Chapter – 1
INTRODUCTION

1.1 Understanding the nature of the problem

The recent surge in the growth of the shopping malls in Kolkata is changing the way millions of people shop. Today consumers look for a host of facilities like cost, comfort, convenience, in-house-parking, store-in-store counters, entertainment, coffee bars, multiplexes, play areas for children, gaming and food-courts when they step into these malls. It is not just about shopping, dining, or watching a movie; it’s an experience in itself, a lifestyle activity, and providing this experience is what these malls are building up as their USP. As Mr. Harsh Neotia has said, “The shopping malls are a perfect destination being a blend of shopping and entertainment. It’s called shoppatainment”. Convenience is the priority when it comes to malls. The possibility of shopping for clothes, shoes and grocery under one roof and watching a film afterwards is a big plus-point. Moreover, the quality of the products is guaranteed as most malls house well-known brands and retailers. For those who dislike haggling and being part of the elbow-shoving crowd, malls are a boon. For most young people malls are a good place to just hang-out. The fact that one can walk into these malls, hang around, browse and spend hours without spending is what attracts many. This has given birth to the term ‘mall-rats’. Also pollution-free, air-conditioned shopping ambience in the malls is preferable to the heat, humidity and noise and air pollution associated with roadside shopping. So from the value-seeker to the promotion offer-grabber, the monthly grocery and annual clothes shopper to the impulse buyer, shopping behavior pattern in the city is changing radically. It has
been globally observed that in many situations, malls and retail giants project values relating to trust, confidence, credibility and reliability. Consumers are even ready to pay a premium, to avail of these facilities. People have imbibed an aspirational lifestyle and have become brand conscious. There has also been the explosion of the myth that well-formatted air-conditioned mall shopping is only for the elite clientele. Consumers no longer feel intimidated by the malls and the upper-middle class as well as the lower-middle class has gradually been swept into the different formats of malls.

Mr. Sanjiv Goenka, vice-chairman of RPG Enterprises Ltd., has observed, “The mindset of the Calcuttan had always favored denial over consumption. But there has been a quite revolution in attitude over the past few years and the visible end of the consumption spectrum is retail”. Kolkata has been witnessing reasonably strong growth in retail for the past 5-7 years. Till 2001 November, there was only 22 Camac Street. In the next 36 months there were around 6 new malls besides 16 multiplex screens and allied entertainment. The estimated retail space to be rolled out by 2007 in Kolkata is estimated at 21,52,000 sq.ft. (Source: Home Sweet Home 2007, The Telegraph). And there are strong fundamentals to sustain the displacement from the conventional trader-run stand-alone shops to more organized and large retail formats. Industry sources say that Kolkata has the advantage of a being a metro city with a big population and it's also a cheap city to live in. Around 80 per cent of the people are either landowners or under old tenancy, which means that they do not need to make large payouts as house rent. The infotech and BPO booms have had their impact on the city. The executives at these companies earn as much as similar level executives in other parts of the
country. But since the cost of living is cheap they have a greater amount of disposable income. The disposable income in Kolkata has been on the rise according to a report by the National Council of Applied Economic Research (NCAER). About 62 percent of city households had annual incomes of up to Rs. 18,000 in 1985-86, while a decade later, the Rs. 25,000 – Rs. 77,000 bracket accounted for some 61 percent of the households. Also, there’s the fact that middle-class habits are changing. With lower interest rates people are saving less and double-income families now have much more money to spend. Kolkata today has a significant population of young Indians who have an aspirational lifestyle and are on the look out for variety. With a median age of 24-25, today’s Kolkata shopper has high aspiration levels and carries a mixed bag of intrinsic values and western aspirations. Demographics and lifestyle in India is changing to fast-paced, career-oriented families. “With the IT boom, call centers and BPOs, there’s money in young hands, and unlike in the past the motto of the young nest today is ‘have money, will spend’,” said Ms. Vidya Sen of AC-Nielsen ORG-MARG.

An outcome of the shopping mall boom in the city is the multiplex and food courts. They have emerged as an integral part of malls and are crucial to its success. Multiplexes have changed the way the people view cinemas. It is now apparent that the budget conscious Kolkattans do not mind paying comparatively higher prices for tickets at multiplexes than at stand alone movie halls and a massive segment of consumers have taken to watching movies at multiplexes. Food courts offer the diversity of a multi-cuisine restaurant and the informal appeal of a coffee shop and thrive on the shoppers and multiplex visitors need for food and drinks. They offer a variety of items with an affordable pricing in a non time-
consuming manner and thus differentiate themselves from the specialty restaurants. There has been a fundamental shift in mind-set of consumers. The joint family has mostly become nuclear. With the double-income families, there has been a shifting role of the woman in the home; and more disposable income coupled with less time to visit markets and cook usually translates to eating out for them. Food courts have also become an ideal location for families and friends to de-stress and bond with each other.

After the retail boom with lifestyle and departmental stores, the supermarket revolution too has arrived. Presently supermarkets are in the proximity of several localities; the differentiating variable being the format and size. More importantly, the consumers are gradually adapting to stocking up on their groceries, vegetables, FMCGs and other essentials in comfort and comparative style. Shoppers do line up at the local kirana store once in a while, and still go back to the bazaar for fresh produce. But whenever and wherever possible, they head to the supermarket. Many of today’s hardworking consumers have lesser time to spend despite the growth in income. This has given rise to a requirement for a one-stop shop to address their monthly or weekly shopping needs. Hence, apart from the shopping experience, consumers also look for value and convenience. Consequently the frozen foods and ready-to-eat packs lining shelves at the supermarkets are slowly catching on.

As the shopping malls currently gaining ground wean a large section of the consumers away from the mundane shopping experience, they introduce them to the pleasures of exploring shopping malls. After all food, grocery and apparel do account for a substantial part of the Indian
consumer’s spending. And the supermarkets are inadvertently taking on the local kirana stores with their aggressive plans for expanding and establishing organized retail formats ranging from large supermarkets to small convenience stores. With supermarkets gearing up to meet both monthly and top-up needs of consumers like milk and bread, which so long was chiefly catered to by the kirana stores, it has made an impact on the mom and pop stores. The change in consumption patterns has been witnessed by the stand-alone retailers in renowned shopping zones in the city. Resultant to this change the stand-alone shops have been significantly affected and are not performing well. It has predictably taken a toll on their sales, but more importantly, it has forced them to revise their strategies and focus on hitherto unknown concepts such as customer service and discount. The question also being asked is, whether they should feel threatened about their existence in this changing scenario or they are equipping themselves with survival strategies. This is the issue we are trying to address through this study. India’s retailing landscape has more than 12 million mom-and-pop stores that are not likely to idly watch their businesses erode as large retailers encroach on their territory.

1.2 Review of existing literature

Dr. Philip Kotler has stated that “the market place isn’t what it used to be” (“Marketing Management”, 11th edition, July 2002). Customers increasingly expect higher quality and service and some customization. In response entrepreneurial retailers are building entertainment into stores with coffee bars, demonstrations and performances. They are marketing an “experience” rather than a product assortment. Subsequently, store-based small retailers are succumbing to the growing power of giant
retailers. David L. Loudon & Albert J. Della Bitta ("Consumer Behavior", 4th edition, 1993) have mentioned that – "consumer's motive for store choice are a function of many variables". Although the influence of the elements differ, factors like store location, store design and physical facilities, merchandise assortment, advertising and sale promotion, store personnel, customer services and clientele (social-class membership) exert great influence on store choice. Today almost every major corporate body is foraying into retail like Pantaloons Retail (India) Ltd. (Kishore Biyani led retail chain), Shoppers' Stop (K Raheja promoted retail chain), Reliance Retail Limited (Mukesh Ambani) and RPG Enterprises Ltd (Sanjiv Goenka) and Hypercity. In this context, it remains to be seen how big the threat to the kirana stores or stand-alone stores is.

The following discussion has been noted in an on-line debate on Reliance's foray in retail, (Jay, 22nd April, 2006), "I've been working for a huge Multinational and my main job is dealing with such Super/Hyper Markets. From my experience I can say that these Hyper Malls are eventually going to make life difficult for all the small stores we used to go to, to get our daily dose of lollipop candies when we were kids. Nowadays even kids prefer to buy their pack of candies from such huge stores. And one should also remember that such big malls offer the customer a unique experience when they shop, regardless of his status, what with even people with not so great purchasing power thronging the stores. Everybody wants to be seen and want to experience the feeling of shopping at such a huge place. Infact people have already started to associate it with status. And the discounts that these super stores offer can only be termed as the cherry on top of the cake. Considering Reliance's
foray into the retail venture, it is a very sound move with the company having Rs.13,000 crores of surplus every year.”

In an article ‘Kirana stores will be killed anyway’ (February 22, 2006), the government warned kirana stores that they will not survive unless they can face the competition and promote consumer interest. According to Mr. Ajay Dua, Secretary, DIPP (Department of Industrial Policy and Promotion), whether or not the sector is fully open to foreign retailers, domestic retailers will face stiff competition from home-grown organized retail chains.

While leaving no room for doubt that local stores located close to hypermarkets and supermarkets will be more affected than others, Mr. Arvind Singhal, Chairman of KSA Technopak, says that there are several options for them to convert their stores into, before going out of business. “Telecom retailing outlets can be put in mom and pop stores and some current retailers could become food service retailers and others could become cyber cafe owners.” (Source: CNN-IBN, October 16, 2006)

Similar Net postings by Yazad, dated July 31, 2004 has an interesting perspective in his argument by singling out the consumers. He states that “it’s a common misconception that big organized retail players like Wal-Mart push out mom and pop stores. It doesn’t. Consumers do, by preferring Wal-Mart to smaller stores. There is an essential difference. Wal-Mart cannot prevent you or me from buying from other stores (like for example a government regulation can). I have found grocery shopping easier in large malls. All the fruits / vegetables are there (some of them pre-cut), and everything I require like masalas, grain etc. Also, it’s easier to browse and select brands in a supermarket compared to a grocer (bania) who might give you very little choice. Once margins are lower,
the 'sale season' will be a thing of the past. Go to Big Bazaar — every
time I've been there something or the other is marked down for a sale.”

Not only the consumers, but even marketers have heralded the change.
As a marketer has related his experience, “I am into food processing and
marketing business for last 4 years. I want to share my experience of
dealing with small retails in neighbourhoods and supermarkets. When I
started marketing products and tried to establish distribution in small
retails (kirana shops) I realized it was so difficult! In cities like Mumbai
and Pune all these retailers have formed association and they don’t keep
products if you don’t have permission from association. Getting
permission from association is very costly for new small businesses. One
time big donation, keeping products with retailers first time for 50%
margin and no guarantee of sale or payment are some of the impediments.
This was nothing but killing entrepreneurship! Now these same people
are crying that Supermarkets are killing their business. This story is
similar to what happened earlier with other consumer goods and auto
sector. In 80’s you had to pay deposit for getting a scooter and wait for 5
years to get scooter. Car models offered were just mediocre. Today we
are offered money (loan) to buy cars with very good choices. Same thing
is happening with retail. Supermarket was a very good experience for me.
Very good terms, prompt payment. Also Supermarket provides a
shopping experience which is very soothing. You can go through several
products, choices before you buy any product. You are offered variety of
products in one place. Small retailers have certain advantages, like credit
offered by them to neighborhood people, easy access to them etc. They
will have to work out to remain competitive”. (Ninad, Apr 26th, 2006).
The cost factor too predominates in the choice exhibited by consumers, “I’d look at the cost of transport (home to mall and back) and compare it with the savings made while shopping at the mall. If cost is less than savings, we’d see a retail boom (Yazad).”

Studies also indicate that even though malls, supermarkets and hypermarkets are the preferred formats by shoppers, the stand-alone shops will not be adversely affected or beaten down in the bargain:

In the article, “Shoppers worldwide shop more at local stores” (February 19, 2006) Weekly Retail News Source: Economic Times, it is argued that even though organized retail sector is picking up speed, sales in the unorganized sector in India added up to Rs. 5,83,000 crore, while the organized sector was only Rs. 5,000 crore. These figures suggest that consumers still shop more at local stores.

The Indian shopper unlike his/her Western counterpart is not an impulsive buyer. The list and budget is drawn out at the beginning of the month and allegiance to the family tailor, carpenter and grocer still survives. Ms. Lahori Chowdhury, a first-year student says, “I need lots of clothes to wear to college and it is unwise to spend too much money buying exorbitantly-priced outfits. The malls have everything under a single roof and the quality is indeed good. But my priority is to ensure the best bargain for my money. Thus, I prefer Sreeram Arcade and New Market.”

Similar sentiment is echoed by Mrs. Sujata Guha, a housewife, who continues shopping at Gariahat despite the onslaught of malls in Kolkata. “There is absolutely no justification in running to these malls to buy
household articles. There is a wide variety on offer at New Market and Gariahat and it is wiser to spend money buying things from there. I don’t care much for ambience as long as I get what I am looking for and it is within my budget.”

Assocham’s President Mr. Anil K. Aggarwal feels that permitting multi-brand retailers to enter India will not affect kirana shops adversely and will instead benefit the average consumer by increasing competition (February 08, 2006, Source: Mumbai Mirror). Retailers are very positive for growth, regardless of which method international companies enter by. The rush at the Big Bazaar Republic Day sale on 26th February, 2006, proves that consumers are hungry for products and the more choice available to them, the more they will spend.

A new study by Technopak Advisors suggests that kiranas will not be beaten down by fancy supermarkets just yet. As Indians are becoming addicted to shopping and the retail environment, both traditional and modern outlets will benefit and are expected to grow by 42% in the next five years. Modern retail outlets will account for 15% of that growth and grow by 75% by 2011 (October 16, 2006 Source: CNN-IBN).

The Economic Times has reported that even though malls, supermarkets and hypermarkets are the preferred formats by shoppers, manufacturers are keen on increasing their time and resources on local kirana stores, such as chemists and pan-beedi stores (Traditional channels still a draw for major retailers, October 30, 2006). Smaller trade channels are being noticed by companies who feel that modern retail cannot grow at the cost of the old and traditional retail stores. Several companies like Hindustan lever Limited through their Super Value Stores, are forming specialized
and dedicated teams for trade marketing to build relationships, manage space and teach these small traders how to increase visibility and signage.

In a net posting, (CK, 2nd August, 2004) the following discussion has been noted. “I think the super stores will be a logistical problem in India because of the following reasons:

1] People will only go to the super store to stock up on supplies.

2] Indians have got a fetish for ‘fresh’ food.

3] They only work in America because everybody has cars. You cannot stock up on a months worth of groceries and take public transport - you just would not be able to carry it all.

From an economic point of view the mom and pop stores should compete or go out of business, but from a logistical point of view and knowing the infrastructure problems and the attitudes of people in India, I doubt large malls will be a success.”

While addressing the audience at the two-day symposium ‘Insight 06’, organized by Loyola Institute of Business Administration (LIBA) in Chennai (Nov 2, 2006) , Mr. Rajan Chhibba, Managing Director, Intrim, said retail is one of the most talked about fields. “Shifting of market power from manufacturer or service providers to the retailer seems inevitable.” According to him, modern retail in the country is still at the crawling stage. “To sustain the present GDP growth rate, we need to add at least 100 million sq.ft. of retail space every year. Talking on the sidelines of the meet, Mr Chhibba said, “Though emerging modern retail is inevitable, it will not eat into the share of kirana stores. Mom-and-pop stores will also upgrade themselves and co-exist. Modern retail is like an
express highway. “Just because we have express highways, we cannot do away with other roads. They (kiranas) are also equally important for the economy. Our traditional pani puri stalls outside McDonald's outlets are still doing brisk business.”

Prashant (30th March, 2006), in his net posting has mentioned that “it would be interesting to see how retail giant companies target the large base of smaller town customers who thrive on small purchases and use credit facilities offered by the kiranawallaha's. How would they tackle the disposable income issue especially for people who survive on weekly wages and those that earn just enough to meet their needs?”

At the same meet, Mr. A. Mahendran, Managing Director of Godrej Sara Lee, also shared the same sentiments. He said, though modern retail is all set to change consumerism in the country with biggies such as Reliance, Tatas, Pantaloons investing heavily in the industry, local kiranas will retaliate by improving customer service and relationship. “For example, those shops will upgrade services by offering door deliveries and extending interest-free credit to their customers and so on,” he said. Traditional mom-and-pop stores will survive by converting themselves into self-service formats.

With the opening of 11 Reliance Fresh stores in Hyderabad, company officials assured small traders that Reliance Fresh stores would not be a threat to them. Mr. Raghu Pillai, President and CEO (operations and strategy) said that kirana store owners and small vendors can benefit by purchasing their stocks from the company’s wholesale stores, Ranger Farms at lower prices. He added that Reliance was “…not harming small retail players... the market is growing by 8 percent which is 24-25 billion dollars (nearly Rs. 1,125 billion) every year... we are aiming at revenues
of only 25 billion dollars in four years... even if the market grows by 100 billion dollars by 2015, organized retail would be still less than 10-12 percent of retail trade (Friday, November 03, 2006, Source: The Economic Times).” The above review is an attempt to provide an insight on the various dimensions persistent in this scenario with the surge of organized retail manifested through shopping malls and supermarkets.

1.3 Research Gap

The review of existing literature has revealed that no such work has been done or published primarily based on Kolkata. At this point it may be noted that the Government has urged such studies to be undertaken in the near future. In a recent article “Left plots retail rules to save corner shops” in The Telegraph, dated 11th March, 2007, Ms. Monobina Gupta has mentioned that the Prime Minister has prodded the commerce and industry ministry to commission a study on the impact of big investment from the organized sector, including FDI, in retail on small shops and other segments. Their to-be-undertaken study has found relevance with West Bengal’s announcement of a Rs. 2,500 crore agro-retail deal with Reliance and simultaneous search for more investors in the fast-growing sector. But certain political parties have voiced their dissent. They are opposed to FDI in retail and there are big Indian Corporates (such as Reliance and Bharti) already operating in the retail market who have given rise to concerns. Consequently the Centre has been urged to “study the possible impact...on the livelihood security of those engaged in small-scale operations”. The State’s research economists at the Jawaharlal Nehru University are studying the models followed by the European countries to regulate big retail outlets. In UK, permission to
shops that exceed 1,000 square metres is given after evaluating impact on corner shops and employment. In Germany, retail centers are not allowed to exceed 1,200 square metres to avoid negative environmental and commercial impact. Guidelines from the European models will be adapted to match the Indian context. The results together with some suggestions could form a loose model for future investments. The politburo is working out restrictions it wants imposed on Indian corporate houses foraying into the retail sector so that they do not hurt small and medium shopkeepers. The corporate retail outlets are to be kept outside city centers and also the size of the plots that can be acquired by them is to be capped. “This will prevent large-scale retail operations and will allow smaller entities to come up.” Arguing for the need to protect corner shops from being squeezed out by retail giants, reasons such as the stagnation in manufacturing, the overcrowding in agriculture and the low wages in both sectors have been cited. “It becomes almost a natural decision for an individual to set up a small shop or a store depending on his or her means and capital.” The article has mentioned that the opposition from within the political parties has already delayed a comprehensive agreement on the Reliance venture and any suggestion proposed by them to the Centre would most likely be implemented in Bengal. The present study thus finds its relevance in the above-mentioned backdrop of Kolkata.

1.4 Objectives of the study

Modern organized retail has entered Kolkata, as seen in sprawling shopping centers, supermarkets, multi-storeyed malls and huge complexes offering shopping, entertainment and food all under one roof.
The whole concept of shopping has altered in terms of format and consumer buying behavior, ushering in a revolution in shopping. Organized retail stores are characterized by large professionally managed format stores providing goods and services that appeal to consumers, in an ambience that is conducive for shopping and agreeable to consumers.

The basic objective behind this study is to derive an assessment as to how far the changing face of retailing has made its impact on Kolkata. As an outcome of this change, whether the stand-alone retailers in renowned shopping zones of the city have been significantly affected in their sales or they have not felt the effect of such change during the last three to four years, that is, the time period when the growth of organized retail has started to gain momentum, is the primary aspect of this study. Also whether any impact has been felt by the stand-alone stores in those places where malls are not yet established, has been taken up as a related issue.

The study also tries to understand the perceptual change in consumer frame of mind regarding acceptance of modern retail outlets and in their shopping experience. An attempt has been made to analyze the various aspects that are contributing to draw out the consumers from their zone-based shopping patterns in local bazaars and move into the organized retail formats which have steadily gained their acceptance. In this context the consumer demographics at the malls have been studied along with the various activities undertaken by consumers during each visit to the mall. The study thus tries to ascertain the underlying causes as to why consumers prefer shopping in malls than in traditional stand-alone stores and derives an assessment of the retail scenario based on these findings.
The market trends indicate that retailing, as an industry, has come into its own. So as a backdrop to the present study, it would also be imperative to study the evolution of the Indian market against which retail has witnessed a boom since around 2003. An attempt has been made to chronicle the advent and establishment of retail development in Kolkata by large organized retailers. India had over 40 million sq.ft. of retail space in 2006. It is not only the large cities, but also non-metro cities like Indore, Jaipur and Ludhiana that are witnessing growth in mall developments. Driven by the increase in the number of organized retailers, a distinct change in the aspirations of the society and profile of the Indian consumer, a large number of developers and corporates are realizing the potential and focus on developing malls. With a handful of anchor tenants, the malls are competing hard with each other. There are other aspects like mall management and development which allow a complete insight into retail. In order to make the study more holistic in its approach, an attempt has been made to understand the dynamics of retail in these contexts and identify the growth prospects and future trends of the market.

1.5 Research Methodology

The present study is both explorative and empirical in nature. The explorative part is supported by various articles published in different journals and magazines, newspaper dailies, books on the said topic written by various authors and a range of information on the research topic available on the web.
The empirical part examines whether the stand-alone stores have felt any negative effect in their sales in the last 3–4 years owing to the establishment of malls in Kolkata and to what extent the impact has been felt in various shopping zones of Kolkata. It also examines whether consumers have increased their shopping at the malls over the last 3–4 years and the underlying causes for the consumers doing so. In other words, it aims to ascertain whether there is any relation between decrease in sales of stand-alone stores and the diversification of consumers to malls in Kolkata. This part of the study is primarily based on surveys and interviews conducted with store-owners/managers and consumers through questionnaires.

The research study is conducted in the following line:

1. A detailed study of the emerging trends in the retail boom, changes in the organized retail environment and its impact on the economy, retailers, developers and consumers.
2. A review of the change in profile of the consumers’ demographics and mind-set of the consumers that ultimately influence the consumer decision process.
3. Sets of questionnaire prepared with pre-determined, well-defined parameters for providing to consumers and stand-alone store owners/managers.
4. Criteria determined for the sample consumers and stand-alone store owners who are to be interviewed, so that the analyzed data yields conclusive results.
5. Data physically collected by means of the survey conducted over a period of July 2004 to March 2007 processed through appropriate
statistical tools (Statistical Package for Social Sciences – SPSS) for analyzing and interpretation.

6. The findings presented and relevant inferences made about the changing trends in the retail market and their impact on both stand-alone retailers and consumers of Kolkata, from the trends that have been derived from the analysis.

1.6 Plan of work

Having defined the objectives and discussed the methodology, the entire work has been segregated as follows:

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1.1 Understanding the nature of the problem
1.2 Review of existing literature
1.3 Research Gap
1.4 Objectives of the study
1.5 Research Methodology
1.6 Plan of work

Chapter-2 Brief history of the development of retail concepts.

Chapter-3 Recent developments in retailing and their contributing factors:

3.1 The International experience
3.2 The Indian experience

Chapter-4 An explorative study of the retail scenario in Kolkata and resultant changes in consumer shopping patterns from January 2001 to December 2006.

Chapter-5 Outcome of the empirical study.

Chapter-6 Conclusions and Suggestions.