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RETAILING IN INDIA: EMERGING TRENDS

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Retailing - no marks for guessing this is the most active and attractive sector of the last decade in India. While the retailing industry itself has been present through history in our country, it is only the recent past that has witnessed so much dynamism. It's the latest bandwagon that has witnessed hordes of players leaping onto it. While international retail store chains have caught the fancy of many travelers abroad, the action was missing from the Indian business scene, at least till recently.

The emergence of retailing in India has more to do with the increasing purchasing power of buyers, especially post-liberalization, increase in product variety, and the increasing economies of scale, with the aid of modern supply and distribution management solutions.

A definition of retailing is essential in order to be in a position to assess the impact of retailing and its future potential. The current retailing revolution has been provided an impetus from multiple sources. These 'revolutionaries' include many conventional stores upgrading themselves to modern retailing, companies in competitive environments entering the market directly to ensure exclusive visibility for their products and professional chain stores coming up to meet the need of
the manufacturers who do not fall into either of the above categories. Attractiveness, accessibility and affordability seem to be the key offerings of the retailing chain.

The emerging sectors

Retailing, one of the largest sectors in the global economy, is going through a transition phase not only in India but the world over. For a long time, the corner grocery store was the only choice available to the consumer, especially in the urban areas. This is slowly giving way to international formats of retailing. The traditional fc&b1 and grocery segment has seen the emergence of supermarkets/grocery chains (Food World, Nilgiris, Bombay Bazaar, Apna Bazaar), convenience stores (ConveniO, HP Speedmart) and fast-food chains (McDonalds, Dominos).

The emergence of new sectors has been accompanied by changes in existing formats as well as the beginning of new formats:

- Hypermarket:
- Large supermarkets, typically 3,500-5,000 sq. ft.
- Mini supermarkets, typically 1,000-2,000 sq. ft.
- Convenience stores, typically 750-1,000 sq. ft.
- Discount/shopping list grocer

The traditional grocers, by introducing self-service formats as well as value-added services such as credit and home delivery, have tried to redefine themselves. However, the boom in retailing has been confined primarily to the urban markets in the country. Even there, large chunks are yet to feel the impact of organized retailing. There are two primary reasons for this. First, the modern retailer is yet to feel the saturation effect in the urban market and has, therefore, probably not looked at the other markets as seriously. Second, the modern retailing trend, despite its cost-effectiveness, has come to be identified with lifestyles.

In order to appeal to all classes of the society, retail stores would have to identify with different lifestyles. In a sense, this trend is already visible
with the emergence of stores with an essentially 'value for money' image. The attractiveness of the other stores actually appeals to the existing affluent class as well as those who aspire for to be part of this class. Hence, one can assume that the retailing revolution is emerging along the lines of the economic evolution of society.

Spread of organized retailing:

Organized retailing is spreading and making its presence felt in different parts of the country. The trend in grocery retailing, however, has been slightly different with a growth concentration in the South.

However, the Mecca of retailing is undoubtedly Chennai. What was considered a 'traditional', conservative' and 'cost-conscious' market, proved to be the home ground for most of the successful retail names - Food World, Music World, Health and Glow, Vitan, Subhiksha and Viveks -to name a few.

The choice of Chennai as the 'retail capital' has surprised many, but a variety of factors acted in its favour. Chennai, in spite of being a rapidly growing metropolis offers reasonable real estate prices, one of the most critical elements for the industry. Chennai has been witnessing a high industrial growth and increasing presence of the MNCs, both in the IT sector as well as outside it. The industrial boom' has led to the emergence of new residential areas with aggregation of professionals as well as a rapid increase in the number of 'double-income' households and growth of the nouveau riche/upper middle class with increased purchasing power. This has been combined with the increasing need for touch and feel shopping (especially for the large migrant population). All the factors have acted favourably in nurturing the industry.
Consumer- the prime mover

A variety of factors seem to influence the growth in the retailing industry. 'Consumer Pull', however, seems to be the most important driving factor behind the sustenance of the industry.

In this context, a brief survey among consumers across income segments to understand their spending pattern. An analysis of the 'monthly purchase basket of the consumers surveyed indicated that the average monthly household spend on food and grocery related items varied across income segments. For instance, in the case of upper income households, the average spend was around Rs 4,200 per month. As against this, the average spend in the case of a middle income household was around Rs. 2,850 and lower income households Rs. 1,250 per month. (This is computed from a sample of 100 customers having an average family size of four).

Based on the distribution of the more than 15 lakh households in Chennai across income segments and the average spend, a conservative estimate of the grocery retailing potential at Chennai will be around Rs. 300 crores.

Besides increasing purchasing power, a variety of other factors also seem to fuel the retailing boom. With increase in double-income households and workingwomen, there is an increasing pressure on time with very little time being available for leisure. In this scenario, consumers are seeking the convenience of one-stop shopping, whereby they could have better utility of time. They are also seeking speed and efficiency in processing, as a result. Being more aware, consumers are on the lookout for more information, better quality and hygiene as well as increased customer service. These changes in consumer behaviour also augur well for the retailing industry.

However, in India there are no uniform trends with respect to consumer buying behaviour. There are visible differences in the shopping pattern of consumers across income segments as shown in the table.

Organized retailing has definitely made headway in the upper class. However, even in this segment, items such as milk, fruits, vegetables
and a significant portion of 'through-the-month' purchases seem to be
done at traditional outlets. The middle-income class prefer shopping for
processed food and personal care in supermarkets and fall back on
traditional outlets for bulk shopping. Organized retail outlets seem to be
associated with branded items/special purchases. Organized retailing
does not seem to have made an impact on the lower class, except for
'curiosity' shopping.

The biggest question before organized retailers therefore, is whether
this really means a huge untapped potential for the organized retailers
and whether the conversion in mindset going to be easy.

Emerging Trends

Thanks to e-commerce shopping has changed. Though internet has
brought the convenience of shopping to the doorstep, marketers should
innovate ideas by which they can sell their products online and devise
strategies for customer satisfaction. There is no secret about selling
online. It’s a simple 3 step formula: lure more users to your website, took
them on to your site and see profits soar. This was one of the few online
experiments that future bazaar the online arm of future group tied. They
set up tiny kiosks in key areas in various towns like Mumbai, Delhi,
Hyderabad. These kiosks had catalogues of merchandise that sell on
their websites. One had to simply walk into the kiosk, look at these
catalogues and approach sales people to place an order. These sales
people in turn would log on to the future bazaar site and place an order
for the items which would be delivered to the customers at home.

What worked with the kiosks is the fact that although the sale was
happening online the consumer never had to log on to the web. This
made them more comfortable while placing an online order. Although
this was a temporary initiative the kiosk did 20 times more sales per unit
compared to a normal retail outlet says Sanskar Son Banerjee CEO
Future Bazaar. Future group is planning to make kiosks a permanent
future to target the people who are not technology savvy or don’t have
easy access to the internet. Players like e-Bay have a slightly different
twist to the kiosk strategy. They have partnered with Reliance Webworld
in 100 Webworlds in 16 cities. In this case the consumer goes to an
internet café instead of kiosk where the café owner hand hold web
through the entire process of buying online. According to IAMAI (Internet
and Mobile Association of India) 24% of Indias’ 50 million internet users