Chapter 1

Introduction
INDIAN RETAIL INDUSTRY

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.

India retail industry is the largest industry in India, with an employment of around 8% and contributing to over 10% of the country's GDP. Retail industry in India is expected to rise 25% yearly being driven by strong income growth, changing lifestyles, and favorable demographic patterns. It is expected that by 2016 modern retail industry in India will be worth US$ 175-200 billion. A further increase of 7-8% is expected in the industry of retail in India by growth in consumerism in urban areas, rising incomes, and a steep rise in rural consumption. It has further been predicted that the retailing industry in India will amount to US$ 21.5 billion by 2010 from the current size of US$ 7.5 billion.

The present value of the Indian retail market is estimated by the India Retail Report to be around Rs. 12,00,000 crore ($270 billion) and the annual growth rate is 5.7 percent. Retail market for food and grocery with a worth of Rs. 7,43,900 crore is the largest of the different types of retail
industries present in India. Further more around 15 million retail outlets help India win the crown of having the highest retail outlet density in the world.

A report from McKinsey, 'The rise of Indian Consumer Market', foresees the Indian consumer market growing by four times by the year 2025. The Indian retail industry is the fifth largest in the world. Comprising of organized and unorganized sectors, India retail industry is one of the fastest growing industries in India, especially over the last few years. Though initially, the retail industry in India was mostly unorganized, however with the change of tastes and preferences of the consumers, the industry is getting more popular these days and getting organized as well. With growing market demand, the industry is expected to grow at a pace of 25-30% annually. The India retail industry has grown from Rs. 35,000 crore in 2004-05 to Rs. 109,000 crore by the year 2009. The retail industry is one of the biggest money spinners in the world, notching up US$ 6.60 trillion (Rs. 2.64 crore crore) in turnover (Source: Euromonitor Study). In India the sector is worth Rs. 720,000 crore (US$ 180 billion) growing at between 11% and 12% annually (Source: CII-McKinsey Report).

According to the 8th Annual Global Retail Development Index (GRDI) of AT Kearney, India retail industry is the most promising emerging market for investment. In 2007, the retail trade in India had a share of 8-10% in the GDP (Gross Domestic Product) of the country. In 2009, it rose to 12%. It is also expected to reach 22% by end of the fiscal year 2010. Retail sales in India amounted to about Rs.7400 billion in 2002, expanded at an average annual rate of 7% during 1999-2002. With the upturn in economic growth during 2003, retail sales are also expected to expand at a higher pace of nearly 10%. Across the country, retail sales in real terms are predicted to rise more rapidly than consumer expenditure during 2003-08.

India has the highest retail outlet density in the world; with the unorganized sector contributing a major chunk 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 kirana 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 retail industry in India is currently growing at a great pace and is expected to go up to US$ 833 billion by the year 2017. It is further expected to reach US$ 1.3 trillion by the year 2018 at a CAGR of 10%. As the country has got a high growth rates, the consumer spending has also gone up and is also expected to go up further in the future. In the last four year, the consumer spending in India climbed up to 75%. As a result, the India retail industry is expected to grow further in the future days.

Strong underlying economic growth, population expansion, the increasing wealth of individuals and the rapid construction of organised retail infrastructure are key factors behind the forecast growth. As well as an expanding middle and upper class consumer base, there will also be opportunities in India's second and third-tier cities. The greater availability of personal credit and a growing vehicle population to improve mobility also contribute to a trend towards annual retail sales growth of 11.4 per cent.

According to a McKinsey report published in September 2008, called 'The Great Indian Bazaar: Organised Retail Comes of Age in India', organised retail in India is expected to increase from 5 per cent of the total market in 2008 to 14-18 per cent of the total retail market and reach US$ 450-billion by 2015. Modernization of the Indian retail sector will be reflected in rapid growth in sales of supermarkets, departmental stores and hypermarts. Sales from these large-format stores are to expand at growth rates ranging from 24% to 49% per year during 2003-2008, (according to a latest report by Euromonitor International, a leading provider of global consumer-market intelligence.) The growth in the overall retail market will be driven largely by the explosion in
the organised retail market. Domestic retailers continue to invest heavily in increasing their store networks and improving in-store offerings, and the impact they have on growth will be boosted by the arrival of expansion-orientated multinationals.

The phenomenal growth in the Indian retail sector in India has created job opportunities in different areas. According to the Global Retail Development Index 2012, India ranks fifth among the top 30 emerging markets for retail. Increased consumerism with a capacity to spend on luxury items and increased spending power in the hands of Indians are few of the many factors that have led to the growth of this sector. India's consumption pattern owning to diversity in culture, religion and the family values encourage spending on specific occasions keep the retail business well oiled and special occasions such as marriages add a big dimension to the retail spends.

The India's retail sector is estimated to be around $450 billion and the organized retail accounts for around 5% of the total market share. It is estimated that the retail sector would continue to grow at 10-12% per annum, which is extremely encouraging when the country's economy is only projected to grow at 6%.

A booming economy and a growing affluent middle class has increased the purchasing power of people. There is great emphasis on personal care items and luxury goods. Urbanization has lead to densely packed cities and towns, which has led to the retail giants rolling out store after store in almost all A and B class cities in the country. Saturation of retail business in the European and other Asian markets has also prompted foreign retailers to set shop in India. The dream run of the retail industry has thus opened vast employment opportunities for the youngsters in India. Favorable demographics, rising consumer incomes, real estate developments, especially the emergence of new shopping malls, availability of better sourcing options both from and within India and overseas and changing lifestyle have transformed hitherto savings oriented and conservative Indian consumers and made them akin to those in developed markets (Kumar, 2005)

India is ready to enter into the next stage of retail evolution where a large number of players would build scalable models with India wide appeal with an aim to be sustainable in the long
term. There are abundant opportunities, across formats and categories, as the new Indian consumer has clearly demonstrated a readiness for all organized retailing segments. As the case has been in retail markets across the globe, the influx of foreign brands into India shall transform the retail landscape as domestic players grow bigger and become more innovative in the face of enhanced competitive pressures. All this will spell good news for the Indian consumers who will be inundated with a flurry of state-of-the-art products and services at reasonable prices - a state they have long craved for (Srivastava, 2008). Simple retailing is maturing into a more microscopic and systematized process. The traditional era saw the emergence of the neighborhood store to cater to convenience of the Indian consumers.

The era of government support saw indigenous franchise model. The growth factors in Indian organized sector are various but it is mainly due to the fact that India's economy is booming. Many Indian companies have entered the retail industry in India and this is also a factor in the growth of Indian organized retail sector. Reliance Industries Limited is planning to invest US$ 6 billion in the organized retail sector in India by opening 1500 supermarkets and 1000 hypermarkets. Bharti Telecoms is planning a joint venture worth £ 750 million with Tesco a global retail giant. Pantaloon is planning to invest US$ 1 billion in order to increase its retail space to 30 million square feet. Such huge investment is also a factor in the growth of the organized retail sector in India.

Global retail giants are also entering the retail industry in India and this is also one of the factors in the growth of the organized retail sector in India. The global retail giants who are entering the organized retail sector in India are:

- Wal - Mart
- Tesco
- Carrefour SA
- Metro AG

The factors for growth in Indian organized retail sector are many and that the reason behind its massive growth. But for this to continue both the Indian retailers and the government will
have to work together. Growth of Retail Companies in India is still not yet in a matured stage with great potentials within this sector still to be explored. Apart from the retail company like Nilgiri’s of Bangalore, most of the retail companies are sections of other industries that have stepped in the retail sector for a better business. The Growth of Retail Companies in India is most pronounced in the metro cities of India, however the smaller towns are also not lagging behind in this. The retail companies are not only targeting the four metros in India but also is considering the second graded upcoming cities like Ahmedabad, Baroda, Chandigarh, Coimbatore, Cochin, Ludhiana, Pune, Trivandrum, Simla, Gurgaon, and others. The South Indian zone have adopted the process of shopping in the supermarkets for their daily requirements and this has also been influencing other cities as well where many hypermarkets are coming up day to day.

**MARKET SIZE**

The Boston Consulting Group and Retailers Association of India published a report titled, ‘Retail 2020: Retrospect, Reinvent, Rewrite’, highlighting that India’s retail market is expected to nearly double to US$ 1 trillion by 2020 from US$ 600 billion in 2015, driven by income growth, urbanisation and attitudinal shifts.

The report adds that while the overall retail market is expected to grow at 12 per cent per annum, modern trade would expand twice as fast at 20 per cent per annum and traditional trade at 10 per cent.

Retail spending in the top seven Indian cities amounted to Rs 3.58 trillion (US$ 57.6 billion), with organised retail penetration at 19 per cent as of 2014. Online retail is expected to be at par with the physical stores in the next five years.

India is expected to become the world’s fastest growing e-commerce market, driven by robust investment in the sector and rapid increase in the number of internet users. India’s e-commerce market is estimated to expand to over US$ 100 billion by 2020 from US$ 3.5 billion in 2014.
REASONS FOR THE FAST GROWTH OF RETAIL COMPANIES IN INDIA:

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 eying India as huge potential market in organized retail sector. The retail companies are found to be rising in India at a remarkable speed with the years and this has brought a revolutionary change in the shopping attitude of the Indian customers. The Growth of Retail Companies in India is facilitated by certain factors like-

• Existing Indian middle classes with an increased purchasing power

• Rise of upcoming business sectors like the IT and engineering firms

• Change in the taste and attitude of the Indians
• Effect of globalization

• Heavy influx of FDI in the retail sectors in India

Retailing sector is the second largest employer in the country with almost over 12 million retail outlets in India though it is fairly fragmented. Organized retailing is gaining momentum rapidly growing at almost 25-30% per annum. It is forecasted to be 10% of the total retailing by the end of 2010. According to the Union Minister of Commerce & Industry, Shri Kamal Nath, the organized retail sector is expected to grow to a value of Rs. 2,00,000 crore (US$45 billion) and may generate 10 to 15 million jobs in next 5 years. The jobs can come in two broad forms: 2.5 million of these opportunities may be associated directly with retailing and the rest 10 million may be generated in related sectors that will be pulled up through the strong forward and backward linkage effects. (Economy Watch, 2010)

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INVESTMENT SCENARIO

The Indian retail industry in the single-brand segment has received Foreign Direct Investment (FDI) equity inflows totalling US$ 275.4 million during April 2000–May 2015, according to the Department of Industrial Policies and Promotion (DIPP).

With the rising need for consumer goods in different sectors including consumer electronics and home appliances, many companies have invested in the Indian retail space in the past few months.

Paytm plans to set up 30,000–50,000 retail outlets where its customers can load cash on their digital wallets. The company is also looking to enrol retailers – mostly kirana stores – as merchants for accepting digital payments.
Mobile wallet company MobiKwik has partnered with Jabong.com to provide mobile payment services to Jabong’s customers.

DataWind partnered with HomeShop18 to expand its retail footprint in the country. Under the partnership, HomeShop18 and DataWind would jointly launch special sales programmes across broadcast, mobile and internet media to provide greater access to the latter’s tablet range.

FashionAndYou has opened three distribution hubs in Surat, Mumbai and Bengaluru to accelerate deliveries.

Abu Dhabi-based Lulu Group plans to invest Rs 2,500 crore (US$ 402.0 million) in a fruit and vegetable processing unit, an integrated meat processing unit, and a modern shopping mall in Hyderabad, Telangana.

Aditya Birla Retail, a part of the US$ 40 billion Aditya Birla Group and the fourth-largest supermarket retailer in the country, acquired Total hypermarkets owned by Jubilant Retail.

With an aim to strengthen its advertising segment, Flipkart acquired mobile ad network AdiQuity, which has a history of mobile innovations and valuable experience in the ad space.

US-based Pizza chain Sbarro plans an almost threefold increase in its store count from the current 17 to 50 over the next two years through multiple business models.

Amazon, the world's largest online retailer, is readying a US$ 5.0 billion war chest to make India its biggest market outside the US.

Wal-Mart India Private Ltd, a wholly owned subsidiary of Wal-Mart Stores Inc., plans to open 500 stores in India in the next 10–15 years.

British retail major Tesco invested Rs 850 crore (US$ 133.8 million) in multi-brand retail trading by forming an equal joint venture with Tata group company Trent; to form the joint venture, Tesco purchased 50 per cent stake in Trent Hypermarket Ltd (THL). THL operates the Star Bazaar retail business in India.
GOVERNMENT INITIATIVES

The Government of India has taken various initiatives to improve the retail industry in India.

IKEA, the world’s largest furniture retailer, bought its first piece of land in India in Hyderabad, the joint capital of Telangana and Andhra Pradesh, for building a retail store. IKEA’s retail outlets have a standard design and each location entails an investment of around Rs 500–600 crore (US$ 80.4–96.5 million).

The Government of India has accepted the changes proposed by Rajya Sabha select committee to the bill introducing Goods and Services Tax (GST). Implementation of GST is expected to enable easier movement of goods across the country, thereby improving retail operations for pan-India retailers.

The Government has approved a proposal to scrap the distinctions among different types of overseas investments by shifting to a single composite limit, which means portfolio investment up to 49 per cent will not require government approval nor will it have to comply with sectoral conditions as long as it does not result in a transfer of ownership and/or control of Indian entities to foreigners. As a result, foreign investments are expected to be increase, especially in the attractive retail sector.

TRADITIONAL RETAIL SCENE IN INDIA

India is the country having the most unorganized retail market. Traditionally the retail business is run by Mom & Pop having Shop in the front & house at the back. More than 99% retailers function in less than 500Sq.Ft of area. All the merchandise was purchased as per the test & vim and fancies of the proprietor also the pricing was done on ad hock basis or by seeing at the face of customer. Generally the accounts of trading & home are not maintained separately. Profits were accumulated in slow moving & non-moving stocks which were to become redundant or consumed in-house. Thus profits were vanished without their knowledge. The Manufactures were to distribute goods through C & F agents to Distributors & Wholesalers. Retailers happen to source the merchandise from Wholesalers & reach to end-users. The merchandise price used to get inflated to a great extent till it reaches from Manufacturer to End-user. Selling prices were
largely not controlled by Manufacturers. Branding was not an issue for majority of customers. More than 99% customers are price sensitive & not quality or Brand Sensitive at the same time they are Brand conscious also. Weekly Bazaar in many small towns was held & almost all the commodities were on the scene including livestock. Bargaining was the unwritten law of market. Educational qualification level of these retailers was always low. Hence market was controlled by handful of distributors &/or Wholesalers. Virtually there was only one format of retailing & that was mass retail. Retailer to consumer ratio was very low, for all the categories without exception. Variety in terms of quality, Styles were on regional basis, community based & truly very low range was available at any given single place. Almost all the purchases / (buying) by mass population was need oriented & next turn may be on festivals, Marriages, Birthdays & some specific occasions.

Impulsive buying or consumption is restricted to food or vegetables etc. Having extra pair of trousers or Shirts or Casuals & Formals & leisure wear & sports wear & different pair of shoes for occasions is till date is a luxury for majority population except for those living in Metros. Purchasing power of Indian urban consumer is very low and that of Branded merchandise in categories like Apparels, Cosmetics, Shoes, Watches, Beverages, Food, Jewellery, are slowly seeping into the lifeline of Indian City folks. However electronic & electrical home appliances do hold appropriate image into the minds of consumers. Brand name does matter in these white goods categories. In the coming times also majority of organized retailers will find it difficult to keep balance with rest of the unbranded retail market which is very huge.
INDIAN RETAIL IS MOVING INTO SECOND GEAR

1) FIRST GEAR:

(Create awareness)

* New retailers driving awareness

* High degree of fragmentation

* Real estate groups starting retail chains

* Consumer expecting 'value for money' as core value

2) SECOND GEAR:

(Meet customer expectations)

* Consumer-driven

* Emergence of pure retailers

* Retailers getting multi-locational and multi-format

* Global retailers evincing interest in India

3) THIRD GEAR:

(Back end management)

* Category management

* Vendor partnership

* Stock turns
* Channel synchronization
* Consumer acquisition
* Customer relation's management

4) FOURTH GEAR:

(Consolidation)

* Aggressive rollout
* Organized retail acquitting significant share
* Beginning of cross-border movement
* Mergers and acquisitions

**ORGANISED & UNORGANISED RETAIL IN INDIA**

The Retail Sector in India can be split up into two, the organized and the unorganized. The organized sector whose size has tripled by 2010 can be further split up into departmental stores, supermarkets, shopping malls. In terms of value the size of the retail sector in India is $300 billion. The organized sector contributes about 4.6% to the total trade. The retail sector in India contributes 10% to the Gross Domestic Product and 8% to the employment of the country. In terms of growth the FMCG retail sector is the fastest growing unit relating to household care, confectionery etc, have lagged behind the foreign retail giants were initially restricted from making investments in India.

Despite its massive size, the business is almost entirely controlled by the unorganized sector. While organised retail makes up 70% to 80% of all retail business in developed countries, in India it is pegged at a lowly 2% (Source: Crisil Report on India’s Retail Industry). This is by far the lowest in the world and even far below comparable countries in Asia. In China, organised retailing accounts for 20% of all business, while in Indonesia it is 25%, in Philippines 35%, in Thailand it is pegged at 40% and in Malaysia it is reputed to be 50% (Source: Euromonitor Study).
THE ORGANISED RETAIL SCENARIO IN INDIA

Indian consumers have typically patronized small, traditional retail stores, similar to independently owned “mom and pop” stores in western countries. This is due to the high level of personalized service and the low-priced apparel products with low-cost tailoring offered by these small Indian stores (Sinha & Banerjee, 2004). Since liberalization of trade policies in 1991, the retailing environment in India has noticeably changed due to introduction of western retail formats. The modern or organized retail sector in India is reflected in sprawling shopping centers in the form of multiplex-malls that offer shopping, entertainment, and food all under one roof—ushering in a shopping revolution in India. Malls comprise 90% of the total future retail development in India (Kumar, 2007). As markets have evolved, domestic Indian retailers and small stores have also adjusted their formats and operational strategies to cater to different shopper needs and changing consumer trends. Rapid economic growth, spurred by multinational investments in India in the past five to seven years, has resulted in greater incomes for the booming Indian middle class. Disposable income in India is expected to increase at an average of 8.5% per annum until 2015 (Kulpati, 2006). An increasingly urbanized demographic, rapid development of shopping malls, an emerging class of brand-conscious consumers, and various influences from the western world are changing the face of the Indian retail industry (Kumar, 2007). A recent market survey by Kaur and Singh (2007) revealed that the high-growth path of shopping mall development in India is a direct outgrowth of emerging consumerism. Today, consumers in India are demanding more quality, entertainment, and lifestyle-related goods, along with brand-name merchandise at competitive prices.

The rapid transition of India to a market economy has increased the number of products and services available to consumers. Young Indian consumers are satisfying their shopping expectations by patronizing modern, organized stores such as malls, thereby departing the small independently owned stores (Bhatnagar, 2008; Sinha & Banerjee, 2004). These consumers find malls an appealing way to escape the summer heat. The elements of good music, efficient use of space, window-shopping opportunities, a one-stop shopping destination, fine-dining restaurants, and fast-food eateries are also attractive to many Indian consumers. Although the traditional retail stores still exist in abundance, malls are beginning to gain acceptance in India. Differences
may exist by age and other consumer demographics in terms of the appeal of malls, however, making it vital to understand what motivates consumers in India to patronize mall-based retail formats.

Today, there are an estimated 150 malls in India, and the sad reality is that only around 20-25 of these are successful. Malls like Select City Walk and Ambience in the NCR, Inorbit and High Street Phoenix in Mumbai, Forum in Kolkata, Garuda and Forum in Bangalore have done a phenomenal job of creating shopping and leisure destinations for consumers and retailers. However, with fewer than 20% malls delivering on the customer and financial counts, one can clearly say that the mall revolution has not been a grand success in India. In terms of business growth, the tremendous growth in Indian retail sector can be attributed majorly to the revolution brought in by malls. With increasing number of malls & retail outlets, a retailer can achieve economies of scale quickly. The arrival of global retail majors combined with their mega projects will further boost the development of shopping malls in the country. Clearly they will need additional retail space, which is not possible without the construction of more and more malls in the country.

Recent retail research is beginning to focus on the hedonic aspects of the in-store experience, such as the affective response of excitement. However, no recent research has investigated, in a comprehensive manner, the multiple and varied hedonic reasons, or motivations, behind people going for shopping. Therefore, given the current focus by retailers on the motivational aspects of shopping and the general lack of academic activity in this area, there is clearly a need for research on this issue. This study investigates the motivational reasons behind people going for shopping.

Modern retail in India could be worth US$ 175-200 billion by 2016. The food retailing industry in India dominates the shopping basket. The mobile phone retail industry in India already a US$ 16.7 billion business, growing at over 20% per year. Retailing in India is witnessing a huge revamping exercise. India is rated the 5th most attractive emerging retail market: a potential goldmine. As per the report by KPMG the annual growth of the department stores is estimated at 24%. Food and apparel stores retailing are key drivers of growth.
RETAIL FORMATS IN INDIA:

- **Hypermarts/supermarkets**: large self-servicing outlets offering products from a variety of categories.

- **Mom-and-pop stores**: they are family owned business catering to small sections; they are individually handled retail outlets and have a personal touch.

- **Departmental stores**: are general retail merchandisers offering quality products and services.

- **Convenience stores**: are located in residential areas with slightly higher prices goods due to the convenience offered.

- **Shopping malls**: the biggest form of retail in India, malls offers customers a mix of all types of products and services including entertainment and food under a single roof.

- **E-trailers**: are retailers providing online buying and selling of products and services.

- **Discount stores**: these are factory outlets that give discount on the MRP.

- **Vending**: it is a relatively new entry, in the retail sector. Here beverages, snacks and other small items can be bought via vending machine.

- **Category killers**: small specialty stores that offer a variety of categories. They are known as category killers as they focus on specific categories, such as electronics and sporting goods. This is also known as Multi Brand Outlets or MBO's.

- **Specialty stores**: are retail chains dealing in specific categories and provide deep assortment. Mumbai's Crossword Book Store and RPG's Music World is a couple of examples.
CHALLENGES & OPPORTUNITIES

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. Hence there is a huge potential to grow.

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$ 1000 billion by 2016.

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.

- 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 hypermarts—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 up market 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.

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.
For a start, these retailers need to invest much more in capturing more specific market Intelligence as well as almost real-time customer purchase behavior information. As the retail marketplace changes shape and competition increases, the potential for improving retail productivity and cutting costs is likely to decrease. Therefore, it will become important for retailers to secure a distinctive position in the marketplace based on value, relationships or experience. Finally, it is important to note that these strategies are not strictly independent of each other; value is function of not just price, quality and service but can also be enhanced by Personalization and offering a memorable experience.