

## **CHAPTER-I**

### **CUSTOMERS' PERCEPTION & SATISFACTION IN ORGANISED RETAIL SECTOR IN INDIA**

*“The single most important thing to remember about any enterprise is that there are no results inside its walls. The result of a business is a satisfied customer.”*

*- Peter Drucker*

#### **1.1 Introduction**

Retailing in India is the single largest employment sector and contributes directly to the quality of life of its residents. It is also a key employer of part-time labour and those who have traditionally been drawn from the youth segment of the labour force. Retailing, both as a consumer pastime and as an organizational activity, has changed significantly during recent years. It is one of the world's largest and most diverse industries.

The Indian retail industry is an emerging one and competition is currently intensifying. 'Sales gain at the expense of others' is the name of the game. This means more "head-to-head" battles fought in local trade areas and over individual customer transactions.

Competition comes from all directions - similar store types, deep price discounters, different types of retail stores and non-store retailers. The critical challenge becomes: how to take business away from the increasingly aggressive and menacing competition while protecting one's existing customer base. Today's consumers are better educated, more sensitive to price-value relationships, more discriminating, and more individualistic in tastes than any previous generation. Therefore, retailing is a necessary marketing tool with growing significance.

The Indian retail industry is no more nascent today. There has been a significant change in retail trading over the years, from small kiranawalas in the vicinity to big super markets; a transition is happening from the traditional retail sector to organized retailing. The unorganized sector still holds a dominant position in this industry. The organized segment holds just about 5% of the current US\$ 450 billion retail market, which is expected to reach about US \$ 900 billion by the middle of this decade.

Despite the retail store density in India with regard to population being the largest, India's retail and logistics industry, organized and unorganized in combination, employs about 40 million Indians (3.3% of Indian population). The typical Indian retail shops are very small. Over 14 million outlets operate in the country and only 4% of them being larger than 500 sq ft (46 m<sup>2</sup>) 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

This is clearly indicative of small-shop ownership crowding the unorganized segment of retailing. While this fragmented market structure does pose significant challenges for organized retailing, potential does exist if modern information and supply chain

management systems are deployed to support the development of convenience shops that match customer expectations.

### **1.1.1 WHAT IS RETAILING**

Retailing is the set of business activities that adds value to the products and services sold to consumers for their personal or family use. Often people think of retailing only as the sale of products in stores, but retailing also involves the sale of services: lodging in a motel, a doctor's examination, a haircut, a DVD rental or a home delivered pizza. Not all retailing is done in store. Examples of non store retailing include internet sales of hot sauces ([www.firehotsauces.com](http://www.firehotsauces.com)), the direct sales of cosmetics by Avon and catalog sales by L.L. Bean and Patagonia.

A retailer is a person who specializes in selling certain type of goods and/or services to consumers for their personal use. There are many kinds of retail stores including grocery stores, department stores, specialty stores, convenience stores, chemist stores and fast food outlets, among other. Retailing is the business of buying goods in large quantities from a manufacturer or a wholesaler and then selling these products and services to consumers for fulfilling their personal or family needs. A retailer is, in fact, the final links in the distribution channel connecting the manufacturers with the consumers.

The word retail is derived from the French word "Retailer" which means to cut off a piece or to break bulk. A retailer may be defined as a 'dealer or trader who sells goods in small quantities'. In an attempt to understand the scope of the term retail, various definitions of the term have been examined.

According to Philip Kotler (1960) "Retailing includes all activities involved in selling goods or services to the final consumers for personal, non-business use. A retailer or

retail store is any business enterprise whose sale volume comes primarily from retailing. Any organization selling to final consumers whether it is manufacturer, wholesaler, and retailer is doing retailing. It does not matter how the goods or services are sold (by person, mail, telephone, vending machine or internet or in the consumer home)".

The North American Industry Classification System (NAICS) specifies that "the retail trade sector comprise establishments primarily engaged in retailing merchandise, generally without transformation and rendering services incidental to the sale of merchandise".

A definition of retailing also indicates the way we study retailing to make it more efficient and profitable and clearly marks its contribution to our society. Bearing these points in mind, we define retailing in the following way.

"Retailing is the set of activities that markets products or services to final consumers for their own personal or household use. It does this by organizing their availability on a relatively large scale and supplying them to consumers on a relatively small scale".

We can note the following points from this definition.

(1) Retailers sell to the final (non-business) consumer. The final consumer buys final products that do not undergo any further change outside the home or non-work environment. A business or non-final consumer buys intermediate products for industrial use to produce other goods or services to sell to other people.

(2) Retailers buy in large quantities and sell in small quantities to consumers, who buy for their own personal or household use, this differentiates retailers from wholesalers or other industrial suppliers who also buy in very large quantities and sell in smaller quantities. Wholesalers usually sell in quantities that are too large for a buyer's own personal,

household or internal business use. Their customers are retailers or other wholesalers, who resell most of what they buy.

(3) Retailers often buy products from a wide variety of distant even global sources. They then resell them through a nearby store, mail order, television or the internet and organize the required delivery and collection services.

(4) Retailers can sell services. Service retailers cover a very diverse range of activities, such as garages, restaurants and banks. These usually require additional manual and technical skill (as in the case of repair services and restaurant services) or knowledge (as in financial services). However, just like product retailers, they invest substantial amounts in their facilities and operating systems. These facilities are only worthwhile if the retailers use them to deliver large quantities of services within a given period. They do so by selling relatively small amount of the services to large number of consumers.

(5) Retailers sell to many different consumers. Retailers are prepared to sell to whoever will buy their products. They are restricted only by legal restraint, such as alcohol to minors and by any discriminatory practices they operate. Some discriminatory practices are illegal, but any discrimination makes it more difficult to be profitable, because it excludes sales to customers and reduces chances of finding the best worker for the job.

### **1.1.2 THE EVOLUTION OF RETAILING IN INDIA**

While barter would be considered to be the oldest form of retail trade, since independence, retail in India has evolved to support the unique needs of our country, given its size and complexity. Haats, Mandis, and Melas ha always been a part of the Indian landscape. They still continue to be present in most parts of the country and form an essential part of life and trade in various areas.

The PDS or Public Distribution System would easily emerge as the single largest retail chain existing in the country. The evolution of the public distribution of grains in India has its origin in the 'rationing' system introduced by the British during World War II. The system was started in 1939 in Bombay and subsequently extended to other cities and towns. By the year 1946, as many as 771 cities/towns were covered. The system was abolished post war; however, on attaining independence, India was forced to reintroduce it in 1950 in the face of renewed inflationary pressure in the economy.

The system, however, continued to remain an essentially urban oriented activity. In fact, towards the end of the first five-year plan (1956), the system was losing its relevance due to comfortable food grains availability. At this point in time, PDS was reintroduced and other essential commodities like sugar, cooking coal and kerosene oil were added to the commodity basket of PDS.

The Canteen Store Department and Post Office in India are also among the largest network of outlets in the country, reaching populations across state boundaries.

The Khadi & Village Industry Centers (KVIC) was also set up post independence. Today, there are more than 7000 KVIC stores across the country. The co-operative movement was again championed by the government, which set up the Kendriya Bhandars in 1963. Today, they operate a network of 112 stores and 42 fair price shops across the country. Mother Dairy, another early starter, controls as many as 250 stores, selling foods at attractive prices. In Maharashtra, Bombay Bazaar, which runs under the label Sahakari Bhandar and Apna Bazaars, runs a large chain of co-operative stores.

In the past decade, the Indian market place has transformed dramatically. However, from the 1950's to the 1980's, investment in various industries was limited due to low

purchasing power in the hands of the consumer and the government policies favoring the small-scale sector. Initial steps towards liberalization were taken in the period from 1985-90. It was at this time that many restrictions on private companies were lifted, and in the 1990's, the Indian economy solely progressed from being state-led to becoming "market friendly".

While independent retail stores like Akbarally's, Vivek's and Nalli's have existed in India for a long time, the first attempt at organized retailing were noticed in the textiles sector. One of the pioneers in this field was Raymond's, which set up stores to retail fabric. It also developed a dealer network to retail fabric. These dealers sold a mix of fabrics of various textile companies. The Raymond's distribution network today comprises 20,000 retailers and over 256 exclusive showrooms in over 120 cities of the country. Other textile manufacturers who set up their own retail chains were Reliance- which set up Vimal showrooms and Garden Silk Mills, which set up Garden Vareli showrooms. It was but natural that with the growth of textile retail, readymade branded apparel could not be far behind and the next wave of organized retail in India saw the likes of Madura Garments, Arvind Mills, etc. set up showrooms for branded menswear.

With the success of the branded menswear stores the new age Departmental store arrived in India in the early nineties.

### **1.1.3 GLOBAL RETAILING INDUSTRY**

The latter half of the 20th Century, in both Europe and North America, has seen the emergence of the supermarket as the dominant grocery retail form. The reasons why supermarkets have come to dominate food retailing are not hard to find. The search for convenience in food shopping and consumption, coupled to car ownership, led to the

birth of the supermarket. As incomes rose and shoppers sought both convenience and new tastes and stimulation, supermarkets were able to expand the products offered. The invention of the bar code allowed a store to manage thousands of items and their prices and led to 'just-in-time' store replenishment and the ability to carry tens of thousands of individual items. Computer-operated depots and logistical systems integrated store replenishment with consumer demand in a single electronic system.

On the Global Retail Stage, little has remained the same over the last decade. One of the few similarities with today is that Wal-Mart was ranked the top retailer in the world then and it still holds that distinction. Other than Wal-Mart's dominance, there's little about today's environment that looks like the mid-1990s. The global economy has changed, consumer demand has shifted, and retailers' operating systems today are infused with far more technology than was the case six years ago. Saturated home markets, fierce competition and restrictive legislation have relentlessly pushed major food retailers into the globalization mode. Since the mid-1990s, numerous governments have opened up their economies as well, to the free markets and foreign investment that has been a plus for many a retailer. However, a more near-term concern has been the global economic slowdown that has resulted from dramatic cutback incorporate IT and other types of capital spending. Consumers themselves have become much more price sensitive and conservative in their buying, particularly in the more advanced economies. From an operational point of view, active practitioners have voiced their opinion that retailer concerns in 2003 have turned to deflation, lack of pricing power, global overcapacity, low interest rates, economic stagnation, slump in world tourism and declining consumer confidence. But, even before the global economic slowdown that forced retailers into

monitoring costs more effectively, technological advances were a way of life in retail organizations. Technology has become the real enabler for retailers over the last six years. Supply chain innovations for retailers were particularly strong in the second half of the 1990s and have continued into today. With all the emphasis on technology and cost-cutting, a major thrust of retailers continues to be demand-based. Four years ago, more than half (53 per cent) of the top 200 retailers operated in only one country. Today, only 44 per cent are main single-country merchants. This globalization trend can only intensify in the years ahead. The benefits of increased sales and greater economies of scale are too large to be ignored. The global retail industry has traveled a long way from a small beginning to an industry where the world wide retail sale alone is valued at \$ 15 trillion. The top 200 retailers alone account for 30% of worldwide demand. Retail sales being generally driven by people's ability (disposable income) and willingness (consumer confidence) to buy, complements the fact that the money spent on household consumption worldwide increased 68% between 1980 and 2010. The leader has indisputably been the USA where some two-thirds or \$ 10 trillion out of the \$ 15 trillion American economy is consumer spending. About 40% of that (\$ 4trillions) is spending on discretionary products and services. Positive forces at work in retail consumer markets today include high rates of personal expenditures, low interest rates, low unemployment and very low inflation. Negative factors that hold retail sales back involve weakening consumer confidence.

#### **1.1.4 CHANGING PHASE OF INDIAN RETAILING**

India has the highest retail outlet density in the world; with the unorganized sector contributing a major chunk (95%) Despite the fact that the Indian retail industry shows a

high growth, when compared to other countries in Asia in terms of revenue, technology and marketing strategies, India is found to have a long way to go. Retailing has witnessed drastic changes in the last few years- from a poorly stacked dirty karyana stores in the by-lane of a residential area to an aesthetically decorated store with properly arranged goods, offering ambience and convenience. Instead of lanes and by-lanes growing into a bazaar, planned shopping centers well connected with all main roads, freeways are emerging today in all towns and cities. These shopping centers are complete in themselves, capable of meeting all the essential requirements of the population starting from perishable to durable goods or shopping to specialty goods.

The concept of organized retailing has gained momentum in the last few years. The large corporate houses have displayed more than a fleeting interest in this sector. Big houses like Tatas, Piramals, Rahejas, S Kumar's, RPG etc. have already made their presence felt in organized retailing by investing in either of the format like- malls, big departmental stores, chain stores, discount stores. The concept of malls started with Ansal Plaza's Shopper's Stop in Delhi. Within a short span of time a few more names appeared on the competitive scenario like -Pantaloon, Lifestyle, Westside, Ebony, etc. Dynamics of retailing is evident from the fact that thirty years after landing up in Bahrain with \$5000 in his pocket to open a shop, the Dubai based CEO of Landmark group has built up one of the largest and most profitable retail chains in the Middle East, with more than 280 stores, 6000 employees and an estimated \$ 650 million in revenues. Retail operations of the group now span the UAE, Saudi Arabia, Kuwait, Bahrain, Qatar, Oman, and India. It includes a wide variety of formats-department stores ranging from baby products to footwear.

Kishore Biyani's Pantaloon Retail is already India's biggest retail chain of outlets. It was started a little over seven years ago. Now, it is targeting revenue of Rs. 12,000 crore in 2011-12. It expects to close this year with a turnover of Rs. 1,100 crore; the last year revenues were Rs.650 crore. It has grown from a three-store retailer with just Rs. 60 crore of revenue. In north India Ebony and Shopper's Stop have become big brands themselves. These outlets cater to the requirement of entire family. Sort of Wal-Mart of India, these provide complete shopping experience with huge number of options to choose from.

**Table. 1.1 Major Players and their Store Brands (Product)**

<b>Tata Group</b>	Landmark (books and music), Croma(multi-brand electronics), World of Titan (watches), Tanishq (jewellery), Titan Eye+ (eye wear), Westside (lifestyle retail store), Star Bazaar (hypermarket chain), Fashion Yatra(family fashion store)
<b>Future Group :</b>	Central (shopping mall), Big Bazaar (hypermarket), Pantaloons (fashion outlet), Blue Sky (sunglasses), Brand Factory (multi-brand readymade garments), KB's Fair Price (essential products), Navaras(jewellery), Planet Store (multi-brand sports and lifestyle speciality retail), aLL(fashion garments), Ethnicity (Indian ethnic wear), Home Town (home needs), eZone(electronics), Furniture Bazaar (home furniture), Electronics Bazaar (under Big Bazaar, electronics stores), Home Bazaar (satellite version of Home Town), Collection I (lifestyle furniture), Gen M & One Mobile (mobile

	phones), M-Port (electronics), Shoe Factory (footwear) and Depot (books and music)
<b>Reliance Group</b>	Reliance Fresh (neighbourhood store), Reliance Mart (supermarket), Reliance Super (mini-mart), Reliance Digital (consumer durables and information technology), Reliance Trends (apparel and accessories), Reliance Wellness (health, wellness and beauty), iStore(Apple products), Reliance Footprint (footwear), Reliance Jewels (jewellery), Reliance TimeOut(books, music and entertainment), Reliance AutoZone (automotive products and services) and Reliance Living (home ware, furniture, modular kitchens and furnishings)
<b>RPG Group</b>	Spencers (multi-format retail store), Music World ( music and home video store) and Books & Beyond (book store)
<b>K Raheja Group</b>	Shoppers Stop (clothing, accessories, fragrances, cosmetics, footwear and home furnishing store), Crossword (book store), InorbitMall (fashion, lifestyle, food and entertainment) and Hyper City (hypermarket)

**Source:IBEF**

It is worth mentioning here that Gurgaon is all set to add twenty-five malls with a total retail space of forty-four lakh square feet in the period of next three years. Already, this booming suburb of Delhi is home to three big malls i.e. MGF Metropolitan, DLF City Centre, and Sahara Mall. More than a dozen years after the first of India's retail chains

(Shoppers' Stop) launched itself from out of defunct movie theatre organized retail has come a long way. The industry had to negotiate a long list of hurdles, like poor quality of real estate, messy supply chains, etc. Some of the issues still exist, but with estimated revenue of Rs. 22,500 crore, organized retail has reached an inflexion point.

It is to be pointed out that even in the developed countries it took Mc Donald's around eight to ten years to break even. It can be said that profits don't come immediately, but only after one puts everything together and reaches customers, and continue to look at the requirements of customers and continue to match them when one thinks to expand. This requires creation of a system. The fundamental issue in India from grocery point of view is that the organized retailing is still very nascent. It is seven to eight years old. So one needs time to see the required results. The size of the market is huge, extremely complex and there is very little synergy as far as supply chain is concerned. The real challenge and opportunity for the existing pioneers is how to scale up rapidly, otherwise the retailers could lose the advantage they have created.

It can be said that Indian retailers already have a head start and many of them would perform very well along with a few the international retailers who are thinking to invade India. Some of these foreign retailers may also be successful in India. At the end of the day, it will be all the retailers working together. India is a big market, but it is fragmented into one billion customers. But for many retailers, the market may not be as big as they would like it to be. Tesco, Wal-Mart, Carrefour are multibillion corporations, if one looks at India from their perspective, the market should offer them an opportunity of at least \$4-5 billion.

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

**Major formats of In-Store Retailing have been listed in Table 1.2 given below:**

<b>Format</b>	<b>Description</b>	<b>The Value Proposition</b>
Branded Stores	Exclusive showrooms either owned or franchised out by a manufacturer.	Complete range available for a given brand, Certified product quality.
Speciality Stores	Focus on a specific consumer need, carry most of the brands available.	Greater choice to the consumer, comparison between brands possible
Department Stores	Large stores having a wide variety of products, organized into different departments, such as clothing, house wares, furniture, appliances, toys, etc.	One stop shop catering to varied consumer needs.
Supermarkets	Extremely large self-services retail outlets.	One stop shop catering to varied consumer needs.
Discount Stores	Stores offering discounts on the retail price through selling high volumes and reaping the economies of scale.	Low prices.

Hyper-mart	Larger than a Supermarket, sometimes with a warehouse appearance, generally located in quieter parts of the city	Low prices, vast choice available including services as cafeterias.
Convenience Stores	Small self-service formats located in crowded urban areas.	Convenient location and extended operating hours.
Shopping Malls	An enclosure having different formats of in-store retailers, all under one roof.	Variety of shops available close to each other.

After the much hyped IT and BPO booms, retail is one of the crucial sectors of the economy that requires urgent attention. Unlike the other two sectors, the scene in the retailing industry is largely unorganized. The country has witnessed a retail revolution in recent years. Significant developments have taken place in urban area in the form of organized retailing- mega stores and malls. All of the metros or mini-metros have superb shopping malls to rule shopper's heart, e.g. in recent years. Gurgaon has seen the mushrooming of so many swanky stores that shoppers' dream has come true. The city is all set to become the retail capital of the country. Actually, both the corporate as well as government sector have shown keen interest in the retail sector. Thus, the retail sector has become the impetus of the Indian industry.

### **1.1.5 WHY INDIAN RETAIL INDUSTRY**

The last few years witnessed immense growth by this sector, the key drivers being changing consumer profile and demographics, increase in the number of international brands available in the Indian market, economic implications of the Government increasing urbanization, credit availability, improvement in the infrastructure, increasing

investments in technology and real estate building a world class shopping environment for the consumers. In order to keep pace with the increasing demand, there has been hectic activity in terms of entry of international labels, expansion plans, and focus on technology, operations and processes. Traditional markets are making way for new formats such as departmental stores, hypermarkets, supermarkets and specialty stores. Western-style malls have begun appearing in metros and second-rung cities alike, introducing the Indian consumer to an unparalleled shopping experience.

In such a scenario there is marked change in the style of shopping as well. Now the consumers are demanding all the products of their choice under one roof with variety. They are more conscious of quality, brands and the services rendered to them by various shopping store. So it becomes imperative for all the retail players that they have to know the customers in depth not only to attract but also to make their products taller made to the requirements of the customer and thereby increase their consumer base. Since organized retail sector is the new concept in India, present study will help the retailers in understanding their customers better and help them in gaining competitive advantage, especially when foreign companies are eyeing India as huge potential market in organized retail sector .

#### **1.1.6 A RETAILER'S ROLE IN SUPPLY CHAIN**

The retailer is part of the supply chain for any product that it sells. The supply chain consists of the different stages, starting with the raw materials that the product goes through before it reaches the final consumer. It links raw material producers, manufacturer, wholesalers and transport firm with the retailer and the final consumer. It includes a distribution system that arrange for the shipment of the product from producer

to final consumer. The retailer comes at the end of the supply chain and provides the final link between producers and consumers.

From the customer's point of view, the retailer serves him by providing the goods that he needs in the required assortment, at the required place and time. From an economic standpoint, the role of a retailer is to provide real added value or utility to the customer.

This comes from four different perspectives:

1. First is utility regarding the form of a product that is acceptable to the customer. The retailer does not supply raw materials, but rather offers finished goods and services in a form that the customers want. The retailer performs the function of storing the goods and providing us with an assortment of products in various categories.
2. He creates time utility by keeping the store open when the consumers prefer to shop.
3. By being available at a convenient location, he creates place utility.
4. Finally, when the product is sold, ownership utility is created.

All these are real benefits, which retailers offer by getting close to potential customers. It is necessary, therefore, for retailers to fully understand the motivation that drive their customers. The retailer serves the consumer by functioning as a marketing intermediary and creating time, place and ownership utility for the consumer.

The retailer also serves the manufactures by performing the function of distributing the goods to the end consumer, and thus forming a channel of information leading to the consumer. On the basis of first hand information about the likings and preferences of customers, retailers advise the wholesalers/manufacturers to introduce necessary improvements in their products. Manufacturers typically make products and sell them to retailers or wholesalers. Wholesalers buy products from manufacturers and resell these

products to retailers and retailers resell products to consumers. Wholesalers satisfy retailer's needs, whereas retailers direct their efforts to satisfying the needs of ultimate consumers.

Much of modern retailing, however, is linked very closely to whole supply chain and may even be the dominant part of the supply process. Major grocery retailers, such as Tesco play a very active role in arranging distribution of products to their stores. Other retailers own production facilities and some produces of fashion items also operate stores as well as selling to other retailers.

### **1.1.7 RETAIL MODELS IN INDIA: CURRENT & EMERGING**

The Indian food retail market is characterized by several co-existing types and formats.

These are:

1. The road side hawkers and the mobile (pushcart variety) retailers.
2. The *kirana* stores (the Indian equivalent of the mom-and-pop stores of the US),

Within which are:

- a. Open format more organized outlets
- b. Small to medium food retail outlets.

Modern trade – the organized retailers

Within modern trade, we have:

1. The discounter (Subhiksha, Apna Bazaar, Margin Free)
2. The value-for-money store (Nilgiris)
3. The experience shop (Foodworld, Trinethra)
4. The home delivery (Fabmart)

While the focus of this note is on modern organized retail trade, we hereunder present Insights into the smaller, semi and unorganized retailers.

### **Hawkers – ‘Mobile supermarkets’**

The unorganized sector is characterized by the lari-galla vendors (also known as “mobile supermarket”) seen in every Indian bylane and is, therefore, difficult to track, measure and analyze. But they do know their business – these lowest costs retailers can be found wherever more than 10 Indians collect – a rural post office, a dusty roadside bus stop or a village square. As far as location is concerned, these retailers have succeeded beyond all doubt. They have neither village nor city-wide ambitions or plans – their aim is simply a long walk down the end of the next lane. This mode of “mobile retailers” is neither scalable nor viable over the longer term, but is certainly replicable all over India. Most retailing of fresh foods in India occurs in Mandis and roadside hawker parks, which are usually illegal and entrenched. These are highly organized in their own way. Hawking of food products, cooked food and FMCG products is a very interesting model of retailing. Much has been written about these roadside “malls” – from social security issues to their nuisance value. However, if you put these hawkers together, they are akin to a large supermarket with little or no overheads and high degree of flexibility in merchandise, display, prices and turnover. While shopping ambience and the trust factor maybe missing, these hawkers sure have a system that works.

### **Kirana/Grocers/ Provision Stores/Mom-and-Pop Stores**

Semi-organized retailers like *kirana* (mom-and-pop stores), grocers and provision stores are characterized by the more systematic buying – from the mandis or the farmers and selling – from fixed structures. Economies of scale are not yet realized in this format, but

the front end is already visibly changing with the times. These stores have presented Indian companies with the challenge of servicing them, giving rise to distribution and cashflow cycles as never seen elsewhere in Asia. The model is very antithesis of modern retail in terms of the buyer (retailer)-seller (FMCG) equations. It is not unknown for MNC leaders to link the supply of one line of products to another slower moving line of products. These retailers are not organized in the manner that they could challenge the power of the sellers, most protests have been in the form of boycotts, which really haven't hit any company permanently.

The organized segment of the retail industry has grown past the 1% share during the year, from 0.6% of the market three years back. The establishment of supermarkets and convenience stores has been a great effort to communicate the advantages of organized retailing to customers. With supermarkets like Apna Bazaar, Sahakari Bhandar, 9 to 9, Food World and Margin Free shops providing easy access to goods at reduced prices, with few even providing a constant supply of foreign goods, the organized sector does attract the bargain hunter's attention. Food and clothing still account for the largest proportion of consumer spending. Together they account for about 60% of the estimated US\$ 275 billion household expenditure. With the hospitality sector expected to grow at a compounded annual growth of about 13% during the next three years, the food retailing ventures can certainly be looked at to spread further across cities.

Apart from the food segment, home improvement stores are the upcoming segment. Outlets like Gautier, Wonder Living, Bombay Bazaar, etc. have penetrated across metropolitan areas and leading Class A cities of the country. Research estimates that the total space for shopping malls is likely to go up from 50 lakh sq ft to 75 lakh sq ft during

the year. India's per capita retail space is the lowest in the world at just about 2 sq. ft. Compare this with the US figure of 16 sq. ft. Therefore, the industry's need for real estate, which is on the rise, could well be justified. A significant fallout of the emergence of malls will be the trend of smaller retailers upgrading their establishments and emulating practices from the 'mall experience'.

The growth in the organized segment is evident from the plans of the current players. Ventures like Food World and Music World are set to more than double their network, while Shoppers' Stop is gearing up for an expansion of 15 to 17 outlets all over the country. Pantaloon is expected to build about 11 super stores, moving ahead of its current store and franchise model of business. Regional retailers like Vivek's too are planning to expand the network across their region. Players like Crossword, Nilgiris, Vitan, Kemps Chain and Landmark are also planning expansions.

Though there exists adequate opportunities for organized retailing, the unorganized sector does cash in on the tax advantage. The fragmented and unstructured segment makes it difficult, if not impossible, to administer the tax system. The other hurdle is to change the mind block of customers, who tend to perceive organized retailers to be far more expensive than unorganized ones with no specific distinction between the two in terms of the apparent value. While the former is a macro issue, the latter is being addressed by organized retailers through relationship marketing, where customer preference and customer satisfaction play a key role.

Customer relationship management tracks down loyal customers and focuses on their satisfaction. A rapid transformation from traditional to organized retailing would occur only on account of a change in consumer expectation and behaviour. To tackle this factor,

retailers are focusing on retaining customers through various marketing strategies. Payment through card facilities is now available in most supermarkets and multi-storied shopping arcades, providing convenience and comfort to customers. Multi-brand outlets like Cross Roads, Globus and Shoppers' Stop have membership cards for frequent customers providing special offers and discounts.

The demand perspective in India highlights some key changes in consumer demographics driving organized retailing. These include:

- Income and consumption growth
- Increasing literacy levels
- Changes in family structure and women's role in the family
- Growing role of children as influencers
- Gradual acceptance of frozen goods as a viable alternative to fresh produce
- Growing influence of TV.

Household income levels are expected to rise, with the lowest income group to comprise only 24% in 2004 from its current level of 31.5%. The cumulative growth of the other income groups is likely to be about 7%, meaning growth in consumers who favour the emerging trends in retailing.

Households in the top 4 income categories (over a lakh of annual income) account for about 53% of the total household consumption expenditure. On an average the expenditure on consumables - food, clothing and consumer durables, by the lower income category is as high as 74% while in the higher income category this forms only 57% of their expenditure. Though the percentage contribution of consumables is relatively higher by the lower class, the purchase location is predominantly traditional outlets, as compared

to the higher income category, which prefer to shop through organized outlets to a greater extent.

Despite the huge presence of the unorganized sector, the Indian retail industry is attractive for international players. It is favoured over China's among the developing countries due to a slew of laws in the communist country at various levels. Though the market hasn't seen big time players of the developed nations yet, the fact that Indian per capita retail space is among the lowest, is expected to provoke people to look at retail as a potential business arena. The growth of integrated shopping malls, retail chains and multi-brand outlets is evidence of consumer behaviour being favourable to the growing organized segment of the business. Space, ambience and convenience are beginning to play an important role in drawing customers.

With the Indian per capita income on the rise and the distribution of consumption expenditure expected to remain fairly stable, the current segments of food and apparel is likely to remain attractive. Up gradation of traditional grocery stores to present quality food products in ways and methods adopted in North America and Europe can help in communicating value and attracting customers.

Though the Indian retail industry is still a "protected industry" from the stand point of foreign direct investment (FDI), the government is expected to provide some flexibility on this front. Though FDI can help generate employment in this sector, it is likely to pose stiff competition for existing small businesses. Unlike the country's FDI investment objective of technology transfer and export promotion of the 1980s, today's infusion of capital - specifically in the retail segment -- can bring to the table issues on size of investment, actual inflows and domestic company take-overs. Given the constraints, FDI

should be viewed as a developmental resource that can help in restructuring the industry. It should be aimed at filling up the resource and technology gaps in the retail segment.

While the differing tax and licensing systems across states could raise some issues when organized retailers expand nationally, this could well protect the interests of regional retailers. But the key to success is to build a fairly extensive network of stores across the country to enable e-commerce transactions. This in the emerging scenario would help retailers to target a wider audience and maximize returns. Strength in physical distribution will remain the backbone of any retail arrangement; however, ongoing investment in bandwidth, development of internet facilities, and increasing awareness of IT among the literate and educated population is expected to create a large base of shoppers.

The minimal contribution of the organized sector is a profitable direction for potential investors. The movement of more and more people up the income brackets also indicates a good market potential. Labour cost differential, the removal of investment restrictions and the rationalization of the tax structure can bring about best practices and the latest offerings to the Indian retail industry. Growth opportunities for the organized sector can be propelled through land reforms as well as uniformity in tax structure, which reduces the cost advantage of the unorganized sector. These measures, if rightly implemented, would provide a competitive environment for the Indian retail industry.

### **1.1.8 THE FUTURE OF RETAILING IN INDIA**

Notwithstanding some stumbling blocks, no one can mistake the immense potential of the boom in the domestic retail sector.

Given the size and the purchasing power of the Indian consumer, the road ahead can only get smoother and it is only a matter of time before the domestic retail industry is on par with its western counterparts. According to the report 'Strong and Steady 2011' released by global consultancy and research firm PricewaterhouseCoopers (PwC), India's retail sector, which is currently estimated at about US\$ 500 billion, is expected to grow to about US\$ 900 billion by 2014.

India has also been ranked as the third most attractive nation for retail investment among 30 emerging markets by the US-based global management consulting firm, A T Kearney in its 9th annual Global Retail Development Index (GRDI) 2010. Within Asia, India is expected to account for the third largest share at US\$ 2.7 billion in 2015, according to a report released by research firm Ovum on January 12, 2011.

Foreign direct investment (FDI) inflows between April 2000 and January 2011, in single-brand retail trading, stood at US\$ 128.34 million, according to the Department of Industrial Policy and Promotion (DIPP).

- Carrefour, the world's second-largest retailer, has opened its first cash-and-carry store in India in New Delhi. Germany-based wholesale company Metro Cash & Carry (MCC) opened its second wholesale centre at Uppal in Hyderabad, taking to its number to six in the country.
- Jewellery retail store chain Tanishq plans to open 15 new retail stores in various parts of the country in the 2011-12 fiscal.
- V Mart Retail Ltd, a medium-sized hypermarket format retail chain, is set to open 40 outlets over the next three years, starting with 13 stores in 2011, in Tier-II and Tier-III cities.

- RPG-owned Spencer's Retail plans to set up 15-20 new stores in the country in 2011-12.
- Spar Hypermarkets, the global food retailing chain of the Dubai-based Landmark Group, expects to start funding its India expansion beyond 2013 out of its local cash flow in the country. So far, the Landmark Group has invested US\$ 51.31 million in setting up five hypermarkets and plans to pump in another US\$ 51.31 million into the next phase of expansion.
- Bharti Retail, owner of Easy Day store—supermarkets and hypermarkets—plans to invest about US\$ 2.5 billion over the next five years to add about 10 million sq ft of retail space in the country by then, according to a company spokesperson.
- The country's largest consumer products company Hindustan Unilever is testing waters in the coffee shop market even as US giants Starbucks and Dunkin' Donuts finalise plans to tap into increasing out-of-home consumption of coffee in the country. Hindustan Unilever has opened a 'Bru World Cafe' outlet on a pilot basis at Juhu, an upmarket western suburb of Mumbai.

According to industry experts, the next phase of growth is expected to come from rural markets.

- The organized modern retail segment in India will grow by over three times during the next five years (from 2010), to reach a figure of US\$ 80 billion, as per consultancy firm, Technopak. India's modern consumption level will double within five years to an annual figure of US\$ 1.5 trillion from the present level (taking 2010 as the reference year) of US\$ 750 billion, according to Raghav Gupta, President, Technopak.

- Further, the luxury brand in the country is estimated to be worth about US\$ 4.06 billion-US\$ 4.51 billion and is expanding rapidly driven by the growing aspirations of youth and income levels in the country. Thus, major international brands are in the process of expanding their retail presence. For instance, Paul & Shark now has two stores with Hyderabad and will have few more by next year, Zegna, another Italian brand, known for its formal wear and quality suits, is also expanding and Diesel will have seven stores in the country.
- Ramesh Tainwala, who brought global luggage maker Samsonite into the country, has bought a 50 per cent stake in Planet Retail, which markets fashion brands like Guess, Next and Nautica from NRI businessman VP Sharma, in a bid to expand his presence in the booming retail space.
- In addition, the direct selling fast moving consumer goods (FMCG) segment is growing faster in Uttar Pradesh compared to markets in other states. Segment leader Amway India said it was growing by 35 per cent in Uttar Pradesh vis-à-vis 27 per cent pan-India.

Finally, the behemoth who may well be the catalyst for all these aggressive and Ambitious moves. The Reliance group's revenue is estimated to be the equivalent of 3.5 per cent of India's GDP and it is believed to be contributing as much as 17 per cent of the total profits of the private sector in India. Reliance Industries Ltd (RIL) has set a revenue target of 40000-50000 crores from its retail venture in the next two to three years. Reliance Fresh stores, 650 in number, form the biggest chunk of the 'value format' business of Reliance Retail. Also under the format are Reliance Super, Reliance Mart, Delight and Autozone. Together, the value format accounted for Rs 3,928 crore of

Reliance Retail's total sales of Rs 7,600 crore in 2011-12, according to the company's executives. (Reliance Retail also has 18 'speciality format' brands, many in joint venture with global brands, such as Marks & Spencer and Office Depot. These account for the rest of the revenue.) Last year, Reliance Fresh alone clocked revenues of Rs 3,860 crore — or about half of Reliance Retail's sales, according to CMIE data. Currently, as many of his rivals in the retail business are struggling with debt and other problems, he is pushing harder than ever. In a meeting with shareholders last month, Ambani unveiled aggressive plans to invest in the business, saying that he expected revenues from retail to go up five or six times to Rs 40,000-50,000 crore over the next four or five years. And though the retail foray is still losing money, the company expects it to become profitable by next year. It recently concluded the initial planning phase for its retail business with the help of some international firms. Reliance Industries Ltd (RIL) has borrowed a leaf from the success story of motels as scripted mostly by the Gujarati Patels in the US. It has started over 100 company-owned fast food joints along various stretches of the 5,846-km Golden Quadrilateral and north-south/east-west corridor, where it has over 1,000 petrol stations up and running. Reliance has taken up the hospitality side of petroleum retailing business in right earnest can be gauged from the fact that it has signed up a technical services agreement with US-based Flying J, a highway hospitality service provider to the transportation sector. The plan is to set up such outlets every 100-300 km or after four-five hour drive to coincide with the inevitable 'break-journey'.

Further, expect about 150 retail outlets under the Qwik Mart brand name to come up at select fuel stations across India. Qwik Mart would be an integrated quick service, quick transaction store, which will offer the convenience of buying household food and non-

food merchandise, music, take-aways and convenience-oriented ancillary services without a price penalty. The Qwik Mart value proposition offers convenience through multiple offerings under one roof, speed of service and value-based pricing. They will be sub-branded as 'Commute' for those located within cities, 'Journey' for those on highways, and 'Neighbourhood' for those in residential areas. A range of products like beverages, snacks and confectionery will be available in all the three formats. Three retail outlets under the banner of Qwik Mart have already been launched in Mumbai and one alongside the Ahmedabad-Vadodara Expressway. There will be no additional investments being made on Qwik Mart, as it will form part of the investment that Reliance makes in its fuel stations. Reliance Retail promises to be an industry unto itself.

India has emerged as the most attractive global retail destination for a second straight year, ahead of rival China which trails in fifth place. India is at the peak of attractiveness for retailers right now with a US\$450 billion retail market expected to grow 35% t this year. The study ranks India in top spot followed by Russia in second place, Vietnam third, Ukraine fourth and China fifth, down one spot from last year. The Indian retail market is gradually but surely opening up while China's market becomes increasingly saturated. The study rates nations on such factors as market saturation, political risk and economic growth. Besides its population of more than 1 billion, a fast-expanding middle class and a rapidly growing economy, India's retail sector is deeply fragmented, dominated by the "unorganized sector" -- small family-run stores. "Organized" large-scale retailers account for 2 percent to 3 percent of the sector compared with 20 percent in nations like China and Thailand.

This is what is making foreign companies like US-based Wal-Mart, the world's largest store chain, and British supermarket giant Tesco, among others, take notice of India. While rules still bar foreign direct investment (FDI) in most of the sector, foreign retailers' hopes have been buoyed by a government decision in February to allow FDI of up to 51 percent in single-brand retailers such as shops selling Nike sportswear or Nokia handsets. India is working to open the "next window" in the retail sector. The aim is to ensure that the entry of big players generates new jobs rather than destroys existing ones, he said, adding: "The issue is not about FDI in retail, but big versus small retailers."

Wal-Mart has announced it will open an Indian office for market research. Tesco is entering the market through a partnership with Home Care Retail Mart Pvt Ltd and expects to launch 50 stores.

#### **1.1.9 MAIN ORGANIZED RETAIL PLAYERS & THEIR EXPANSION PLANS**

Foundation for organized retail in India was laid by Kishore Biyani of Pantaloon Retail India Limited (PRIL). Following Pantaloon's successful venture a host of Indian business giants such as Reliance, Bharti, Birla and others are now entering into organized retailing.

**Pantaloon Retail India Limited (PRIL):** It is India's leading retailer that operates multiple retail formats in both the value and lifestyle segment of the Indian consumer market. Headquartered in Mumbai (Bombay), the company operates over 16 million square feet of retail space, has over 1000 stores across 73 cities in India and employs over 30,000 people.

The company's leading formats include Pantaloons- a chain of fashion outlets, Big Bazaar- a uniquely Indian hypermarket chain, Food Bazaar- a supermarket chain, blends the look, touch and feel of Indian bazaars with aspects of modern retail like choice,

convenience and quality and Central- a chain of seamless destination malls. Some of its other formats include Brand Factory, Blue Sky, Top 10 and Star and Sitara. The company also operates an online portal, futurebazaar.com.

Future Value Retail Limited is a wholly owned subsidiary of Pantaloon Retail India Limited. This entity has been created keeping in mind the growth and the current size of the company's value retail business, led by its format divisions, Big Bazaar and Food Bazaar.

The company operates 122 Big Bazaar stores, 170 Food Bazaar stores, among other formats, in over 70 cities across the country, covering an operational retail space of over 6 million square feet. As a focussed entity driving the growth of the group's value retail business, Future Value Retail Limited will continue to deliver more value to its customers, supply partners, stakeholders and communities across the country and shape the growth of modern retail in India. Pantaloon Retail is the flagship company of Future Group, a business group catering to the entire Indian consumption space.

India's Wal Mart "**Reliance Retail**":- **Reliance Retail, Ltd.** operates retail outlets in India. Its retail outlets offer foods, groceries, apparel and footwear, lifestyle and home improvement products, electronic goods, and farm implements and inputs. The company's outlets also provide vegetables, fruits, and flowers. It focuses on consumer goods, consumer durables, travel services, energy, entertainment and leisure, and health and well-being products, as well as on educational products and services. The company was founded in 2006 and is based in Mumbai, India. Reliance Retail, Ltd. operates as a subsidiary of Reliance Industries, Ltd.

With a vision to generate inclusive growth and prosperity for farmers, vendor partners, small shopkeepers and consumers, Reliance Retail Limited (RRL), a subsidiary of RIL, was set up to lead Reliance Group's foray into organized retail.

Since its inception in 2006, Reliance Retail Limited (RRL) has grown into an organization that caters to millions of customers, thousands of farmers and vendors. Based on its core growth strategy of backward integration, RRL has made rapid progress towards building an entire value chain starting from the farmers to the end consumers.

Through this year, RRL increased its footprint to more than 900 stores in 80 cities across 14 states in India. Keeping in sync with its multi-format store strategy, RRL added new formats to its spectrum in the last year. RRL now operates not only 'value' formats such as Reliance Fresh (neighborhood store), Reliance Mart (all under one roof supermarket) & Reliance Super (mini-mart), which offer a range of products for daily household usage; but also specialty formats, such as Reliance Digital (consumer durables & information technology), Reliance Trends (apparel & accessories), Reliance Wellness (health, wellness & beauty), iStore (Apple products), Reliance Footprint (footwear), Reliance Jewels (jewellery), Reliance TimeOut (books, music & entertainment), Reliance AutoZone (automotive products & services) and Reliance Living (homeware, furniture, modular kitchens, furnishings).

**RPG Group:-** The history of RPG Enterprises goes back to the 19th century. In 1979 Mr. RP Goenka took the initiative to set up RPG Enterprises. Presently it has turnover of US\$ 2.65 billion and assets worth US\$ 1.8 billion. Among the fastest growing groups in India, it is operating successfully through more than 20 companies in 7 business sectors, namely Retail, IT & Communications, Power, Transmission, Entertainment, Life sciences

and Tyres. The organization believes in responding to a business opportunity, making optimum utilization of resources, and inspiring people to foster teamwork. Quality is another important parameter for the enterprise to improve continuously and satisfy customers in the best possible manner.

The organization operates through various retail formats such as supermarkets, hypermarkets, music stores and health and beauty products outlets. Spencer's Retail Limited is one of India's largest and fastest growing multi-format retailers with 220 stores, including 30 large format stores across 35 cities in India. Spencer's focuses on verticals like fresh fruit and vegetables, food and grocery. Personal care, garments and fashion accessories, home and office essentials, electrical and electronics. Established in 1996, Spencer's become a popular destination for shoppers in India with hypermarkets and convenient stores catering to various shopping needs of its large consumer base.

**Bharti Wal-Mart Joint Venture:-** On November 27, 2006, Wal-Mart Stores, Inc (Wal-Mart), the world's largest retailer, and Bharti Enterprises Ltd. (Bharti), a leading business group in India, signed a Memorandum of Understanding (MoU) to explore business opportunities in the Indian retail industry. This joint venture marked the entry of Wal-Mart into the Indian retailing industry.

Bharti Retail, a subsidiary of Sunil Mittal-promoted Bharti Enterprises, launch its operations by opening first store in Ludhiana (Punjab). The stores, known as 'Easy Day', are a one-stop shop to cater to every family's day-to-day needs. It brings together a relevant and wide product range, good quality products and great-in-experience and service-all under one roof. The store sells personal care products, stationary, household articles, hosiery items, daily-need groceries like staples, processed foods, bakery and

diary products, meat and poultry, and fresh produce. The company has earlier announced an investment of up to 2.5 billion dollars (Rs 10,000 crore) by 2015 in retail operations including multi-format retail outlets across all cities in India that have population of over one million. Announcing the road map for its retail ventures in 2007, Rajan Mittal, Joint Managing Director of Bharti Enterprises, had said that Bharti was looking at approximately 10 million square feet of retail experience throughout the country and employing about 60,000 people.

**Tata' trent:** - Trent is a retail operations company that owns and manages a number of retail chains in India. Established in 1998, Trent runs lifestyle chain Westside: one of India's largest and fastest growing chains of lifestyle retail stores, with a number of stores across India, this chain offers clothes, footwear and accessories for men, women and children, along with furnishings, artifacts and a range of home accessories. Star Bazaar: This hypermarket chain offers a wide choice of products, including staple foods, beverages, health and beauty products, vegetables, fruits, dairy and non-vegetarian products.

Landmark: A leader in the books and music category, this chain has a range of over 100,000 titles in books and music, and also stocks movies, toys, gift items and stationery.

Fashion Yatra: The stores bring quality fashion at low prices to value conscious customers in towns across India. Trent has its headquarters in Mumbai, India.

**Vishal Mart:** - What started as a humble one store enterprise in 1986 in Kolkata (erstwhile, Calcutta) is today a conglomerate encompassing 180 showrooms in 100 cities/24 states. India's first hypermarket has also been opened for the Indian consumer by Vishal. Situated in the national capital Delhi this store boasts of the single largest

collection of goods and commodities sold under one roof in India. The group had a turnover of Rs. 1463.12 million for fiscal 2005, under the dynamic leadership of Mr. Ram Chandra Aggrwal. The group had a turnover of Rs. 2884.43 million for fiscal 2006 and Rs. 6026.53 million for fiscal 2007.

The group's prime focus is on retailing. The Vishal stores offer affordable family fashion at prices to suit every pocket. The showrooms have over 70,000 products range which fulfills all household needs and can be catered to under one roof. It is covering about 29,90,146 sq.ft. in 24 states across India.

**Shopper's Stop:-** Shoppers Stop is an Indian department stores promoted by the K Raheja Corp Group (Chandru L Raheja Group), started in the year 1991 with its first store in Andhari Mumbai. Shoppers Stop Ltd has been awarded "the Hall of Fame" and won "the Emerging Market Retailer of the Year Award", by World Retail Congress at Barcelona, on April 10, 2008. Shoppers Stop is listed on the BSE. With the launch of the Navi Mumbai departmental store, Shoppers Stop has 28 stores in 12 cities in India.

Shoppers Stop retails a range of branded apparel and private label under the following categories of apparel, footwear, fashion jewellery, leather products, accessories and home products. These are complemented by cafe, food, entertainment, personal care and various beauty related services.

Shoppers Stop launched its e-store with delivery across major cities in India in 2008. The website retails all the products available at Shoppers Stop stores, including apparel, cosmetics and accessories.

**BPCL:** - In & out is an organized retail concept which combines fuelling as well as shopping format, selling food and grocery items. BPCL has around 234 In & Out outlets

across the country. BPCL has undertaken a pilot project to sell unbranded products in the grocery segment in Mumbai, Bangalore, and Pune. The experimentation involves sourcing from local players, in this case the mandis, which helps reduce costs. Mr. Ramesh said experimentation is also being undertaken with fresh produce like fruits and vegetables.

Other Big Players: - Apart from the big giants other mega retail player is Lalit Kumar (CEO) of Ebony Retail Holding Ltd. Shoppers Stop and Aditya Birla, Myntra of Hero Group etc growing are also eyeing at retail operation business by establishing retail chains across India, with massive investment in the year to come.

#### **1.1.10 GROWTH DRIVERS FOR ORGANIZED RETAIL INDUSTRY**

Now it is a well known fact that organized retailing is a buzz word in India. Organized retailing is spreading in every part of the country i.e. urban, semi-urban and rural areas also. Here some reasons are discussed which are drivers of this growth of organized retail industry:

- Rising incomes and improvement in infrastructure are enlarging consumer markets and accelerating the convergence of consumer tastes.
- Liberalization of the Indian economy.
- Increase in spending per capita income.
- Advent of dual income families also helps in the growth of organized retail industry.
- Shift in consumer demand to foreign brands like McDonalds, Sony and Panasonic etc.
- Consumer preference for shopping in new environments.

. The internet revolution is making the Indian consumer more accessible to the growing influences of domestic and foreign retail chains. Reach of satellite T.V. channels is helping in creating awareness about global products for local markets.

- About 47% of India's population is under the age of 20; and this will increase to 55% by 2015. This young population, which is technology-savvy, watch more than 50 TV satellite channels, and display the highest propensity to spend, will immensely contribute to the growth of the organized retail industry in the country.

### **1.1.11 CHALLENGES & OPPURTUNITIES**

The challenges faced by the Indian organized retail industry are various and these are stopping the Indian retail industry from reaching its full potential. The behavior pattern of the Indian consumer has undergone a major change. This has happened for the Indian consumer is earning more now, western influences, women working force is increasing, desire for luxury items and better quality. He now wants to eat, shop and get entertained under the same roof. All these have lead the Indian organized retail sector to give more in order to satisfy the Indian customer.

The biggest challenge facing by the Indian organized retail industry is the lack of retail space. With real estate prices escalating due to increase in demand from the Indian organized retail industry, it is posing a challenge to its growth. With Indian retailers having to shell out more retail space it is effecting there overall profitability in retail.

Trained manpower shortage is a challenge facing by the organized retail industry in India.

The Indian retailers have difficulty in finding trained person and also have to pay more in order to retain them. This again brings down the Indian retailers profit levels.

The Indian government has allowed 51% foreign direct investment (FDI) in the Indian retail sector to one brand shops only. This has made the entry of global retail giant to organized retail industry in Indian difficult. But the global retail giants like Tesco, Wal-Mart and Metro AG are entering the organized retail industry in India indirectly through franchisee agreement and cash and carry wholesale trading. This is a challenge being faced by Indian organized retail industry. Many Indian companies entering the Indian organized retailing like Reliance Industries Limited, Pantaloons, and Bharti Telecoms are facing stiff competition from these global retail giants. As a result discounting is becoming an accepted practice among these Indian companies.

#### **OPPORTUNITIES AHEAD:**

At the same time the retailing business sector has many opportunities:

- Government's impetus to private extension services.
- 'One stop — shops' can act as facilitators of micro finance.
- New channel evolved can be used by FMCG and consumer durables.
- Can act as accreditation agency for certifying farmer's produce.
- Customer database can serve as source readily available information.
- Rising rural incomes hence rise in sales.
- Potential for food processing, higher-returns.
- Huge untapped rural market. -
- Vertical integration can help in fulfilling of demands generated due to changing needs of the customer.

- Huge wastage of horticulture products due to improper handling. If a fraction of it can be saved by the players with the help of better supply chain management, this could lead to substantial gains.
- Indian market is still largely unorganized (95%). Hence there is a huge potential to grow.

### **1.1.12 RETAIL CUSTOMER SATISFACTION**

The concept of satisfaction can be divided into four categories. First, satisfaction is viewed as a cognitive concept to be rewarded for the consumer's payment (Howard and Sheth 1969). Secondly, it is regarded as an evaluation on the accord of prior expectation with alternatives of the selection (Czepiel and Rosenberg 1997; Hunt 1977; Engel and Blackwell 1982). Third, satisfaction is defined as an affective response after purchase (Westbrook and Reilly 1983; Tse and Wilton 1988; Spreng, Mackenzie and Olshavsky 1996). Fourth, consumer satisfaction demonstrates that satisfaction judgments are influenced by both emotional responses and cognitive disconfirmation. (Oliver 1993b; Oliver 1997).

Another approach to define the concept of satisfaction derives from two factors; 'outcome' and 'processes'. The former approach emphasizes the results from the consuming experience. The latter one extended to the notion that satisfaction involves states that are not limited to mere satisfaction and can be describes as process (Oliver I 993a).

The customer satisfaction research has been performed, based on two points of view. The first view is the transaction-specific customer satisfaction, which judges satisfaction by comparing the performance and expectation of each transaction. The second view is the

cumulative customer satisfaction, which determines satisfaction by the comprehensive evaluation on the cumulative experience of the specific transaction (Anderson, Fornell & Lehmanri 1994).

From these several points of view, customer satisfaction with a retail establishment may be viewed as an individual's emotional and cognitive reaction to his or her evaluation of the total set of experiences realized from patronizing the retailer. The varied customer experiences in connection with retail patronage may be usefully categorized into two broad types: (1) experiences related to consuming the products and services obtained from retailer and (2) experiences related to being in the store itself and dealing with the organization (Westbrook 1981). Customers derive satisfaction both from the experiences in the store and use of each product and service purchased from the store. Thus, overall sentiment of satisfaction is composed of several evaluation items on their experiences. As for evaluating the former type experiences, the literature suggests that perceived service quality, perceived product quality and perceived product price are antecedents of customer satisfaction (Zeithami, Berry and Parasuraman, 1996). For the latter type, store environment and merchandising are regarded as components to measure retail satisfaction (Westbrook 1981). Thus it includes both consumers' perception of retail store characteristics and subjective evaluation of those characteristics, which is broader concept than store image. Previous research efforts have identified store characteristics which affect the store patronage (Hansen and Deutscher 1977-1978; Lindquist 1974-1975) suggested nine items as a store characteristics as follows: merchandising, service, clientele, physical facilities, convenience, promotion, store atmosphere, institutional

factors and past transaction. Among these, product related considerations appeared to be the most important areas.

In this research, we define retail satisfaction as the comprehensive affective response on the cumulative experience from patronizing the retailer.

### **1.1.13 FACTORS TO MEASURE CUSTOMER SATISFACTION IN ORGANIZED RETAIL INDUSTRY**

To contextually fit the retail industry, Dabholkar et al. (1996) developed Retail Service Quality Scale (RSQS). Based on SERVPERF, RSQS includes-28 item scale, of which 17 items are from SERVPERF and 11 items are developed by qualitative research. It composes of 5 factors, namely (1) Physical aspects (2) Reliability (3) Personnel interaction (4) Problem solving (5) Policy.

In this research we include 8 factors based on RSQS and suggestions received from customers while conducting a pilot survey to examine the customer satisfaction with organized retail industry.

#### **(1) Merchandise**

One of the main elements of retail marketing mix is the products that the store offers to the customers. Products are also termed as merchandise. To examine the customer satisfaction with merchandises offered by different organized retail outlets, six variables are explored: quality of products, good value for money, variety of products, unique and trendy products, branded products, good packaging.

#### **(2) Price**

Price is the amount that a person has to pay for the products/services, he purchased. Regarding the price, one variable is explored:

reasonable price when compared with the product quality and quantity to examine the customer satisfaction.

### **(3) Physical Surroundings**

Physical surrounding is the most readily apparent feature of a situation. Store atmosphere does influence purchasing behavior in such a way that pleasant store atmosphere stimulates approach behavior, extra time spent inside the store and unplanned purchasing, while unpleasant store atmosphere leads to avoidance behavior. To examine the customer satisfaction with physical aspects six variables are explored: location, parking space, atmosphere and decoration, lighting arrangement, shelf system, product information indicators.

### **(4) Promotional Schemes**

Customer all over the world love promotions as they share a general feeling that they get more value for money during such promotions. Customers thus make it a point to specially visit to a particular outlet. To examine the customer satisfaction with promotional schemes following variables: free gifts, special discount, effective advertisement and special event are explored.

### **(5) Employees Interaction**

The people who work at the front-end of a retail organization are very important, as they are the face of the organization for the customers. Their attitude, behavior, manners and product knowledge plays a very important role in building long term relations with the customers. The employees interaction includes knowledge of store policies, willing to respond to customer's request, etiquetted staff, helpfulness of staff, individual attention to customers, providing prompt services and sound knowledge of merchandise.

### **(6) After Sales Services**

After sale services are gaining very crucial importance in these days. To differentiate themselves and to build brand image organized retailers provide after sale services. It includes refund/replacement of goods, free home delivery, repair of goods, installation of electronic goods and service of electronic goods.

### **(7) Service Support**

The service support that organized retailers offer, have become very important today. It includes special order, free gift wrapping facilities, honouring credit cards, demonstration of merchandise, have sufficient stock and easy billing system.

### **(8) Other miscellaneous factors**

These factors include toll free number, entertainment means, child care facilities, alteration of merchandise and security arrangement.

## **1.2 The Significance of the Study**

As we know that retail sector in India is passing through phase of renaissance. The old karyana stores and small shops of the past have been changing very fast with big retail outlets and shopping malls. In the same phase there is marked change in the style of shopping as well. Now the consumers are demanding all the products of their choice under one roof with variety. They are more conscious of quality, brands and the services rendered to them by various shopping store. **Hunter (2006)** in his study suggested that desire (i.e. motivation), intention, and positive anticipated emotions intervene between shopping center image and frequency of shopping center visits. Positive anticipated emotions are not emotions felt while shopping but are the expected emotional consequences of achieving a goal. **D'Andrea & Stengel et al (2006)** in their study found

that In spite of being “poor,” emerging consumers have a substantial purchasing power as a group. They work with a very specific set of products, categories and store format needs that distinguish them from other consumers. These distinct needs imply that it is not “just a matter of money and time” for them to change their purchasing patterns over to the “modern trade”. Wal-Mart, Tesco Carrefour and other foreign brands are eyeing India as large potential market in the retail sector along with various national companies like reliance, Bharti, Tata etc. Main reasons for the success of global giants in Retail sector has been the quality of services and quality of products to consumers right from the moment they enter till they leave the mall. **Singh & Chowdhary (2005)** concluded in their study that customer retention is the bottom line of corporate profitability and value in retail sector. As per the study it makes more business sense in investing in building loyalty rather than trying to woo new patterns. The study stressed more on the maintaining loyal base of customers in retailing. The study also suggested that it is necessary to first understand what shoppers are looking for, what motivate them to make purchases, and what drive them to shop at particular store besides understanding the types of shoppers who visit stores frequently and what they represent in terms of your overall sales volume. So it becomes imperative for all the retail players that they have to know the customers in depth not only to attract but also to make their products taller made to the requirements of the customer and there by increase their consumer base. Since organized retail sector is the new concept in India, present study will help the retailers in understanding there customers better and help them in gaining competitive advantage, especially when foreign companies are eyeing India as huge potential market in organized retail sector .

### **1.3 The Objectives**

The present study titled, “*Customers’ Perception & Satisfaction in Organized Retail Sector in India*” has been initiated with the objective of investigating the

*The main objectives of the study are:*

1. To study the demographic profile of the customers visiting and shopping at organized retail outlets.
2. To study various tangible and intangible factors influencing the customer’s attitudes regarding the store choice decisions.
3. To know the factors considered important while purchasing different products in organized retail outlets.
4. To study the satisfaction level of the people regarding the products and services provided by organized retail outlet.
5. To identify the compulsive antecedents while purchasing a product from the retail outlets.
6. To study the importance of technology driven organized retail sector in the modern marketing concept.

### **1.4 Data & Methodology**

Research is not only aimed at revision of the facts and building an up-to-date knowledge but also to discover new facts involved through the process of dynamic changes in the society. Research Methodology is a way to systematically solve the research problems under study.

#### **1.4.1 Research Methodology**

Research in common parlance refers to a search for knowledge. The dictionary meaning says, research is “careful investigation or inquiry especially through search for new facts in any branch of knowledge”. Research is actually to explore something new. We all possess the vital instinct of inquisitiveness. When the unknown confronts us, we wonder and our inquisitiveness makes us to probe and attain full understanding of the unknown. This inquisitiveness leads us to knowledge and the methods employed for obtaining this knowledge pave the way for research.

Research comprises defining and redefining the problems, formulating hypotheses and suggests solutions, collecting, organizing, and evaluating data, making deductions and reaching conclusions. Research methodology helps us to systematically solve the research problem. It is formed as many dimensions and research methods. Every kind of research study initiates from defining the research problem. The present study titled, “Customers’ Perception & Satisfaction in Organized Retail Industry in India” has also been initiated with looking into the demographic profile of the customers’ of organized retail outlet in India and their attitude towards purchasing the products from Organized retail outlet.

#### **1.4.2 Research Design**

Research design is a pattern or an outline of a research project’s working. It is a statement of the essential elements of a study, those that provide the basic guidelines for the details of the project. The present study being conducted followed a **descriptive design**, where efforts will be made to explore the characteristics of the people and products preferred by the people visiting and shopping at retail outlets. Descriptive design is basically used

while defining the factors considered while purchasing and judging the satisfaction of the customers regarding services provided by organized retail outlets.

**1.4.3 Scope of Study:** The scope of present study has been restricted to state of Punjab. In the study four major cities like Ludhiana, Jalandhar, Amritsar and Bathinda of the state were selected. The cities were selected on the basis of recent developments in terms of opening of different retail formats in organized retail in these cities. Retail outlets like Big Bazar, Vishal Mega Mart, Spencers, Reliance retail and various big malls in cities were selected to cover wider and diverse perspective of customers which has helped in making comparative analysis of various outlets as well.

#### **1.4.4 Sampling Plan**

**Population:** Since we are studying behavior of the people may it be related to store choice or various products preferred or satisfaction regarding various retail outlet services etc it become obvious that population will be all those customers who visit and shop at the retail outlets.

**Sampling Unit:** A single customer visiting frequently in organized retail outlets for shopping.

**Sampling Technique:** Sampling technique adopted for the study will be Non Probability Purposive and Conveniences sampling.

**Sampling Size:** Sample size for the study was 500 respondents from selected cities of Punjab. These cities were selected on the basis of development in organized retailing. Since the respondents are those individuals who are visiting the retail outlet so focus of the study on these areas will help us in getting Valid and reliable results. No. of Sample units taken for the study was equal in all the selected cities for the study.

**Data Analysis and Interpretation:** Data collected was analyzed by using various statistical and graphical techniques such as mean, averages and chi Square test. Multivariate statistical technique Like ANOVA was also be used as per the quantification and relevance of data to get better understanding of phenomenon under study.

**1.4.5 Data collection:** Data was collected by both primary and secondary sources. Primary data was collected through structured undisguised questionnaire which was filled by the respondents visiting and shopping frequently at retail outlets in Punjab. The prepared questionnaire was tested for “Reliability & Validity’ by applying various techniques available.

#### **1.4.6 Instrument of Data Collection**

Measurement is a process of mapping aspects of a domain onto other aspects of a range, according to some rules of correspondence. Scaling describes the procedure of assigning number to various degrees of opinion and attitudes. This can be done in two ways i.e.

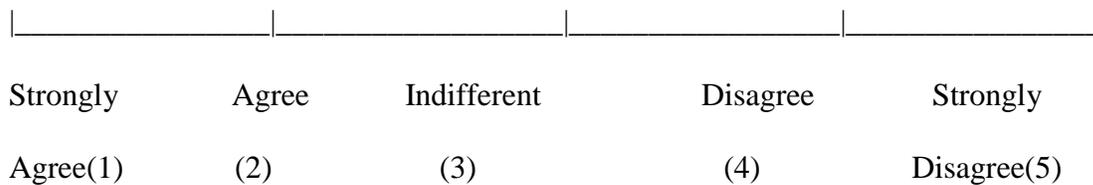
- (i) Making a judgment about some characteristics of some individual and then placing him/her directly on the scale.
- (ii) Constructing questionnaire in such a way that the score of the individual responses assigns him/her a place on a scale.

Once the type and size of the sample has been determined, the next task is to select the various tools to be used to collect data from the identified universe. Depending upon the various considerations such as objectives of the study, suitability of the test,

competency of the researcher to control the administration and interpretation of the results, the tool has been prepared by the researcher.

The response was measured on 5-point scale. The method is based on likert scaling technique: Rensis Likert who first developed this approach for attitude surveys explained the benefits of his approach in his article, “A Technique for the Measurement of the Attitudes” (1972). The usefulness of this technique was that it was too quick to develop and adopt as compared to any other technique. Further, the likert scaling approach does not necessitate the use of negative items, a benefit that explains its widespread industrial applications.

The likert technique consists of a series of statements to which one responds using a scale of possible answers, Strongly Agree (5), Agree (4), Indifferent (3), Disagree (2), Strongly Disagree (1), and the scores can be vice-versa also. This 5-point likert scale can be expanded to seven or more points with a modification of the adverbs (Strongly, Moderately, Mildly). The five and seven point scales are the most common form in use. In the present study, Summated Scale (Likert Five this Point Scale) has been used. In this Likert’s Five Point Scale, the respondent is asked to respond to each of the statements given, in terms of five degrees of agreement or disagreement as below:



- Each point on the scale carries a score, i.e., from least score to the highest score.

Most of the factors are psychological i.e., relating to attitude, behaviour, general

family environment etc. which cannot be measured quantitatively, so the need of Likert Scale has been tremendous.

In the study major objective regarding the Satisfaction level of the people for different aspects of organized retail outlets and products purchased was rated on the above mentioned scale to convert qualitative aspects of consumer's perception to quantitative parameters for analysis. Apart from likert scale various other instruments

#### **1.4.7. Item Generation:**

For the sixth Objective of the study where compulsive behaviors of the respondents was to be tested, Items / statements were generated and tested before administrating them to respondents.

At the initial stage, it was quite essential to identify those various compulsive factors which normally affects the purchase behavior of the prople For this purpose, the existing relevant literature was explored to get help in the formation of various relevant statements.

- (a) The statements were made on the basis of factors like Unplanned purchases, tendency to buy products off the product list .
- (b) A deep study of the literature was made. International and prominent journals were also screened for the formation of relevant statements.
- (c) Informal interviews with a good number of management professionals and consumer psychologists were also made to explore the statements.

#### ***Selection of the Statements***

The choice of the statements depends upon the opinion of the competent persons for its suitability towards the study and the tests. A set of statements has been developed and

evaluated by the sample respondents on the Likert Scale. This also helped in determining the content validity. Approximately 100 selected statement items were given to the panel of 25 judges' experts in the field of Marketing and Consumer Behaviour. The purpose was:

- To strike off the redundant statements
- To delete the ambiguous items, words or statements.
- To suggest modifications (if any) or addition of new statements or items.

All the panel members were contacted personally and were given sufficient time to make their judgment on each statement item.

Research evidence proves that a relatively small number of judges can be entrusted to obtain reliable scale values for the statements Edward (1969).Rosander (1965) obtained independently from two groups of fifteen judges each a correlation as high as 0.99. Similarly UprBrock (1965) from the two groups of fifty judges each the correlation between two scales values were found of twenty judges is fully satisfied.

**Secondary data** regarding the emergence, of retail sector , major initiatives, challenges and opportunities in the organized retail sector was taken from various websites, books, journals, magazines, news clippings etc. Data regarding various research papers to support research objectives was also taken from online web sources like proquest, emrald etc.

### **1.5 The Limitations**

The study has been conducted with immense responsibility keeping in the mind the fact that the success of first step is deemed necessary to have the second one. Proper planning has been done to analyze all aspects and related factors of the study. All

precautions have been taken to evolve a systematic study to reduce the element of bias to its lowest extent. The data were collected through personal interaction and every effort was made to observe consistency throughout. The statements of the scale were well explained and every response has been recorded properly.

Every effort has been made to make the study comprehensive but due to the small sample size as compared to the universe, bias or resistance in the respondents' response due to some personal reasons, lack of published/unpublished direct literature on the study, time constraints and frequent developments/changes in the field, there could be some limitations also.

## **PROPOSED CHAPTER SCHEME**

Chapter – I Customers' Perception & Satisfaction In Organized Retail Sector In India

### 1.1 The Problem

#### 1.1 Introduction

##### 1.1.1 What Is Retailing?

##### 1.1.2 The Evolution of Retailing in India

##### 1.1.3 Global Retailing Industry

##### 1.1.4 Changing Phase of Indian Retailing

##### 1.1.5 Why Indian Retail Industry

##### 1.1.6 A Retailer's Role in Supply Chain

##### 1.1.7 Retail Models In India: Current & Emerging

##### 1.1.8 The Future of Retailing in India

##### 1.1.9 Main Organized Retail Players & Their Expansion Plans

##### 1.1.10 Growth Drivers for Organized Retail Industry

1.1.11 Challenges & Opportunities

1.1.12 Retail Customer Satisfaction

1.1.13 Factors To Measure Customer Satisfaction in Organized Retail Industry

1.2 The Significance of Study

1.3 The Objectives

1.4 The Data and Methodology

1.4.1 Research Methodology

1.4.2 Research Design

1.4.3 Scope of the Study

1.4.4 Sample Design

1.4.5 Data Collection

1.4.6 Instrument of Data Collection

1.4.7 Item Generation

1.5 The Limitations

Chapter – II            Review of Related Literature

Chapter – III            Demographic Profile of Respondents

Chapter – IV            Analysis of Data & Interpretation

- Organized Retail Sector: Factors, Attitude & Satisfaction
- Organized Retail Sector: Compulsive antecedents & Technology.

Chapter – V            Findings, Suggestions & Conclusion

Bibliography

ANNEXURE – I  
(Researchers Questionnaire)