-Argos
brand due to bad economic conditions.\(^4\) However, the same
Shoppers Stop added the same amount of space in the December
quarter of 2008 compared to last year’s corresponding quarter.\(^5\) The
reasons for the closure of supermarkets were many. Some major
reasons are poor supply chain management, cash management,

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\(^1\) “Triveni Retail to shut down all stores”, _The Economic Times_,

\(^2\) “Subhiksha is all set to close half of its stores”, _The Economic Times_,

\(^3\) “Vishal Megamart sells out to private equity players: It’s the supply
chain that pinches”, _The Economic Times_, Bangalore Ed., September 19,

\(^4\) “Shopper’s Stop shuts Hypercity-Argos ops”, _Business Standard_,

\(^5\) “Shoppers Stop pulls out from unviable projects”, _Business Standard_,
manpower and inventory management. There is a criticism on supermarkets that they are filling their shelves with unnecessary commodities that customers had neither heard of nor seen. In spite of the criticisms the concept of supermarket still prospers well.

3.10. Retail supermarkets in Tamil Nadu:

Tamil Nadu can be considered as the breeding ground for the concept of supermarket in India due to the fact that three pioneering supermarkets such as Niligiri’s, Spencer’s and Subhiksha were first started in this state. Among these three, first two supermarkets have the century old history. Thus in the Indian retail history, Tamil Nadu occupies a noteworthy place. In early days, as in the case of other countries, many departmental stores were started in Tamil Nadu. Since the departmental stores were the earlier version of supermarkets, they can also be taken in the history of supermarkets.

In Tamil Nadu many departmental stores were started through the Government initiative under the control of co-operative societies. Chinthamani Co-operative Departmental store was first of its kind commenced at Coimbatore in 1967. Thereafter, similar types of co-operative departmental stores were started all over Tamil Nadu. Some of the prominent co-operative Supermarkets are Kamadhenu Co-operative supermarket, Chennai, Pandiyam Co-operative supermarket, Madurai, Ponni Cooperative supermarket, Salem, Karpagam Cooperative supermarket, Vellore and so on. However, emergence of

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86 “Success stories – Chinthamani shows the way”, Yojana, Volume 17, No. 5, April, 1973, p. 4.
private sector supermarkets sidelined the presence of co-operative supermarkets. Presently many supermarkets were functioning in Tamil Nadu and the following are some of the major supermarkets.

1. *Subhiksha* supermarket
2. MORE from Aditya Birla Group
3. *Chinthamani* Co-operative supermarket
4. *Kamadhenu* Cooperative supermarket
5. Nilgiris supermarket
6. Food World
7. Spencer's Daily
8. *Jeevan* supermarket
9. Reliance Fresh
10. *Vasantham*
11. Margin Free Market
12. Big Bazaar
13. Heritage Fresh @
14. Grace supermarket

### 3.11. Retail Supermarkets in Tirunelveli District:

Tirunelveli district like other places has various types of retail outlets. Among various retail models supermarkets are also functioning successfully in Tirunelveli district. In this district *Kamadhenu* Co-operative supermarket is the pioneer in supermarket. Big corporate retail players like Reliance Fresh, Big Bazaar and the like did not commence their foray in Tirunelveli region. Field
observation provided that the following are some of the supermarkets functioning in Tirunelveli District.

**Tirunelveli**

1. Anandha Departmental Store, Palayamkottai
2. Arasan supermarket, Palayamkottai
3. Aryas supermarket, Palayamkottai
4. Balaji supermarket, Palayamkottai
5. Kavin’s supermarket, Palayamkottai
6. Margin Free supermarket, Tirunelveli Junction
7. Nachiyar supermarket, Palayamkottai
8. Spencer’s supermarket, Palayamkottai
9. City supermarket, Melapalayam
10. Vasantham supermarket, Melapalayam

**Tenkasi**

11. Jalal supermarket
12. Welcome supermarket
13. Nellai supermarket
14. Margin Free supermarket
15. Lakshmi supermarket
16. S.V.J. supermarket

**Ambasamuthram**

17. Akshaya supermarket

**Sankarankovil**

18. Abees supermarket
19. Rathnam supermarket
20. Karuppa Samy Nadar supermarket
21. Gomathi supermarket

Kadayanallur
22. Chennai supermarket

Vallioor
23. Akshaya supermarket
24. Kalista supermarket

3.11.1. Current trend on the supermarkets in Tirunelveli District:

Tirunelveli District witnesses a snail growth on the concept of supermarket. However, only in the recent past many supermarkets have been established. Rather than the rapidity of formation of new supermarkets, this district has a long history of failure of supermarket format as many more supermarkets were closed down in the recent past. Closure of many supermarkets is a caution for the new entrants into this field. Field observation provided the following list of supermarkets which were closed down in the recent past.

Table 3.6
List of supermarkets closed down in Tirunelveli District

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Name</th>
<th>Place</th>
<th>Year of closure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>RKV supermarket</td>
<td>Tirunelveli Junction</td>
<td>2005</td>
</tr>
<tr>
<td>2</td>
<td>Subiksha</td>
<td>Tirunelveli Town</td>
<td>2007</td>
</tr>
<tr>
<td>3</td>
<td>Sangamam supermarket</td>
<td>Palayamkottai</td>
<td>2008</td>
</tr>
<tr>
<td>4</td>
<td>Subiksha</td>
<td>Palayamkottai</td>
<td>2008</td>
</tr>
<tr>
<td>5</td>
<td>Margin Free supermarket</td>
<td>Palayamkottai</td>
<td>2009</td>
</tr>
<tr>
<td>6</td>
<td>MM supermarket</td>
<td>Palayamkottai</td>
<td>2009</td>
</tr>
<tr>
<td>7</td>
<td>Punitha supermarket</td>
<td>Palayamkottai</td>
<td>2009</td>
</tr>
</tbody>
</table>

Source: Field survey
The above table reveals that the supermarket witnessed a failure only during the recent years. In the whole district Tirunelveli Municipal Corporation recorded more failure stories than other places. Another important point to be noted from the above table is the closure of a supermarkets occurred in a short span of five years. Since the success or failure of supermarkets is the out of the purview this study the researcher did not go deep into the reasons for the closure of supermarkets.