CHAPTER – I

INTRODUCTION

1.1 MEANING, DEFINITION OF RETAILING

Introduction

Retailing is the activity of selling goods and services to final consumers for their own personal use. It is concerned with getting views in their finished state into the hands of customers, who are prepared to pay for the pleasure of eating, wearing or experiencing particular product item.

Retailing forms an integral part of the marketing mix. Customers are first introduced to the product at the retail store. Retail stores serve as communication hubs for customers. The role of retailing in the marketing mix is very significant. Retailing can be divided into two major classifications, viz., organized and unorganized. Organized retailing is one in which there is a proper organized ownership, permanent employees, fixed place involving standardized business practices.

Unorganized retailing is one which is not organized. Often, the family members take care of the business. The size of the business is very small and sometimes its form part of the residence of the owner. There is no fixed place for shop and the business practices are not at all organized. In India, majority of the retail outlets come under the unorganized category. The organized sector is slowly entering the Indian market.

Retailing consists of all business activities associated with the sale of all goods and services in small quantities directly to the consumers for their personal, family or
household use. It involves the sale of merchandize from a fixed location, such as a store, for direct consumption by the customer. It can be defined as an activity that ensures maximum satisfaction for the customers from the buying process.

Retailing as an activity can be traced back to the times when human beings stopped producing all their requirements by themselves and trading came into being. Retailing involves a retailer, traditionally a store or service establishment that deals with consumers who are acquiring goods and services for their own use rather than for resale.

Retailer is a company or an organization that purchases products from individuals or companies with the intent to resell those goods and services to the ultimate, or final, consumer. Retailers provide the accessibility of location and convenience of timing, size, information and lifestyle support. When retailers perform these activities, they create value for their customers, who pay for the services. These values are created continuously through a combination of service, price, accessibility and convenience.

Viewed in the context of the channel of distribution, retailers are the important final link in the process that brings goods or services from producers to consumers. Retailing is the business of buying goods in large quantity from a manufacturer or a wholesaler and then selling these products to consumers.

Retailing services consist of the sale of goods or merchandise for personal or household consumption and related subordinated services. Retailing is the interface between the producer and the individual consumer buying for personal consumption.
A retailer buys goods or products in large quantities from manufacturers or importers, either directly or through a wholesaler, and then sells individual items or small quantities to the general public or end-user customers at a margin of profit. Thus retailers are at the end of the supply chain and retailing is the last link that connects the individual consumer with the manufacturing and distribution chain.

The retail trade sector comprises establishments engaged in retailing, merchandise, generally without transformation, and rendering services incidental to the sale of merchandise. The retailing process is the final step in the distribution of merchandise. Retailers are, therefore, organized to sell merchandise in small quantities to the consumers and not for resale.

The word ‘retail’ is derived from the French word ‘retailer’, meaning ‘to cut piece off’ or ‘to break bulk’. In simple terms, it implies a first-hand transaction with the customer. Retailing involves direct interface with the customer and the coordination of business activities from end to end – right from the concept or design stage of a product or offering, to its delivery and post delivery service to the customer.

Retailing is activity concerned with getting goods in the finished state into the hands of the customers who are prepared to pay for the pleasure of eating, wearing or experiencing particular product items. Retailing is all about the distribution of goods and services because retailers play a key role in the journey that products make from a manufacturer, a grower or service-provider to the person who consumes. Retailers provide a collection of service benefits to their customers such as being located in convenient places, editing product ranges according to shopping tasks and selling goods
in quantities that match personal consumption level. Retailing is therefore a deceptively simple management process–yet fascinating complex in its detail.

1.2. BACKGROUND OF THE STUDY

Manusmriti and Kautilya’s Arthastra, provided guidelines for dealing with customers, after-sales service, quality and price guarantees. Such scholarly works provided the equivalence of for exchange in case of barter. They also defined the tax structure for retail and wholesale transactions. Kautilya commented on the location of stores dealing in specific products in the city. Memoirs of traders who came from Europe indicate that Indian merchants carried out business with low margins in order to enhance sales.

Indian history and archaeology record the existences of markets during the Harappan civilization also. Elaborate descriptions of local and periodic hats have also been found. These were the places where commodity exchange was carried out and people congregated and derived several non-economic values. Retailing as an occupation came into existence when farmers started producing surplus food than they require.

Early signs of organized retail were visible in the 1970’s when Nilgiri’s (food), Vivek’s (consumer durables) and Nalli’s (silksarees) started diversifying their operations. While these retailers gave the necessary ambience to the customer, little effort was made to introduce world-class customer care practices and improve operating efficiencies. Moreover most of these modern developments were restricted to South India, particularly Chennai which is still regarded as one of the important landmark of Indian Retail”. 
On account of the liberalization drive in the 1990’s, several structural and demographic changes helped the industry to grow. The GDP grew by 6.6 percent in the last decade resulting in increased income levels and higher purchasing power of the population. Increasing literacy levels, increasing number of working women, increasing media penetration has raised aspiration levels of the population, resulting in demand for better shopping experience and larger variety of goods.

India has close to 54 per cent of population below the age of 25, which translates into higher prospects of increased consumption levels in the future. Finally interest rates have also declined in the past few years further propelling the consumption demand. These factors were the key drivers for the retail wave in the industry. Notably among the early entrants were players like Shoppers Stop, Pantaloon, Ebony, and Food world etc.

Initially, the growth in organized retail was very slow and concentrated mainly in the metros with South India holding its ground as the pioneer in organized retail growth, on account of the low cost of real estate. Due to the high investments required in the early stages and the fact that the real estate was the key-deciding factor for success of stores, real estate developers have been the major players in the industry.
Table 1.1
*Sponsors*

<table>
<thead>
<tr>
<th>Group</th>
<th>Retail Businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rajan Raheja – Real Estate Developer</td>
<td>Globus – chain of departmental stores</td>
</tr>
<tr>
<td>K Raheja – Real Estate Developer</td>
<td>Shoppers Stop – chain of departmental stores</td>
</tr>
<tr>
<td>Hiranandani – Real Estate Developer</td>
<td>Haiko supermarket, Loft shoe store and Hakone mall</td>
</tr>
<tr>
<td>TATA - Diversified Business House</td>
<td>Westside – chain of departmental stores</td>
</tr>
<tr>
<td>DS Group – Real Estate Developer</td>
<td>Ebony - chain of departmental stores</td>
</tr>
<tr>
<td>RPG – Diversified Business House</td>
<td>Food World, supermarkets, Giant hypermarkets, Health &amp; Glow beauty and health stores</td>
</tr>
<tr>
<td>DLF – Real Estate Developer</td>
<td>DLF malls</td>
</tr>
</tbody>
</table>

*Source: KSA – Techno Park Research*

In the early 90’s as the players were lower down on the learning curve many faltered in their models, and growth of the industry remained slow. The second half of the 1990’s saw many players making losses and exiting from the business.

The concept of retailing in India dates back to ancient times when it was mainly in the form of weekly markets and the village fairs (Melas). Changing socio-economic patterns and consumption levels shifted the focus of retailing to mainly convenience stores (mom and pop stores) for daily needs with few prominent retailers on the high street in each city. While talking of Indian Retail, a special mention must be made of the role played by the PDS outlets, Co-operatives and Khadi stores. The Indian Government’s Public Distribution System (PDS) Outlet chain is amongst the largest retail chains in the world.
Retailing has always been here in our country – we have centuries old tradition of retailing. Indian retail industry is perhaps the oldest in the universe. Our focus in retail could be traced way back in the history when Veda assigned ‘Vaisya’ community to do trading and business. The common bath (paid baths) at Mohenjodaro is perhaps one of the earlier examples of service retailing. Melas could be examples of temporary malls complete with shopping, food and entertainment options. Today, every town has its ‘retail stars’ – these can be found in Karolbagh in Delhi, or Pondy Bazaar in Chennai, or in Chickpet in Bangalore.

The retail industry in India can be broadly classified as organized and unorganized. Unorganized retail refers to traditional retail formats which are owner-managed while organized retail refers to professionally managed retail stores. Indian retail industry has been largely dominated by unorganized retail which accounts for 96% of the total retail industry.

Most international brands which have entered India in the past few years have set up franchises to provide high visibility and retain identity, rather than succumb to the clutter of a 75 sq m multi-brand independent retailer. Many such as Arrow, Lacoste and Lee, are not retailers elsewhere in the world, but their Indian licensees have judged sales through exclusive shops to be essential to establishing the brand successfully.
Unorganized industry can be further classified as those occupying fixed locations like kirana stores, drug stores and pan shops and mobile retail like street vendors and hawkers who sell at village mandis and on push carts.

Source: KPMG Report
1.3 SIGNIFICANCE OF THE STUDY:

Retailing is one of the fast emerging sectors in a developing country like ours. Its future and prosperity is dependent on other related sectors like agriculture and industry. Therefore, the development of retail automatically leads to the development of other related sectors, which ultimately leads to the development of the country’s economy as a whole.

The following points highlight the importance of retailing and its implications on the various related sectors of the economy:-

- **Development of Real estate:** The retail industry’s real-estate requirement will be in millions of square feet in the years to come. This will release for productive use large tracts of land lying with various government agencies. 100% FDI is allowed in real estate development and this will make a large chunk of quality infrastructure available for modern retailing.

- **Improvement of Tourism:** One of the best features of any city that attracts a large number of tourists every year – London, Singapore, Dubai, New York and so on – is a well-developed shopping environment. Organized retailing will help significantly in developing our cities as tourist destinations. And, if well-marketed and managed, it can significantly enhance government revenues, apart from spreading the word about ethnic Indian brands across the world.

- **Higher GDP:** The value that retailing can add to the economy should not be underestimated. Organized retailing has huge potential, which could lead to
higher GDP growth and result in increased consumption. Organized retailing could also bring about the transformation of the agricultural supply chain, remove inefficiencies in the distribution of consumer goods and improve productivity while providing consumers with a better range of products at better prices in a better ambience at the same time.

- **Economic Growth:** India’s economy in the past has primarily been agrarian in nature, but the services sector has been growing exponentially and now forms 47 per cent of the GDP. Software services, in particular are booming and fuelling the GDP growth. Consumer price inflation is lower than the double-digit inflation of the early 1990s, leading to higher disposable incomes.

- **Outsourcing opportunities:** Organized retailing is a billion dollar industry. Outsourcing will be undertaken on everything from supply chain management to pilferage control and loyalty management.

- Expenses on *advertising and promotions* have also gone up many times, which will result in considerable increase in revenue for retailers. In countries where retailing and modernization has progressed, it has favorably affected the value-capturing capacity and *modernization of the farming industry.* It has also restructured the *supply chain for all FMCG products,* brought down customer prices on a sustained basis, created significant *employment opportunities.* The revenues of the various State Governments and the Central Governments has increased through taxes collected, ultimately leading to increase in national
wealth. For instance, the success of the VAT proposal depends on it being implemented at the retailer level.

- The country’s dynamic retail landscape presents a great opportunity to investors from across the globe, to use India as a strategic business hub.

- One of the major advantages of a developed and advanced retailing setup is the generation of competition. This leads to reduction of prices, better products and innovations and enhanced customer experience.

- Retailing is the last mile infrastructure to access and deliver goods to consumers. Retail forms the backbone of the nation’s delivery system and its importance can be exemplified by the network of KVIC (Khadi & Village Industries Corporation) outlets which support small and medium handicraft manufacturers.

The Indian retail sector is no more nascent today. The Indian retail sector is only now beginning to evolve in line with the transformation that has swept other large economies. There has been a significant change in retail trading over the years, from small kiranaualas in the vicinity to big super markets; a transition is happening from the traditional retail sector to organized retailing. The unorganized sector still holds a dominant position in this industry. The organized segment holds just about 1.2% of the current US$ 245 billion retail market, which is expected to reach about US$ 385 billion by the middle of this decade.

With consumers looking at convenience with multiplicity of choice under one roof and expectations evolving over time, consumer demand is truly the driving force for
organized retailing in the country. As India goes through this transformation, a new business with sales of $1 billion - $2 billion will be created in grocery and $250 million - $500 million in apparel as per KSA estimate. Smaller, but interesting opportunities will be created in other sectors like books, electronics and music.

A growing presence is increasing consumer awareness, accessibility and loyalty to brands. This provides the opportunity of large and better-organized retailers to grow and develop.

The Indian retail sector is going through a period of consolidation and fast changes. A number of new players – both domestic and foreign – are entering the industry. Driven by rising incomes, favourable demographics and changing lifestyles, the Indian retail industry is witnessing increased activity in terms of expansion: entry of international brands: and increasing focus on technology and operations.

1.4. STATEMENT OF THE PROBLEM

Retailing is one of the biggest sectors of Indian economy with a turnover of around $245 billion. Yet it remains an underdeveloped, fragmented and inefficient sector in the country. With around 13% contribution to the GDP and 7% employment of the national workforce, retailing no doubt is a strong pillar of the Indian economy. What it requires is more corporate backed retail operations that have started to emerge over the couple of years.
The unorganized sector is highly fragmented and consists of family owned businesses. India has the highest shop density in the world with 11 shops for every 1000 persons. 95% of these outlets have shop area of less than 500 square feet.

A majority of retail outlets are basically *kirana* stores with basic offerings, fixed prices and little ambience, and result in little more than subsistence for their owners. Organized retail overall stands at 2% of the total industry, and this figure varies across categories.

India has the highest number of retail outlets per capita in the world but has the lowest retail space per capita in the world (2 ft / person). Out of these 5 million outlets 96% are smaller than 500 sq.ft. in area 3. About 350 million people live, within one-minute walk of these retail shops. According to retail census, Rs.4,79,568 crore worth of products were sold through these 5 million retail outlets.
Diagram 1.2

Traditional Stores – Continuing to Expand

Source: AC Nielson
Unorganized retail in India is growing at an annual rate of 3% in contrast to organized retail which is growing at 32%.

**Euromonitor International report on Indian retail industry**

In 1950 India had a population of around 350 million and had 2,50,000 retail outlets. By the year 1999 the population of India had grown to 970 million and simultaneously the number of retail outlets has also grown to 53,70,000 outlets. This makes India one of the countries with the highest number of retail outlets per capita in the world.

However 96% of the retail sales come from small unorganized retailing with shop space less than 500 sq.ft. The shop space per capita in India is around 2 sq.ft. which is significantly smaller than developed markets? For example, USA has shop space per capita of around 19 sq.ft. The number of persons being catered to by each store in India is approximately 180, the corresponding figure for US is approximately 2100. The retail outlets in India include large and medium sized chains, chemist’s shops and others (mainly paan bidi kiosks)

Retail industry in India is estimated to be US $330 billion industry and is expected to reach $430 billion by 2010. India has been ranked number one in A.T.Kearney’s Global Retail Development Index in both 2005 and 2006 on the basis of market attractiveness, risk and saturation. Organized retail accounts for only 4% of this industry and thus presents a huge opportunity for new players to enter this market and exploit the opportunity.
This is clearly indicative of small-shop ownership crowding the unorganized segment of retailing. While this fragmented market structure does pose significant challenges for organized retailing, potential does exist if modern information and supply chain management systems are deployed to support the development of convenience shops that match customer expectations.

Retailing is not yet a structurally organized industry, probably as a result of the sheer size of the country, its regional diversity and until now, fairly limited infrastructural support. This has precluded the possibility of infusion of better systems and the technology for improving retail performance, while retail management skills have been concentrated in the store’s owner-manager.

Most small-scale retail formats in India operate on low cost, minimum tax and cheap labour models to offer customers low prices despite fragmented and long supply chains. Organized retail in India is a recent phenomenon and is still evolving. Organized retail is a fast growing industry and is estimated to grow at a CAGR of 50% and set to become $90 billion industry by 2010. It is estimated that it will increase its share from current 4% to over 20% by 2010.

Manufacturer retailers, mostly in the form of exclusive stores, had driven modern formats retailing in pre-liberalization period. And we had a host of independent multibrand store, kiranas and so on. In the post liberalization era, we have seen a few pioneering efforts to showcase modern format retailing.
### Table 1.2

*Organized retail sector having a $90 billion share.*

<table>
<thead>
<tr>
<th>2006 rank</th>
<th>Country</th>
<th>Region</th>
<th>Country risk</th>
<th>Market attractiveness</th>
<th>Market saturation</th>
<th>Time pressure</th>
<th>GRDI score</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Weight 25%</td>
<td>25%</td>
<td>30%</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>India</td>
<td>Asia</td>
<td>34</td>
<td>89</td>
<td>76</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Russia</td>
<td>Eastern Europe</td>
<td>43</td>
<td>59</td>
<td>53</td>
<td>90</td>
<td>85</td>
</tr>
<tr>
<td>3</td>
<td>Vietnam</td>
<td>Asia</td>
<td>43</td>
<td>24</td>
<td>87</td>
<td>81</td>
<td>84</td>
</tr>
<tr>
<td>4</td>
<td>Ukraine</td>
<td>Eastern Europe</td>
<td>42</td>
<td>37</td>
<td>76</td>
<td>81</td>
<td>83</td>
</tr>
<tr>
<td>5</td>
<td>China</td>
<td>Asia</td>
<td>58</td>
<td>40</td>
<td>57</td>
<td>86</td>
<td>82</td>
</tr>
<tr>
<td>6</td>
<td>Chile</td>
<td>America</td>
<td>67</td>
<td>57</td>
<td>47</td>
<td>48</td>
<td>71</td>
</tr>
<tr>
<td>7</td>
<td>Latvia</td>
<td>Eastern Europe</td>
<td>58</td>
<td>50</td>
<td>31</td>
<td>88</td>
<td>69</td>
</tr>
<tr>
<td>8</td>
<td>Slovenia</td>
<td>Eastern Europe</td>
<td>78</td>
<td>52</td>
<td>25</td>
<td>70</td>
<td>68</td>
</tr>
<tr>
<td>9</td>
<td>Croatia</td>
<td>Eastern Europe</td>
<td>57</td>
<td>51</td>
<td>28</td>
<td>91</td>
<td>67</td>
</tr>
<tr>
<td>10</td>
<td>Turkey</td>
<td>Mediterranean</td>
<td>46</td>
<td>59</td>
<td>64</td>
<td>40</td>
<td>66</td>
</tr>
</tbody>
</table>

*Source: AT Kearney report: “Building the optimal global footprint”*
The sales through organized retailing in India are still lower compared to the total sales of unorganized sector. The investments made in this sector are also minimal compared to other sectors.

There are many reasons why organized retailing has not been undertaken to any major extent in India in the past. Some of them are:

- The Indian market was closed and protected till 1990. The absence of foreign brands had led to a sense of complacency in the Indian players. Thus brand creation and management was more of an exception than a rule.

- The major competition was from unorganized players. These were family run units. They had very low overhead costs. Moreover, their practice of giving credit also made them popular in the locality where they operated.

- The Indian middle class mindset that big well decorated shop will be expensive also led to non-development of organized retailing.

The organized penetration being so low, it presents immense opportunities for growth. Several new players are entering the industry with the existing players making huge expansion plans. With Government policies becoming more favourable and emerging technologies facilitating operations, the organized retail industry is growing at a rapid pace.

Thus the problem of study is to highlight the importance of organized retailing, its prospects of yielding higher revenue by way of increase in GDP and the Government by way of taxes and also to suggest measures for solving the problems faced in retailing by the retailers.
1.5. RETAIL SCENARIO – GLOBAL

Retailing is big business in developed countries and it is better organized than our country. According to recent reports, the US$ 9 trillion retail industry is one of the world’s largest industries and the sector is still growing. 47 of the Global Fortune 500 companies and 25 of Asia’s top 200 companies are retailers. Organized retailing, however, has gained a great deal of momentum in China in the last few years especially after the opening up of the sector to 100% FDI in 2004,and it accounts for 20% of the total retail sales currently. According to the US Department of Labour, about 22 million Americans are employed in the retailing industry in more than 2 million retail stores – that is, one out of every five workers employed. Traditionally, local players tend to dominate in their home markets. Wal-Mart, the world’s leading retailer, has about 8% of the market in the USA. Similarly, Tesco has a market share of about 13% in the UK market.
Table 1.3
The percentage of organized and unorganized/Traditional retailing in selected countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Organized</th>
<th>Traditional Retailing</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>80%</td>
<td>20%</td>
</tr>
<tr>
<td>West Europe</td>
<td>70%</td>
<td>30%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Thailand</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Brazil</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>Argentina</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>Philippines</td>
<td>35%</td>
<td>65%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>25%</td>
<td>75%</td>
</tr>
<tr>
<td>China</td>
<td>20%</td>
<td>80%</td>
</tr>
<tr>
<td>South Korea</td>
<td>15%</td>
<td>85%</td>
</tr>
<tr>
<td>India</td>
<td>6%</td>
<td>94%</td>
</tr>
</tbody>
</table>

*Source: McKinsey Study*

According to the UK based research firm *Euro monitor International*, in the global scenario, the emerging retail markets of India and China are witnessing strong growth and India especially is among the biggest and the fastest growing retail markets globally.

1.6. RETAIL SCENARIO – INDIA

The Indian retail industry is no more nascent today. The Indian retail industry is only now beginning to evolve in line with the transformation that has swept other large economies. There has been a significant change in retail trading over the years, from
small kirana walas in the vicinity to big super markets; a transition is happening from the
traditional retail sector to organized retailing. The unorganized sector still holds a
dominant position in this industry. The organized segment holds just about 1.2% of the
current US$ 245 billion retail market, which is expected to reach about US$ 385 billion
by the middle of this decade.

Retail is the country’s largest source of employment after agriculture, has the
deepest penetration into rural India, and generates more than 10% of India’s GDP. With
close to 12 million retail outlets, India has the highest retail outlet density on the world.
In spite of this, retail is also India’s least evolved industries. In fact, it hasn’t even been
accorded the status of an industry.

1.7. REASONS FOR GROWTH OF RETAIL

Based upon the observations made on the various sectors of the retail segment we
can say that the conditions are becoming favourable for the growth of retail sector. The
factors can be listed as follows:-

**Consumer Pull:** In the pre-liberalization market the power rested clearly with the
manufacturers. In today’s demand-led market, it is the consumer who calls the shots.
Over the last decade, there has been a significant evolution in the Indian consumer,
mainly due to the liberalization of the consumer goods industry

**Rising Incomes:** Over the past decade, India’s middle-and high-income population has
grown at a rapid pace of over 10% per annum. Further, the number of households earning
above Rs.1, 50,000 per annum is about 80 million today and is expected to grow to 200 million by 2015.

**Explosion of Media:** There has been an explosion in media as well during the past decade. This media bombardment has exposed the Indian consumer to the lifestyles of more affluent countries and raised their aspirations and expectations from the shopping experience – they want more choice, value, service experience and convenience.

**Change in Consumer Behaviour:** The urban woman today is literate and, in many cases, employed. There is greater work pressure and increased commuting time. And with a shift in the family structure, nuclear families have become a significant component of urban markets.

**Consumerism Cycle:** The consumer cycle starts with the retail sector dictating the market. The distributor gains control over the market and becomes an important link between manufacturer and customer. When the market starts developing and expanding its horizons, retailers turn into the vital link in this supply chain. Manufacturers have also realized that retailer recommendations matter, particularly in smaller towns where retailers are figures of authority or opinion leaders.

**Establishment of the Supply Chain:** Over the past few years, the consumer goods sector has been transformed by increased liberalization, continuous reduction in customs duty, a shift from quota to tariff-based systems for imports and sophistication in manufacturing. Entry restrictions for multinationals have been removed in nearly all sectors. All this has enabled chain retailers to enjoy wider range and sourcing options as well as improved average margins.
**Favourable demographics:** India has one of the youngest populations in the world. The median age in India is 24 years and about 60% of the population is below the age of 30 years. This segment has emerged as the fastest growing consumer group.

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<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>0 - 14n Years</td>
<td>37.8%</td>
<td>35.3%</td>
<td>30.6%</td>
</tr>
<tr>
<td>15 – 59 Years</td>
<td>55.6%</td>
<td>58.7%</td>
<td>61.9%</td>
</tr>
<tr>
<td>60 &amp; above</td>
<td>6.7%</td>
<td>7.0%</td>
<td>7.5%</td>
</tr>
</tbody>
</table>

*Source: Statistical Outline of India, 2001-02.*

As stated above, a huge population potential with an increasingly number of economically active people is bound to increase the demand exponentially for retail industry in India.

<table>
<thead>
<tr>
<th>Classification</th>
<th>Households Million ( % of population)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Rich (&gt;INR 3,60,001)</td>
<td>1.2 0.8%</td>
</tr>
<tr>
<td>Consuming Class (INR 80001 – 360000)</td>
<td>32.5 20.1%</td>
</tr>
<tr>
<td>Climbers (INR 40001 – 80000)</td>
<td>54.1 33.7%</td>
</tr>
<tr>
<td>Aspirants (INR 28001 – 40000)</td>
<td>44 27.4%</td>
</tr>
<tr>
<td>Destitute (&lt;INR 28,000)</td>
<td>33 20.5%</td>
</tr>
</tbody>
</table>

*Source: NCAER Projections on Structure of Indian Market released in 2001.*
The above factors are increasing the number of people with higher disposable incomes and thus have fueled the demand for retail industry in India.

**Easy availability of credit:** Credit mechanisms including credit cards, personal loans and EMI schemes have boosted retail spending. For large purchases, consumers have the option of paying through Equated Monthly Installments, thus reducing the impact on consumer wallets. Consumer credit has been on the rise mainly due to low interest rates and higher ownership of credit cards. The average income group today is not averse to taking loans.

**Development of real estate:** FDI is allowed 100% in real estate and as a result the demand for retail space also increased leading to the emergence of malls.

**Increase in availability of products and brands:** Present day consumers are increasingly being exposed to international brands and styles due to the impact of globalization. Increasing number of manufacturers are now trying to satisfy this demand, leading to an increase in the number of products and brands available to the consumer. Retailers are increasingly focusing on the supply chain thus resulting in better product availability for the consumer.

**Increased supply of organized retail:** The arrival of the international retail chain brands in India which have brought along with them the state-of-the-art technology and processes management for the organized retail chains. Large corporate houses are evincing interest in organized retail.
Favourable Legislation: Changes in land reforms are making it more conducive for the large retail chains to get real estate at economical bargains. Introduction of uniform taxes and VAT will make the retail chains more comfortable to handle the logistic issues with better location for their warehouses.

Increased demand for the better shopping experience: The income level of the class A customers is increasing which also implies that the whole base has moved upwards thus making more disposable income available for consumption.

Increased sourcing options: The suppliers and manufacturers have improved their quality with improved supply chain solutions thus making their offering more competitive and comparable to the global standards.

Changing Psychographics: With liberalization came the western media, which gave the Indian an idea about the culture and customs out there. This did change the dynamics of the psychographics in India. With changing psychographics, there was a greater need felt for an organized and a professionally run retail formats to cater to the ever increasing consumer expectations.

Penetration of Global trends: With the advent of western media and the internet, the information across the globe has been made easy to access. As a result of this, organizations operating in many nations have to adopt uniform practices across countries in terms of the quality of products, service and the value proposition. This to a great extent has fueled the demand for organized and professionally run retail formats.
Table – 1.6
Estimated Share of Organized Retail and Per capita Retail Sales

<table>
<thead>
<tr>
<th>Country</th>
<th>Estimated Share of Organized Retail (%)</th>
<th>Estimated Per Capita Retail Sales (US $)</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>85</td>
<td>9,973</td>
</tr>
<tr>
<td>Japan</td>
<td>66</td>
<td>9,249</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>80</td>
<td>7,851</td>
</tr>
<tr>
<td>France</td>
<td>80</td>
<td>7,7124</td>
</tr>
<tr>
<td>Germany</td>
<td>80</td>
<td>5,109</td>
</tr>
<tr>
<td>South Korea</td>
<td>15</td>
<td>4,144</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>30</td>
<td>3,301</td>
</tr>
<tr>
<td>Russia</td>
<td>33</td>
<td>1,940</td>
</tr>
<tr>
<td>Brazil</td>
<td>36</td>
<td>1,520</td>
</tr>
<tr>
<td>Argentina</td>
<td>40</td>
<td>1,359</td>
</tr>
<tr>
<td>Malaysia</td>
<td>55</td>
<td>1,264</td>
</tr>
<tr>
<td>Thailand</td>
<td>40</td>
<td>1,043</td>
</tr>
<tr>
<td>Indonesia</td>
<td>30</td>
<td>665</td>
</tr>
<tr>
<td>China</td>
<td>20</td>
<td>599</td>
</tr>
<tr>
<td>Philippines</td>
<td>35</td>
<td>591</td>
</tr>
<tr>
<td>Pakistan</td>
<td>1</td>
<td>404</td>
</tr>
<tr>
<td>Vietnam</td>
<td>22</td>
<td>309</td>
</tr>
<tr>
<td>India</td>
<td>4</td>
<td>287</td>
</tr>
</tbody>
</table>

*Source: Various, Including ICRIER and Third Eyesight Analysis.*
1.8 OBJECTIVES OF STUDY

➢ To understand the importance of retailing.
➢ To focus on the current status of retailing in Chennai.
➢ To list out and elaborate the key drivers of growth of retailing.
➢ To provide a clear understanding of the emerging physical store/Non store formats.
➢ To identify the modern practices adopted by the present day retailers.
➢ To analyze the policies of the government towards retail sector and to provide feedback for the development of the sector.
➢ To describe the projected retail trends and the growth path as studied by research agencies.
➢ To study the problems and challenges facing the retail sector and offer suitable suggestions for the same.

1.9 HYPOTHESES

The starting point of any research is the formulation of Hypotheses. To verify the validity from the analysis of data, the following hypotheses were formulated for this study.

➢ There is significant between male and female with respect to making repeated purchases.
➢ There is significant difference between married and unmarried with respect to getting ranges of products under one roof.
➢ There is significant difference between age group with respect to sufficiency of infrastructure facilities.
There is significant difference between age group with respect to employee service satisfaction leading to repeated purchases.

There is significant difference between age group with respect to getting ranges of products under one roof.

There is significant difference between age group with respect to opinion about taking good care of the customers and goods.

There is significant difference between educational qualification with respect to opinion about taking good care of the customers and goods.

There is significant difference between occupations with respect to sufficiency of infrastructure facilities.

There is significant difference between occupations with respect to retail employee service satisfaction leading to repeated purchases.

There is significant difference between occupations with respect to getting ranges of products under one roof.

There is significant difference between income with respect to opinion about good care of the customers and goods.

There is significant difference between retail outlets generally prefer for shopping with respect to sufficiency of infrastructure facilities.

There is significant difference between purchase decision-makers with respect to retail outlets employee service satisfaction leading to repeated purchases.

There is significant difference between purchase decision-makers with respect to getting different ranges of products under one roof.
There is significant difference between purchase decision-makers with respect to opinion about taking good care of customers and goods.

There is association between type of goods purchased from retail outlets and educational qualification of consumers.

There is association between retail outlets prefer for shopping and age group of consumers.

There is association between credit cards used for payment and age group of consumers.

There is association between purchase decision-makers in the family and marital status.

There is association between having witnessed the presence of cold-storage facilities in retail outlets and family monthly income.

There is association between inconveniences encountered while shopping and age group of consumers.

There is association between welcoming MRP on the products and marital status.

There is association between suggestion to improve store security and occupation.

There is association between opinion about FDI into retail business and family monthly income.

There is association between modern practices of shopping and age group of consumers.

There is association between VAT system impact on purchases and family monthly income.
➢ There is association between safety measures necessary for a retail unit and family monthly income.

1.10 METHODOLOGY

This study has adopted descriptive and analytical methodology according to the situation. Descriptive methodology has been considered vital for the review of theoretical background of the concept of retailing and customer satisfaction and the issues relating to the research problem. The adoption of analytical methodology has become a compelling factor as it concentrates on the views expressed by the customer and their satisfactory levels across the different retail format. The research design used in this study is explained in brief below

Sources of data

This study is mostly based on a primary data collected from the sample clients chosen for this study. As the primary data is the information collected for the first time, a printed list of questions arranged in sequence was given to elicit the response from the respondents. A printed and well drafted questionnaire was prepared and distributed among the respondents. They were assured that the information furnished would be kept confidential. Mainly structured questionnaire was used as it would help the respondents to answer the questions quickly by taking minimum time. Further, it becomes easier for the researcher to make necessary arrangements in advance for classification and tabulation of data. However, the use of secondary data has also been made in this study by referring previous research papers & dissertations, books, journals, directories, year-books, articles & websites pertaining to the research problem.
Area of the study

The present study focussed its attention on the views of some sample customers residing in Chennai city only.

Profile of the study area

Chennai being the fourth largest city in India, it is a major trade center. Chennai a city that's teeming with varied cultural facets is undoubtedly one of the most beautiful cities of India.

Chennai's acted as an incubator for the Indian retail industry, with the city witnessing pioneering initiatives in the retail industry, be it consumer durables, general provisions or books.
Chennai is situated on the north-east end of Tamil Nadu on the coast of Bay of Bengal. It lies between 12° 9’ and 13° 9’ of the northern latitude and 80° 12’ and 80° 19’ of the southern longitude on a ‘sandy shelving breaker swept beach’. It stretches nearly 25.60 kms. along the Bay coast from Thiruvanmiyur in the south to Thiruvottiyur in the north and runs inland in a rugged semi-circular fashion. It is bounded on the east by the Bay of Bengal and on there maining three sides by Chengalpattu and Thiruvallur Districts.

**Table – 1.7**

*Census 2001 Data*

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Census Data</th>
<th>Males</th>
<th>Females</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Total Population</td>
<td>21,61,605</td>
<td>20,54,663</td>
<td>42,16,268</td>
</tr>
<tr>
<td>2</td>
<td>Population below Age 7</td>
<td>1,90,044</td>
<td>1,84,045</td>
<td>3,74,089</td>
</tr>
<tr>
<td>3</td>
<td>Literates</td>
<td>16,70,094</td>
<td>14,08,910</td>
<td>30,79,004</td>
</tr>
<tr>
<td>4</td>
<td>Main Workers</td>
<td>11,23,246</td>
<td>2,20,332</td>
<td>13,43,578</td>
</tr>
<tr>
<td>5</td>
<td>Marginal Workers</td>
<td>--</td>
<td>--</td>
<td>97,804</td>
</tr>
<tr>
<td>6</td>
<td>Total Workers</td>
<td>11,92,924</td>
<td>2,48,458</td>
<td>14,41,382</td>
</tr>
</tbody>
</table>

*Source: Statistical Department, Chennai*
Chennai city had a population of 5.34 million, while the total metropolitan population was 8.24 million. The estimated metropolitan population in 2006 is 4.5 million. With the area of the Chennai Corporation being extended to 456 km² the population within the area administered by the corporation was 5.6 million in 2001 which makes it the third largest city in India. In 2001, the population density in the city was 24,682 per km² (63,926 per mi²), while the population density of the metropolitan area was 5,922 per km² (15,337 per mi²), making it one of the most densely populated cities in the world. The sex ratio is 951 females for every 1,000 males, slightly higher than the national average of 944. The average literacy rate is 80.1%, much higher than the national average of 64.5%.

Table – 1.8

*Population Distribution and Literacy Rate*

<table>
<thead>
<tr>
<th>% Decadal Growth Rate</th>
<th>Sex-Ratio (No. of females per 1000 males)</th>
<th>Population Density per Sq.Km.</th>
<th>Literacy Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>17.24 9.76</td>
<td>934 951</td>
<td>22,077 24,231</td>
<td>87.86 84.71 74.87 75.32</td>
</tr>
</tbody>
</table>

*Source: Statistical Department, Chennai*
AIR

Chennai International Airport

Chennai serves as a major gateway to southern India and the Chennai International Airport, comprising the Anna international terminal and the Kamaraj domestic terminal, is the third busiest airport in India. The city is connected to major hubs across Asia, Europe, and North America through more than 30 national and international carriers. The airport is the second busiest cargo terminus in the country. The existing airport is undergoing further modernization and expansion, and a new Greenfield airport is to be constructed at an estimated cost of ₹2,000 crore in Sriperumbudur.

SEA

The city is served by two major ports, Chennai Port, one of the largest artificial ports, and Ennore Port. The Chennai port is the largest in Bay of Bengal and India's second busiest container hub, handling automobiles, motorcycles and general industrial cargo. The Ennore Port handles cargo such as coal, ore and other bulk and rock mineral products. A smaller harbour at Royapuram is used by fishing boats and trawlers.

RAIL

MRTS Train station in Chennai

Chennai is the headquarters of the Southern Railway. The city has two main railway terminals. Chennai Central station, the city's largest, provides access to other major cities as well as many other smaller towns across India. Chennai Egmore is a terminus for trains to destinations primarily within Tamil Nadu; it also handles a few inter-state trains. The Chennai suburban railway network, one of the oldest in the
country, consists of four broad gauge sectors terminating at two locations in the city, namely Chennai Central and Chennai Beach. Regular services are offered in the following sectors from these termini: Chennai Central/Chennai Beach - Arakkonam - Tiruttani, Chennai Central/Chennai Beach – Gummidipoondi - Sullurpeta and Chennai Beach – Tambaram - Chengalpattu – Tirumalpur (Kanchipuram). The fourth sector is an elevated Mass Rapid Transit System (MRTS) which links Chennai Beach to Velachery and is interlinked with the remaining rail network. Construction is underway for an underground and elevated Chennai Metro rail.

ROAD

An MTC bus in Chennai

Numerous state highways link the city to Puducherry and other towns and cities in Tamil Nadu and neighbouring states. The Chennai Mofussil Bus Terminus (CMBT), the terminus for all intercity buses from Chennai, is the largest bus station in Asia. Seven government-owned transport corporations operate inter-city and inter-state bus services. Many private inter-city and inter-state bus companies also operate services to and from Chennai.

The Metropolitan Transport Corporation (MTC) runs an extensive city bus system consisting of 3280 buses on 643 routes, and moves an estimated 5.52 million passengers each day. Vans, popularly known as Maxi Cabs and 'share' auto rickshaws ply many routes in the city and provide an alternative to buses. Metered call taxis, tourist taxis and auto rickshaws are also available on hire. Chennai's transportation infrastructure provides coverage and connectivity, but growing use has caused traffic congestion and pollution. The government has tried to address these problems by constructing grade
Pilot Study

Pre-testing the questionnaire (or) pilot study was done before the questionnaire was finalized. After the questionnaire was drafted, in order to measure its comprehensiveness, it was distributed among a few respondents. Their information were studied to determine the need for re-structuring the questionnaire, re-sequencing the questions, addition or deletion of questions, giving more instruction for filling up, etc., was also decided. The respondents who formed part of the pilot study were carefully included to form the actual group that was studied later. Based on the pre-test, necessary modifications were done in the questionnaire and then it was released for use.

Data Collection Method

For obtaining the information, the study adopted a printed questionnaire covering the different objectives of the study in the form of emergence of the different formats of modern retailing, their impact on the customer’s purchasing patterns, the current inconveniences faced by the customers while shopping and the suggestions offered by them were all included in the questionnaire. The customers were met in person and their opinion elicited through Structured Interview Method.

Period of the study

The collection of information from the sample respondents started from the year 2007 and the collection and the analysis and the data collected was completed in December 2010.
Sampling and Sampling size

Random sampling method is followed in collecting the required data from the respondent. The entire geographical area of Chennai city was divided into 5 zones. - viz., North Chennai, South Chennai, East Chennai, West Chennai & Central Chennai. From each zone a random of 60 persons was randomly selected and the printed questionnaire was given to them. On the whole 300 questions were distributed to the respondents of the different zones.

Tools for data analysis

Statistical technique constitutes an integral part of the research analysis. The data compiled was subjected to relevant analysis to have inference and meaningful analysis. In this context certain basic statistical tools like simple averages, percentages, variants were applied in this research. The results were also diagrammatically exposed wherever necessary. Advanced statistical tools like Chi-Square test, Anova test, Descriptive sampling etc. is also used.

1.11 LIMITATIONS OF THE STUDY

• The findings of the study are confined to the Chennai City alone. India is a country of varied languages, culture, tradition and practices which vary from place to place. Therefore, the results of this study cannot be equally applied in all parts of India.

• The opinion given by the customers may also vary because of individual differences due to age, sex, income, profession, etc.
• The opinion expressed by the respondents during the period of study may also undergo changes at a subsequent period.

1.12. CHAPTERISATION

The present study was undertaken with a view to measure the growth of organized retail, the emerging modern practices in retailing and to suggest necessary measures for the improvement of the sector. The questionnaire was directed towards the consumers and their information forms the core of the study.

Chapter-I: Introduction

The first chapter, Introduction gives a brief idea of the subject matter of the thesis. The nature of the topic, the objectives of the study, the background of the study, the methods used for the collection of data, the statistical methods used and the chapter classification have also been presented.

Chapter-II: Review of Literature

The second chapter traces out the related reviews of literature to the study. This chapter narrates the opinion expressed by eminent research scholars in the various research studies that they have conducted about retailing practices.

Chapter-III: Retailing an Overview

The third chapter gives a description about the nature and importance of retailing, retailing in other countries, retailing in India, emergence of modern store formats and emergence of modern practices of retailing in Chennai.
Chapter-IV: Data Analysis and Interpretation -I

The fourth chapter starts with a statistical analysis of the data collected from the customers. Customers are the real judges to decide the future course of the retailing business units. Therefore, their opinion collected is analyzed in the form of percentages. At the end of every question, conclusions were given.

Chapter-V: Data Analysis and Interpretation -II

The fifth chapter undertakes a detail study of the questionnaire by using advanced statistical methods in the form of t test, chi-square test, ANOVA test and correlation and regression methods. At the end of every test, detailed conclusions are given.

Chapter-VI: Findings, Suggestions and Conclusions

The sixth chapter gives a summary of the findings, suggestions and conclusion of the study. The idea is to make the whole thesis a comprehensive study with a beginning, middle and a proper end.

1.13 CONCLUSION

Retailing in our country is becoming increasingly important and organized retailing is poised to grow at an exponential rate in the coming years. Research and retailing is very important. Every retail organization needs to understand customer preferences in choices before designing its processes for improvement. Understanding customers and their expectations leads to better performance and research provides the way forward for the organization to grow.