CHAPTER – 1

INTRODUCTION

Selling and sloganeering have developed a symbiotic relationship in today’s world of business and commerce. ‘Consumer is king’, ‘consumer is always right’, ‘consumer can do no wrong’, ‘consumer is sovereign’, are some of the phrases which are frequently used to lend importance to the consumer in the retail world. This world is the one where a consumer comes in direct contact with the retailer while buying goods for daily use, or lifetime durables, or even trendy goods. A retailer is a person who is involved in selling goods and/or services to the consumers for their personal consumption. A retailer, in other words, is that last link in the distribution channel that fills the gap between the producer and the consumer. Retailing is the business of buying goods in large quantities from producers and arranging the goods in small lots by breaking the bulk for selling them to the consumers for their personal or family needs. Since the consumer keeps the whole retail world moving, each and every retailer, irrespective of the size of his business, gives the consumer the ultimate attention. The following words of Gandhiji (1934) rightly describe the importance of the consumer for retailers.

The customer is the most important person in our premises. He is not dependent on us, we are dependent on him. He is not an interruption of our work, he is the purpose of it. He is not an outsider on our business, he is part of it. We are not doing him a favour by serving him; he is doing us a favour by giving us the opportunity to do so (Vedamani, 2006, p.6).

The importance of the role of a retailer cannot be undermined in the business of marketing. The retailer is considered as the crucial link between the producer and the consumer because of being close to the consumers. He is in the best position to convey their demands and expectations to the producers and, in return, provide them with what they want.

Retailing is stated to be 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 (Levy and Weitz, 2006, p.6; Newman and Cullen, 2007, p.12).
A retailer is a person, agent, agency, company or organization, which is instrumental in reaching the goods, merchandise or services to the ultimate consumer. He performs specific activities such as anticipating consumer wants, developing assortments of products, acquiring market information and financing.

Retailing includes all the 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 (Kotler and Keller, 2009, p.442).

The North American Industry Classification System (NAICS) also specifies that the retail trade sector comprises establishments primarily engaged in retailing merchandise, generally without transformation, and rendering services incidental to the sale of merchandise (Pradhan, 2006, p.4).

In other words, a retailer performs two-way functions: on one hand, he arranges the movement of goods from producers to consumers, breaking the bulk and adding to their value for the convenient consumption of goods and above all, providing the right goods at the right time, at the right place and at the right price. On the other hand he communicates to the producers the demands, expectations and suggestions of the consumers, the market trends, the position of competitors in the market, anticipated future market trends based on changes in the tastes, preferences, incomes, spending habits, market trends, etc. This reverse channel of information sharing ensures that in future the production can be based on expected needs and requirements of the final consumers. The basic ideology of modern marketing is:

“Don’t sell what you happen to make and feel convenient to produce. Produce and make what the consumers want” (Kaur, 2005, p.1).

Phrases like ‘mass production’ and ‘mass marketing’ have transformed into a new concept, which we now call ‘mass customization’. Mass customization has led to a new meaning of production that is, producing goods on the specifications given by the user customer to suit his requirement – utilization-wise as well as price-wise. The concept has become very popular and has been widely adopted by manufacturers and retailers. The manufacturers do
not want to lose even a single customer in the ever-increasing competition; as the cost of losing one customer to your competitors might be far more than producing the product of his choice. This has come out as one of the causes for close relations between the producers and the retailers and also for vertical integration in the distribution channel resulting in either producers opening their own retail outlets (e.g., Dell) or big retailers, like Big Bazaar, who have started producing the required merchandise.

1.1 THE RETAIL WORLD

The retail sector has undergone an expansive change over the past few years. In this changing environment, retailers have redefined their roles in the chain of distribution. They work as a lighthouse of information regarding customers, which is relayed to the producers and they also advise them on the type of new products that should be launched in the market so that the producers may gain success and boost market share. Retailers indicate the acceptability of the newly launched products by providing relative shelf space to each producer. Kaufman et al., (2006) have also supported this fact in their study, which indicated that given the proliferation of new products, producers have to face a serious problem regarding fixed shelf space. The study further showed that a relationship between buyer and salesperson, or between firms and sellers does influence the acceptance of a new product when it is modestly attractive than being very or not attractive at all. At a level where the product is of modest attractiveness, the chances of acceptance of this new product can increase even up to 60 per cent if the buyer shares a sound relationship with the salesperson. In addition to this, retailers provide several more services to manufacturers, consumers and other middlemen.

Retailing is a dynamic industry, which is primarily changing with the changing needs and demands of consumers and changing market environment. This change has introduced many new retail formats that have transformed the whole concept of shopping for the consumers. Besides new technology and opportunities, these formats have also brought many challenges such as deciding upon suitable products and services, selecting target markets with appropriate market strategies, creating appealing shopping environment, maintaining proper supply chain, etc. for the retailers.
The major functions performed by the retailers are as follows (assorted from Bajaj et al., 2006; Newman and Cullen, 2007):

1. **Sorting Merchandise** – Usually manufacturers produce goods with a very little variety. The bulk of their production is based on their specialization. They intend to sell the whole produce to a few middlemen in order to reduce the cumbersome complexities of business dealings and to save time and costs involved. On the other hand, the consumers demand and expect more variety as well as genuine prices for the goods they need. Retailers try to strike a balance on both sides by buying big bulks from manufacturers, assorting them in small lots and providing goods in small lots to consumers. This provides consumers an opportunity to choose and buy from a variety of brands, designs, prices, etc. at a single store, or otherwise they would have to visit exclusive stores of different manufacturers with limitation of designs as well as prices. Shoppers Stop is a kind of store that provides a large variety in apparel as well as cosmetics/accessories, etc. to the elite class, whereas stores like Pantaloons, Lifestyle, etc. serve to the middle and upper middle class consumers.

2. **Breaking Bulk** – Like the term retail itself means “to cut a piece off” or “to break the bulk”, it clearly indicates the first and foremost function of any retailer. As discussed earlier, the manufacturers sell big bulks because it is cost effective, and the retailers break this bulk. In other words, they repack the goods in small quantities and make it convenient for customers to buy the right quantities for their personal consumption.

3. **Holding Inventory** – Another function that highlights the importance of a retailer is, holding or restraining extra stock for tough times, for both manufacturers and consumers. This way they provide a shield of sufficient time to the manufacturers to work on future production. Holding stock saves the consumers during tough times of shortage of stock, and also helps in controlling undue rise in prices. It also helps consumers in reducing their holding costs, which they might have to incur had they purchased extra stock foreseeing any future shortage.

4. **Providing Additional Services** – While selling the goods, the ownership is also transferred to the buyer and this is facilitated by the retailer. In addition to this, they also
make appropriate arrangements to provide commodious services like guarantee, after-sales services, taking customers’ complaints, providing installation facilities, etc. to the customers. They also offer credit and hire purchase facilities to suit the requirement of the customers. Moreover, it also helps the retailers to target and attract more and more potential customers in the market.

5. **Transport and Advertising** – Retailers and manufacturers facilitate each other by providing carriage facilities (i.e. transportation), time facility (i.e. warehouse/storage), advertising facility, etc. Such facilities are provided either when the manufacturer is small and is not able to incur heavy expenditure on such facilities, or when a number of small retailers are dealing with the manufacturer.

6. **Channel of Communication** – Retailers work as an effective channel of communication for both producers and consumers. They are able to provide first hand information and also detailed descriptions of the products they are selling to the consumers. Sometimes they even arrange for the demonstration of the newly launched products. This helps retailers to attract potential customers in the market. Manufacturers get information from retailers about the customer response, future sales, changing trends in the market, availability or shortage (if any) of the stock in near future, etc. This also helps manufacturers to work on the grievances, and also planning for future demands of both consumers and retailers.

In brief, it can be said that a retailer performs manifold functions that underline the importance of his existence in any channel of distribution in the market.

1.2 **THE EVOLUTION OF RETAILING**

Retailing is a story of revolution in the shopping habits of the people across the entire world. Retailing has passed through many stages of evolution in all areas starting from the initial concept of supermarket and department stores to the shopping malls. By 1850 many American retail formats emerged, of which the department store format became popular and important. “Few stores opened at that time included Macy’s in 1858 and Richs were
established in Atlanta in 1867. While the first men’s store was established in Ohio in 1851” (www.suite101.com). Earlier in the twentieth century, the emergence of department stores and supermarkets made consumers familiar to such formats. The aspects such as better quality products and services helped in gaining popularity to these formats. The concept of self-service is also considered to be the innovation of supermarkets. Some claim that,

The first true department store in the world was founded in Paris in 1852 by Aristide Boucicaut and was named Bon Marche. America had witnessed the emergence of supermarket revolution in early 1920s, and by the 1950s it had gained recognition throughout the country (Lamba, 2008, p.4).

These formats used to secure goods in bulk, which were further sold as it is at the retail outlets. The retailers improved their quality and service for the consumers by acquiring the expertise that helped them in developing the best stores possible. “By the late 1950s, about 40 per cent of the American population was buying its groceries from these organized retail stores” (Lamba, 2008, p.5). With the growth of supermarkets, the concept of self-service became more popular to other goods in addition to food and groceries. “The start of self-service in 1912 in southern California and the subsequent emergence of the first full-fledged supermarket, King Kullen, in New York in 1930 were significant developments in the history of U.S. retailing” (Sternquist and Kacker, 1994, p. 2).

The concept of self-service spread to the various countries across the world with the variation in its implementation and was widely acclaimed by the consumers. But the overwhelming success of the retail revolution has given rise to new kind of competition among various store formats. This competition caused dramatic changes in the retailing industry throughout the world that transformed many old and informal stores formats into new formats. This further helped the retailers in the successful development of these new formats and deal with the changes in the market over the time.

1.3 RETAILING GOING GLOBAL

With the palpably felt sea change in the global retail sector we also see a significant difference from the days when all retail shops were family-owned businesses. Right from the time of commencement of their businesses, retailers were interested in crossing the
national boundaries and going international by venturing into markets of other countries. In fact, the business of retailing can be clearly defined as a global business. Our country has a long history of going international. The “Silk Route” that took trade across borders and seas is a unique example of our trading heritage. Retailers in the modern world have made expansion an integral part of their overall strategy.

In some developed countries, some big retail business houses in the organized sector have near 40 per cent of the market share. As in the case of United States of America, up to 80 per cent of retail sales are contributed by the organized sector alone. Similarly, the organized retailing is developing successfully in countries like Thailand, Brazil and India though unorganized retailers mainly rule the market in these countries. As stated by various experts the organized retail in India is very small, despite the fact that India is one of the biggest markets in the world, contributing around 10-11 per cent of the country’s GDP. India has over 12 million retailers with majority of them running family businesses and operating at a very small scale. This is making ample space for the development of organized retailing in Indian market. The ventures of the big international players have furthered the process of growth in the developing countries. For instance, many of worlds’ apex retailers have recognized Asian countries like India, China, Thailand, etc. as potential investment destinations and proposed significant investment plans in these countries. The retail experts are of the opinion that FDI in these countries has not affected the unorganized retailers but has in fact generated newer opportunities resulting in increase in turnover as well as employment opportunities.

1.4 RETAILING: THE INDIAN STORY SO FAR

The modern concept of organized retailing is not new to the consumers of India. The existence of formats like shopping centers and malls (though small in size) in late nineteenth and twentieth centuries has already confirmed that they are well acclaimed by the consumers.

The shopping center concept came into the existence in year 1869, with Mumbai Crawford market and Kolkata’s New Market in 1874. The underground shopping complex Palika Bazaar in New Delhi was established in the late 1970s and mini malls on the Bangalore’s Brigade Road came into existence in 1980s (www.papers.com).
But, it is believed that the unorganized retailing existed in India only till 1980s. It was highly fragmented and consisted predominantly of small, independent and owner-managed shops. The typical retailer owned a small shop (about 200 sq. ft.) either close to a residential area or shopping area in the city. He had a limited catchment area and knew most of the customers personally. The local kirana shops, paanwala, vendors, etc. constitute this unorganized market. Presently, there are over 12 million retail outlets of various sizes and formats and most of them are independent and contribute as much as 95 per cent of the total retail sales. Though they are following old business strategies, they are still quite capable of providing satisfactory services to the customers as they share good personal relations with most of their clientele. Adding to this, they also provide customers with additional services like free home delivery, frequent discounts, credit facility, etc. This traditional retail still happens to be running successfully in India. It is believed that “India, the land of a billion consumers, fed by 12 million plus retailers, is diverse in taste, needs and per capita income of its people; where street vendors coexist comfortably with fancy department stores and high-tech malls dot its landscape” (India Retail Report, 2009, p.253). Here there is a need to mention that according to experts’ projections the organized retail sector is expected to be around ₹2,03,000 crores by the year 2010 (India Retail Report, 2009, p.78).

Vedamani’s views on the changing habits of the Indian consumer are worth mentioning. The Government’s trade policy in post liberalization era towards many consumer goods acted as a booster that changed the whole scenario of the retail sector and the consumptions patterns of the consumers.

Over the last decade, there has been a significant evolution in the Indian consumer, his lifestyle and habits. This change is mainly due to liberalization of the consumer goods industry that was initiated in the mid-eighties and accelerated through the nineties, combined with a growing consumerism driven by media, new opportunities and increasing wealth. Although this change is most noticeable in the metros, it has affected consumers in small towns as well (Vedamani, 2006, p.13).

Factors such as untapped markets, high disposable incomes and more potential consumers have attracted organized retailers from metro cities to other small cities throughout India. “While households in cities such as Chandigarh and Ludhiana have high surplus incomes compared to Mega cities, their much smaller populations force marketers to treat them as
niche markets” (India Retail Report, 2009, p.38). The fast growth of this sector has not only attracted big Indian corporates but also global retailers. The industry demanded more trade liberalizations to secure new technologies, technical know-how, financial support, etc. This has benefited many private companies as the restrictions on their businesses were removed, making economy more market friendly. Post liberalization, the emergence of a large middle class that had good spending power helped the retailing sector by creating a huge demand for various products. The increasing ratio of the working women, increase in the number of nuclear families, rise in household incomes with both the partners working further fuelled the demand for products and services, attractive ambience, convenience and above all facility of one-stop shopping.

The change in the living lifestyle, increase in nuclear families, rising incomes, changing demands, etc. are few of the many factors that supported the growth of many new retail formats such as department stores, supermarkets, shopping malls, etc. in the Indian retail sector. In this manner, the organized retailing, as the world knows it, was born in India.

1.5 THE EMERGENCE OF ORGANIZED RETAILING IN INDIA

The very concept of retailing, however, is still underdeveloped in India. The retail sector is highly fragmented, which is mainly controlled by unorganized retailers and organized retail exists at a very nascent stage.

Of the 12 million retail outlets, more than 80 per cent are owned by small family businesses, which employ only their family members. China and Brazil took 10-15 years to raise the share of their organized sectors from five to 20 and 38% respectively. India too is following the same route (Hindustan Times, July 29, 2006).

The new sale formats have made a special place in the market with new products, wide variety, more services, etc. The convenience of everything at one place and an enjoyable shopping experience has attracted consumers towards these formats. Vaidya has discussed how enthralled the consumers are with the aura of organized formats.

The typical outlet in the organized retail format in India is located in the locality specific shopping areas. The outlet provides the self-service facility to the customers. The wide range of products is stocked under one roof considering the
entire shopping needs of the customers. It aims at providing a memorable experience to the customers while they shop. Air-conditioned environment, trial rooms, tester packs, demonstrations, escalators, cafeteria, etc. are a few facilities that make a shopping a more comfortable and memorable experience. (Vaidya, 2004).

The availability of all these factors together makes consumers’ shopping trip an enjoyable and memorable experience. They prefer to travel to their favourite shopping destinations without minding the distance to get there. The consumers’ appeal to these stores not only lies in the variety of products but also in the attractive and affordable prices. With the support of trade liberalization and more sophisticated manufacturing techniques the manufacturers have been able to create goods that are less expensive and of higher quality.

Rangan presents the case of India’s first brand launcher in men’s readymade garments by Kishore Biyani in 1987. The success of Pantaloons and Big Bazaar has proved that the consumers also like local branded products. These formats have discovered a new set of customers who prefer affordable local branded goods than highly branded expensive goods provided these are trendy, of good quality and come with reasonable price tags. But the increasing incomes have also increased the affordability of the consumers with time. This rising demand for consumer goods has also provided an opportunity to many other retailers to launch their own private brands. “Ordinary people are buying what the rich can afford. A surprising number of consumers have accepted private label brands in a country, where small, individual stores selling no-name goods have been the rule for decades” (Rangan, 2004, p.1). Though it would be difficult and take some time to change the mindset of the Indian consumer for the adoption of branded goods and services, but Neel Raheja, Executive Director, Shoppers’ Stop chain of department stores, opined that the number of branded goods would grow from 2 per cent to 20 per cent of the consumer market over the next five years (Hanna, 2004). The experts are of the view that in this era the consumer in India is far more aware than he ever was. It may take time for the ‘shop, till you drop’ mentality to take firm roots in the cities and expand to the small towns but it is expected that in the coming years, the retail industry in India would continue to change and grow significantly. The retail industry has multiple opportunities for those entrepreneurs who are eager to take a chance in it.
The current scenario is totally new as India is now emerging as a nation that the global retailers cannot afford to ignore. The large magnitude of population has always made it a large market to the global entrepreneurs. However, with the size of population around 1.10 billion, a GDP growing at 9.2% making it the fourth largest economy after US, China and Japan, and a consumer base of 405 million, attract some of the topmost large retail groups like Bharti-Wal-Mart (Wal-Mart is the world’s largest retail group), Aditya Birla group and Carrefour (second largest retail group) in India. Even the shoppers of India are discovering a whole new world, with novel retail outlets involving global brands and business methods wooing increasingly affluent consumers (Hindustan Times, July 29, 2006). As estimated by Goldman Sachs, the growth of Indian economy could actually exceed that of China by the year 2015.

In India, the retail sector has emerged as the second largest employer after agriculture. The Global Retail Development Index (GRDI) developed by A T Kearney has ranked India first for retail investment among the top 30 emerging markets in the world. As per a research report carried out by Images F&R, Indian economy is emerging as a global investment destination that is benefiting not only this sector but also contributing to the GDP of the country.

A vibrant economy, India topped A T Kearney’s list of emerging markets for retail investments for three consecutive years and stood second only behind Vietnam this year. The second fastest growing economy in the world, the 3rd largest economy in terms of GDP in the next five years and the 4th largest economy in the PPP terms after USA, China and Japan, India is rated among the top 10 FDI destinations (India Retail Report, 2009, p.75).

The rate of growth of the retail sector is not growing in itself but its contribution to the GDP of the country is also rising. “The share of retail trade in the country’s gross domestic product (GDP) was between 8-10 per cent in 2007. It is currently around 12 per cent, and is likely to reach 22 per cent by 2010” (www.ibef.org, 2009, The Economic Times, August 18, 2006).

According to the details given by India Retail Report, 2009, the retail market in India is estimated at about USD 410 billion and constitutes about 60 per cent of private
consumption and about 35 per cent of India’s GDP. With Indian GDP expected to grow at 7-8 per cent in the next coming years, the retail market is expected to touch USD 860 billion by 2018. The growth rate of the retail sector is anticipated to be even higher than the growth rate of the economy. This has engrossed many industrial bigwigs, domestic as well as international.

In recent years, this sector has witnessed a lot of interest from both domestic and global players, who have committed investments worth US$ 30 billion, which will lead to increase in the share of modern retail from current 4.5% to almost 25% of the total retail market by 2018 (www.fibre2fashion.com).

Figure 1.1 exhibits the present and projected growth of modern retail, total retail and gross domestic product (GDP) in India.

![Figure 1.1](image)

**Figure 1.1**

**Indian Retail Growth Across Years**

*All figures in US m$*


Table 1.1 shows in detail the growth of share of total retail market and the organized retail market in India.
Table 1.1

Total Retail and Organized Retail Projections

<table>
<thead>
<tr>
<th></th>
<th>2004 (1)</th>
<th>2005 (2)</th>
<th>2006 (3)</th>
<th>2007 (4)</th>
<th>2008 (5)</th>
<th>2009 (6)</th>
<th>2010* (7)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organized Retail (₹ Crore)</td>
<td>28,000</td>
<td>35,600</td>
<td>47,500</td>
<td>66,500</td>
<td>96,500</td>
<td>140,000</td>
<td>203,000</td>
</tr>
<tr>
<td>Retail Market (₹ Crore)</td>
<td>930,000</td>
<td>980,500</td>
<td>1,036,000</td>
<td>1,098,000</td>
<td>1,164,000</td>
<td>1,234,000</td>
<td>1,308,000</td>
</tr>
<tr>
<td>Growth Rate (%)</td>
<td>3.0%</td>
<td>3.6%</td>
<td>4.6%</td>
<td>6.1%</td>
<td>8.3%</td>
<td>11.3%</td>
<td>15.5%</td>
</tr>
</tbody>
</table>


Table 1.1 indicates a rising trend in the growth of the total as well as organized retail. The projected figures for the year 2010 are also depicted in the table. A better preview of the figures can be taken from the Figure1.2.

Figure 1.2

Growth in Total and Organized Retail in India
(Value in INR Billion; with *projections)


As the Indian retail market is growing, the organized sector of the market is also showing an increasing trend indicating growth. The share of organized retail to the total market in India is shown in Figure 1.3.
It is observed from the Figure 1.3 that the major segments, which are having relatively large share in the organized Indian retail sector, are clothing and fashion accessories (38%), food and grocery (12%), footwear (10%) and consumer durables (9%).

The retail industry is changing with the change in the consumers’ lifestyle. “The local bania has gradually transformed himself into a small supermarket. This change is not only restricted to the metro cities but has rapidly spread to smaller cities and towns” (Pradhan, 2007, p.25). There are various other factors that have influenced the change in the retail sector in India. Some of the factors that may be considered as causes for this change can be described as – changing face of retail sector, change in consumer needs, changing social composition of consumers in India, the need of ‘optimum utilization of time and money’, rising incomes, increase in the number of nuclear families, increase in the ratio of working women, explosion of media, shift of simple living to luxurious lifestyles, easy availability of credit money, culture/traditions under the impact of commercialization, awakening of rural market, changes in the supply chain and introduction of FDI in retail, etc. These factors are discussed in detail in Chapter – 2.
1.6 FDI IN INDIAN RETAILING

Globally, the investment opportunities are considered higher in India by the investors as it is not only one of the fast developing nations but also a host to the world’s largest number of retail outlets (that is, over 12 million retail outlets). So many foreign investors have taken initiative to invest in India. “Foreign Direct Investment (FDI) is a method of allowing external finance into an economy. It also felicitates international trade, transfer of knowledge, skill and technology” (Pradhan, 2007, p.42). Among other developing countries India is emerging as a potential market for foreign investments.

India is one of the most attractive markets for retail investment. Many national and global players have been investing in the retail segment and have ambitious plans for further expansion. The projections say that the country will attract US$ 35 billion in FDI in 2008-09 (India Retail Report, 2009, p. 363).

According to A T Kearney’s Annual Global Retail Development Index 2005, India has been ranked as world’s number one retail industry and a potential investment destination. The retail sector is securing investments not only from foreign investors but also renowned Indian players. ASSOCHAM has also reported a massive (expected) increase of 150 per cent in the investments in organized retail sector from $25 billion to $70 billion in 2010. Though the Government’s trade regulations have restricted the free flow of foreign investments yet many international companies are following different entry routes such as franchise, joint venture, wholesale business format, etc. to operate in India. Metro cash and carry format is a typical example of foreign entry through wholesale business. The foreign retailers have also successfully introduced many new formats like hypermarkets, supermarkets, shopping malls, etc. in India. While the organized sector and one-stop-shop chains have welcomed FDI in retail, the unorganized sector is not much in synchronization with them.

Mukherjee and Patel (2005) observed different perceptions of retailers regarding FDI. According to them where the unorganized retailers put forward different views regarding FDI and foresee increase in competition, sharing of market and consumers. The organized retailers keep a positive perspective of development of retail and its allied sectors with the involvement of foreign investors. In major sectors such as textile, leather footwear, and food
and grocery, a large number of retailers are of the view that allowing FDI would be beneficial for these and many other sectors. They believe that the joint ventures with international retailers will not only provide financial support to the domestic retailers but they will also share their technical know-how and expertise with them, which will help in the development of retail as well as its allied sectors. In other words, it may be said that besides variations in the retailers’ perceptions regarding FDI, only those joint ventures would be successful that would operate keeping in mind the needs and expectations of Indian consumers.

The Indian consumer has strong preference for indigenous products. So, even if the foreign players are allowed to invest in retailing, they have to stock local products and redesign their own products to match the taste pattern of the Indian consumer (Mukherjee and Patel, 2005, p. 39).

A very recent development in retailing was the announcement of the joining of hands between Sunil Bharti Mittal and world’s largest leading store Wal-Mart. During the Indian Economic Summit 2006, Sunil Bharti Mittal, Chairman, Bharti Enterprises said, “The retail shops will be owned by Bharti enterprises under the Wal-Mart franchise and brand name. We will operate within the existing regulations” (Hindustan Times, November 28, 2006). Many believe that the entry of Wal-Mart in the Indian retail market is an indication that it is confident about the rapid growth of the positive changes in the Indian regulatory framework that are expected to occur soon.

Many retailers foresee that FDI in retailing would lead to unfair competition that might force small and domestic retailers to leave this sector. The retailers are afraid that global players may take undue advantage of the large Indian market. This happened almost a decade back when a large number of Chinese goods were imported and sold in the Indian market at comparatively low prices but faced opposition by many domestic manufacturers. They described these goods as lower quality products, which were rather dumped in the Indian market. So, in order to secure the maximum benefits from FDIs, government needs to take firm steps to establish a transparent and effective policy framework for the investments in this sector.
1.7 METHODS OF MARKET ENTRY FOR FOREIGN INVESTORS IN INDIA

Though the government has put restrictions on foreign investments in the retail industry sector in India, still there are a few methods for the foreign investors for investing in India. Some of these as discussed by (Chaudhry and Mittal, 2006; Pradhan, 2007) are given under:

1.7.1 Direct Investment

This is an organic route with maximum control over operation, but it also involves the highest risk. Here, single brand retailers can own up to 51 per cent of their Indian operation. For big companies to enter, they need to start investing in back end operations first. As Asitava Sen, a retail specialist with PricewaterhouseCoopers, opined at joining hands of Bharti Enterprise with United States’ super market giant Wal-Mart to set up retail store in India; that the regulatory framework here in India may stand as a challenge for the new entrant. He said that “A multi-brand company like Wal-Mart can not own a single share at the retail end, which is all that is presently allowed. Wal-Mart may appoint a franchise for the front end and own the backend” (Hindustan Times, November 28, 2006).

1.7.2 Joint Venture

In joint ownership, the international partner provides equity end support to the Indian investors. The Indian partner in return provides all the local knowledge and expertise that is typically needed in such a venture. McDonald’s and Reebok have adopted the joint venture route in India.

1.7.3 Franchise

It is the most popular strategy followed by retailers. The parent company having business in a country is allowed to open stores under a single brand. These are operated under certain controlled conditions, and in return they get benefits in the form of loyalty as well as expansion of business across national boundaries. Many fast food chains as Pizza Hut,
McDonald’s as well as lifestyle retailing like Lee, Levi’s, Marks and Spencer, Nike are operating through franchise route.

1.7.4 Acquisition

This would mean the taking over of an existing Indian retailer. This entry is less advisable as it could lead to negative public opinion as well as protest from other domestic retailers, though this method assures rapid growth and the benefits of an established network.

In addition to this, an international organization (for example, Benetton and Bata) may also set up a manufacturing facility in India. Some companies also set up their distribution offices in India and operate through local Indian retailer. Swarovski and Hugo Boss operate distribution offices established in India whereas Metro cash and carry followed the way of wholesale trading to operate in Indian market.

Despite many trade restrictions and cumbersome procedures for foreign investments, retailers all over the world are keen to try their share of fortune in this so far untapped emerging market.

According to this year’s Global Retail Development Index, India is positioned as the leading destination for the retail investment. This followed from the saturation in western retail markets and we find big western retailers entering into Indian market. India’s retail industry accounts for 10 per cent of its GDP and 8 per cent of the employment to reach $17 billion by 2010. There are about 300 new malls, 1500 supermarkets and 325 department stores being built in the cities very soon (India Retail Report, 2009, p.392).

The rising numbers of new retail formats that are financially and technically supported by the international retailers have secured consumers’ acceptance through better products, more employment and above all overall development. But, the retailers need to ensure that the foreign investments are not only benefitting the consumers and retailers but also contributing to the growth of the economy.
1.8 IMPORTANCE AND NEED OF THE STUDY

The share of organized retailing is gradually spreading in the Indian retail market, which largely comprises of unorganized retailers. The retailers in the organized market are experimenting with new formats to attract customers. The changing lifestyle of Indian consumers is challenging the capabilities of the retailers to understand their needs and meet their expectations. The study relating to the emerging trends in Indian retailing will not be complete without looking into the aspects such as attitude of the respondent consumers towards new formats, factors that consumers consider while choosing a mall/store they prefer to visit and various shopping motives as well as demotives for the consumers. We shall also look into the key factors and strategies that help retailers in positioning their store and also the challenges/problems that the new retail formats may face while establishing themselves. Though several studies have been undertaken regarding different aspects related to organized and unorganized retailing, but there has hardly been conspicuous research, which has investigated the emerging trends in Indian retailing.

The markets of Delhi and NCR have always attracted more retailers. But, even these have been affected by the experience of modern retailing. Though several studies have been undertaken regarding different aspects related to organized and unorganized retailing but there has been hardly any comprehensive study that has investigated the emerging trends in modern retailing in Delhi and NCR. So, it calls for the study of trends in modern retail formats and their impact on consumers’ shopping behaviour. Thus, the present study intends to fill up this gap.

Organized retailing has explored various markets throughout India, including Delhi and NCR, which are now seen as the hub of modern retail formats. Delhi being the national capital attracts people from all walks of life and work who live here, hence it makes a strong customer base for modern retailing. Therefore, a study of emerging trends in Indian retailing will significantly contribute to the existing body of literature on the subject. Keeping this in mind, the present study has been structured in a manner that would not only help in studying and understanding Indian retailing in a better way, but will also bring forth the retailing strategies that may help in successful management.
1.9 SCOPE OF THE STUDY

The retail boom in India has changed many things in the retail sector. The changing lifestyles and shopping habits of consumers, sending signs of change for retailers also support this change. The present study is intended to identify the trends and observe the changes in the consumer behaviour. The study mainly focuses on finding the preferences of consumers towards new retail formats, reasons for such preference, the products and services offered, various factors that consumers look into while shopping, shopping motives and de-motives, and, consumers’ viewpoint regarding the suitability of new formats to the Indian consumer, various target market strategies adopted by the retailers, strengths of the store, factors important for building store image, sales promotion schemes, etc.

For the purpose of this study, two sets of questionnaires were prepared by the researcher and furnished to the respondents. The respondents have been classified into (1) Consumers and (2) Retailers. The questionnaires were purported to find out the preferences of consumers regarding new retail formats with various products and services they offer. The retailers of the selected stores have been chosen to know the formulation and application of strategies for the changing consumer needs.

The data thus collected from the respondents have been organized in tabular form and suitable statistical tools have been applied to arrive at the findings of the study. Suggestions and recommendations based on the findings have been proffered for the managers, retailers and researchers that may help them in framing new and better strategies for successful management.

1.10 OBJECTIVES OF THE STUDY

The following specific objectives have been pursued for the purpose of study on trends in Indian retailing, changing consumer behaviour and marketing strategies adopted by the retailers:

1. To study and analyze the trends in retailing.
2. To study and examine consumer behaviour towards shopping malls/stores.
   - Modes of retail formats preferred.
   - Reasons for visiting the stores.
   - Factors influencing consumers’ decision making relating to choice of malls/stores.
   - Motives and demotives for buying products.
3. To study the marketing strategies of the retailers of the selected retail outlets.
   - Focusing on consumer segments that fit best with the organization goals.
   - Factors that work as the main strength of the store.
   - Factors that help in building store image.
   - Various sales promotion techniques to attract customers.
   - Various retail strategies applied by the retailers.
4. To suggest policy implications for the selected retail outlets in Delhi and NCR.

1.11 ORGANISATION OF THE STUDY

The study has been divided into seven chapters. The first chapter is introductory in nature. This chapter introduces the concept and evolution of retailing, and also the Indian retailing scenario that has emerged because of organized retailing and, finally, the role of FDI in retailing. It also comprehends needs and objectives of the study.

The second chapter discusses the various trends in Indian retailing, emerging trends in organized retail in India by elaborating store and non-store formats. This chapter also explains various factors that have acted as catalysts in converting retail formats in India. It throws light on development of malls in India, focusing on development in Delhi and the National Capital Region (NCR).

The third chapter reviews the available literature on retailing, trends in retailing, consumer behaviour and retailing strategies. It includes research contributions that are directly or indirectly related to the topic.
The fourth chapter elaborates the research methodology employed in the present study. It describes the hypotheses of the study, universe of the study, sample and sampling plan, data preparation, data analysis, and limitations of the study.

The fifth and sixth chapters are devoted to data analysis, data interpretation and findings of the study. Chapter five examines the consumer behaviour towards different retail formats, reasons for preference of specific retail stores, factors that influence the choice of respondents for the specific stores, shopping motives and demotives, and challenges for modern retailing in India.

Chapter six endeavours to identify the retailing strategies adopted by the respondents of the selected retail stores, while considering customer segmentation, key strengths of the store, factors that aid to build the image of the store and also challenges that the modern retail formats may face in the market.

The seventh and final chapter presents a summary of findings and conclusions. It winds up with suggestions and recommendations that the study offers on the basis of the findings.

At the end are given two Appendices: Appendix-I includes Questionnaire I for the Consumers, and Appendix-II includes Questionnaire II for the Retailers. This is followed by References used in this study.