CHAPTER-VI

FINDINGS, SUGGESTIONS & CONCLUSIONS

6.1 INTRODUCTION

Based upon the observations made for the various sectors of the retail segment, we can confidentially say that the conditions are becoming favourable for the growth of retail industry. The retail arena is very different and the opportunities are incredible. This chapter is divided into three areas viz. findings, suggestions and conclusions. Under the findings, the observations made through descriptive and inferential analysis are listed out. Under suggestions, the ways for removing the present bottlenecks in the sector is highlighted. Under the conclusions part the future trends of the sector are brought to limelight.

6.2. FINDINGS

The finding of the study summarizes the conclusions that were arrived at through data analysis. This is divided into two sections viz.

Section-1: Findings of the study from the descriptive analysis and
Section-2: Findings of the study from the inferential analysis

Section-1

Findings of the study from the descriptive analysis

- For the purposes of the study a sample of 300 customers were taken up for analysis. Among them male customers constituted a majority of the population surveyed.
• The sample was divided into three groups viz. young (below 20 years), middle aged (between 20 to 40 years) and seniors (above 40 years). Among them customers in the age group 20 to 40 years represented the majority of the sample.

• Married customers were more in number than unmarried customers.

• In order to study the relation between education and modern retail the customers are divided into four groups viz. Upto HSC, Graduate, Professional and others. Among this break-up of customers, Graduates formed a majority of the sample.

• Occupation and retailing practices are inter-related. With this in view the sample customers were divided into six group’s viz. Business, Professional, Government employee, Private employee, Self-employed and Home maker. Among them Private employees represented the bulk of the sample.

• The income earned by the customers has got a direct relation with respect to money spending retail outlets. Taking this into consideration, the customers were divided into four groups. Viz. Below Rs.30,000/-, between Rs.30,001/- to Rs.60,000/-, between Rs.60,001 to Rs.1,00,000/- and above Rs.1,00,000/- as monthly income. Among this population, customers earning Rs.30,001/- to Rs.60,000/- formed a majority of the sample.

• Considering the types of goods that are generally purchased from a retail unit, the types of goods were divided into manufacturer brands, private brands and those who do not purchase the above two types were brought under the heading as not
brand conscious. Manufacturer brands were purchased by a majority of the sample customers.

- Shopping is for the convenience of the customers. Their exists different types of retail stores with different features. The customers can select any one of them according to the convenience. For the purpose of this study retail outlets were generally divided into four types viz. Department Stores, Chain Stores, Discount Stores and Shopping Malls. Departmental Stores were preferred for shopping by a majority of the sample customers.

- Money spend in a retail outlet by the customers were taken up for analysis and it was divided into four categories viz. below Rs.1,000/-Rs.1,001/- to Rs.5,000/-, Rs.5,001/- to Rs.10,000/- and above Rs.10,000/-. Customers who spend on an average of Rs.5,001/- to Rs.10,000/- constituted a majority of the sample.

- With the improvements in banking, different forms of payments emerged. For analyzing them the payments made by customers were classified as follows:- viz. Cash only, Personal cheques, Credit cards and Debit cards. Among the various forms of payment made Credit cards were the most popular among the sample customers.

- Among the various credit cards are generally used by the customers the following were taken up for the study viz. Visa, Master Card, American Express, ICICI and SBI. Among the different cards used by the customers ICICI cards are used by a large number of customers.
• Now-a-days shopping is made with all the members of the family. To find out purchase decision-maker among them, the members of the family is classified into Husband, Wife, Children and All the members of the family. In this study, Wife constituted the chief purchase decision-maker among the family members of the sample customers.

• Cold storage facilities extend the life of the product in the retail outlets. When the customers were asked about the presence of the cold storage facilities their answers were grouped into three categories viz. Yes, No and Busy in shopping. A majority of the customers replied in positive and said they witnessed the presence of the cold storage facilities in the retail outlets while shopping.

• The availability of infrastructure facilities forms the nucleus of the retail sector. When the customers were asked their opinion about this it was divided into three categories viz. Insufficient, Partly sufficient and Fully sufficient. A majority of the customers replied that the infrastructure facilities like rail-road connectivity were fully sufficient in their locality.

• Employee service satisfaction pulls the customers to the retail outlets to make repeated purchases. The customers were asked about the employee service satisfaction through the following questions viz. not always satisfactory, sometimes satisfactory, always satisfactory. A majority of the customers have expressed that the employee service satisfaction were always satisfactory.
• Now-a-days customers could not spare much time for shopping. They would like to get all the products for the family members under one roof. The above question was put forward to the sample customers as:– Not always, Sometimes and Always. A majority of the customers were convinced and replied that they always get different range of products for the family members under one roof.

• Among the inconveniences encountered by customers, Traffic on the roads formed a major source of inconvenience for a majority of the customers.

• Government has introduced MRP to ensure uniformity in pricing. This was welcomed by a majority of the sample customers.

• Customers were asked to give suggestion for improving store security. A majority of the customers suggested for having bright lighting in parking lots.

• Foreign Direct Investment in retail has resulted in drastic changes in the retail sector world-wide. When the opinion of the customers was asked about the proposed entry of FDI, a majority replied that the existing businesses will improve as a result of the proposed entry of FDI into retail.

• On the area of modern practices to be introduced in the retail. Most of the customers expressed a favourable reply for door delivery, billing and collection.
• Customers were also asked as to how retailers can improve their profitability, for which majority of them suggested that the improving employee performance retailers can improve profitability.

• About the impact in purchases after the introduction of VAT system in our country, a majority of the customers opined that we have to wait and see.

• Having fire fighting devices at strategic locations in a retail outlets formed the majority of the suggestions expressed by the customers relating to the safety measures necessary for a retail outlet.

• “The problems of the retail sector can be brought to the notice of the concerned Minister if retail is given an industry status”. This was the opinion expressed by a majority of the sample customers about the demand for industry status to the retail sector.

• For retail business to succeed utmost care has to be taken to the quality of the products as well as the needs of the customers. When the customer’s opinion was asked for the above statement most of them replied in the positive and asserted that both the customers and the quality products formed the core of the retail sector.
Section-2

Findings of the study from the inferential analysis

- Customers below 20 years of age are of the opinion that the infrastructure facilities are like rail/road connectivity’s are fully sufficient in their locality.

- Customers in the age group of 20 to 40 years have expressed maximum satisfaction with respect to the services rendered by the employees of the retail outlets which leads them to make repeated purchases.

- Customers in the age group of 20 to 40 years have expressed the opinion that they are getting different ranges of products which are required by their family members under one roof.

- “Retail merchandising consists of two factors: Customers and goods. If you take good care in buying of the product it will not be return by the customer. If you take good care of your customer they do come back”. The above statement was fully endorsed by the customers who belong to the category of ‘Others’ under the educational qualification prescribed for the study.

- Customers serving as Government employees say that the infrastructure facilities are fully sufficient in their locality.

- Among the sample customers classified under occupation, home-makers have expressed that they are fully satisfied with the services of employees of the retail outlets.
• Among the sample customers classified under occupation, home-makers have expressed that they are getting different ranges of products under one roof in the retail outlets visited by them.

• In reply to the customer’s opinion about a statement “Retail merchandising consists of two factors: Customers and goods. If you take good care in buying of the product it will not be return by the customer. If you take good care of your customer they do come back”. Sample customers in the income group below Rs.30,000/- have fully agreed with the above statement.

• Discount stores are preferred for shopping by the sample customers with respect to sufficiency of infrastructure facilities.

• Among the purchase decision-makers, Husbands are satisfied with the services of the employees of the retail outlets.

• Among the purchase decision-makers, Husbands have expressed the opinion that they are getting different ranges of products under one roof.

• Professionals represent a majority of the customers who have opted for manufacturer brands. Among those customers who have opted for Private brands are graduates.

• Customers in the age group above 40 years prefer Departmental Stores since the requirements are fully met in the above format. Customers in the age group 20 to 40 years prefer Discount Stores since they are getting the products
at a lesser price. The age group of 20 to 40 years form the majority in choosing in all the four modern formats taken up for study.

- A majority of the customers who have preferred ICICI Cards are in the age group 20 to 40 years.

- Customers in the income group below Rs.30,000/- form the majority for having witnessed the presence of cold storage facilities.

- A majority of the customers in the age group below 20 years have spotted traffic on the roads as a major source of inconvenience. Customers in the age group 20 to 40 years are clever enough to point out all the major four inconveniences encountered by them.

- Married customers are very much careful and cautious about the price label on the products. Among the customers surveyed, they welcome MRP which ensures uniformity in prices.

- Foreign inflow of funds will increase and lead to sufficient increase in infrastructure facilities. Entry of Foreign Direct Investment will definitely improve the existing businesses was the opinion suggested by the customers in the income group Rs.60,001/- to Rs.1,00,000/-. 

- Customers seek convenience while shopping. The study in its questionnaire enquired about some selected modern practices among the customers. The
study reveals expectation of convenience from all quarters of customers, but a majority of them belong to the age group of 20 to 40 years.

- Value Added Tax aims to bring about uniformity in tax system throughout the country. When the question of the impact of the newly introduced VAT system on the purchases, customers belonging to every income group felt that the impact was very much.

- Safety measures become absolutely necessary when the number of customers visiting retail outlets is on the rise. The opinion for safety measures is more or less evenly distributed among the different income groups, those belonging to the income group below Rs.30,000/- and between Rs.30,001/- to Rs.60,000/- have evinced greater interest in the safety measures.

- There is positive correlation between infrastructure facilities and taking good care of customers and goods.

- Regression analysis shows that taking good care of customers and goods would increase by 0.392 for every unit increase in getting ranges of products under one roof and this coefficient value is significant at 1% level.

The following are the suggestions that can be considered for useful implementation by the retail units on the basis of the extensive research conducted:

- Customer Focus.
- Ability to attract the Critical mass.
- Deciding on the Retail Format that will leverage the company’s competencies.
• Ability to attain expertise in the retailing sector.
• Supply Chain Management (Logistical Expertise).
• Use of IT.
• Ability to attract and retain talent.
• Solid Financial backing.

**Customer Focus**

The most important factor that decides the success of any business is the Customer focus. Retail companies have to start with the classic marketing rule of STP (Segmentation, Targeting and positioning). Though this may seem simple and obvious, it is usually not carried out meticulously. Many companies still operate with the notion of “every one is our customer; we don’t stop anyone from buying from us”. The only problem with this approach would be that the marketing efforts may not be fruitful as retailers are trying to reach out everyone, but not capable of satisfying anybody. This however does not mean that the company should ignore the spill-over effect.

**The “Indian Factor”**

The Indian consumer is no longer termed “price sensitive” but is associated with one who looks for “value for money” To put it simply, the consumer should feel that his costs (monetary, time, energy, psychic) are less than the benefits (functional and emotional) that he receives. Though the benefits that the consumer seeks may differ across income groups, it also differs across the nature of products (low-involvement vs. high involvement product).
The stress is upon the fact that one cannot try and replicate retailing strategies that worked in the U.S. because the consumers are different, their food, clothing and living habits are different, their culture is different and more importantly, the retail formats that these consumers have been exposed to is different.

Talking about values that a consumer derives, according to Dr.Ranjan Das, it is now becoming clear that the Indian customer wants entertainment in whatever he does, whether buying or consuming. Entertainment thus has now become his additional criterion for deciding what to buy and from where to buy. This aspect was well conceived and implemented in Abirami Mall of Chennai city with superb customer patronage.

**CRM**

Customer Relationship management is probably the new buzzword that is catching up with all businesses. Whether hi-tech or not, the retailing format should be able to understand the needs of the customer and use information available to attract, serve and retain customers effectively.

**Ability to attract the Critical mass**

In retailing business there exists a necessary critical mass that helps the company survive. The critical mass represents the number of customers of a particular retail organization. The retail company should be able to estimate the critical mass and then put strategies in the right place in order to attract and retain that critical mass.
Deciding on the Retail Format that will leverage the company’s competencies

The retail format can be classified in two ways. The first is physical retail format and the second is the product sector.

- Small store, with complex but efficient supply chains
- Small supermarkets that run on brand variety and tight inventory control
- A mix of food and general merchandise stores
- Hyper markets which are located out of the city.
- Mid-sized retail propositions within town limits.
- Small corner outlets with integrated home delivery.
- Huge discount store, apart from the e-tailing format.

The right format for a retail store should be decided depending on the core competency of the company and the targeted customer segment. While deciding on the retail format a lot of attention should be given to the store design as well. Product sector decision involves deciding whether the company should enter into groceries, apparel, textiles, consumer durables, etc.

Ability to attain expertise in the retailing sector

Organized retailing is still in its nascent stage in our country. Any company planning to enter in an organized way will have to attain sufficient expertise in setting up and running retail chains. This expertise can be either bought by hiring consultants to advise in this front or enter into an alliance or joint venture (as RPG has done) with a partner who has prior expertise in this area.
Supply chain Management – (Logistical Expertise)

Supply chain management is one of the key areas of the success for an organized retailer. Most of the cost savings comes through with efficient supply chain management. Companies like Walmart have built the biggest empire in retailing just by concentrating on this aspect. Supply chain management is important to a specialty store and also to a discount store. By efficiently handling the supply chain, the operating and wastage costs can be drastically reduced thus increasing the operating margin. The government should take adequate steps to do away with constraints on processing, manufacturing, and distribution. As the existing formats make way for the modern ones and the national footprint of the retailers expands, efficient supply chains will be setup and consolidation of the logistics function will take place.

Use of IT

Deployment of IT in retail sector has helped to streamline the operations and minimize the costs. *Food world*, one of the leading retail companies has benefited considerably by using IT in its day-to-day operations. IT should be deployed with considerable care and caution. The IT tool that is selected must be capable of being scalable and also upgradeable.

Ability to attract, train and retain talent

Retailing necessitates hiring and retaining people who can help to grow the customer base. Companies should be able to attract good talent and also train them to operate in the new organized setup. The next step is to retain the bright, talented and experienced workers. Companies should tie up with Management Institutes to enable its
employees study related courses and at the same time help these institutes offer specialization in retailing by helping them design such courses with the valuable field experience of the retail company.

**Solid Financial backing**

Since any retail format will involve substantial initial investment and is operating in a low margin industry, the company should have solid financial backing to help it survive in the initial period while it gains the critical mass.

**The need for industry status**

Industry status to retailing is the first basic step needed for reforming the retailing sector. The following are the benefits of granting industry status to retailing.

**Greater Focus on Retailing Development**

Granting industry status to retailing implies that retailing would then come under the purview of a single ministry and would most likely have a nodal agency and an apex body dedicated solely for the retailing sector. This would ensure that this sector gets the very badly needed focus in development. Almost everybody connected with the retail sector keep talking on the changes needed in this sector. But the lack of clear focus has led to a situation where hardly any action has been possible in this highly potential field.

**Fiscal Incentives for Retailing Industry**

One of the major problems with Indian retailing has been the fact that the levels of investment in organized retailing continue to be dismally low. Granting industry status may facilitate the provision of fiscal incentives to this high potential sector. Incentives for
investments in cold storage chains, infrastructure and investments in the supply chain can go a long way in improving the current state of retailing in India.

**Availability of Organized Financing**

One major benefit from granting industry status would be the easier availability of organized financing. Banks will find a new option of lending their increased reserves to this emerging sector.

**Establishment of Insurance norms**

Insurance to retailers is still perceived to be a risky proposition. The main problem faced by insurance companies while insuring small retailers has been the absence of established norms and prior experience. Once the sector gets industry status most of these problems would be taken care of easily.

**Law Amendments**

Most of the laws governing Indian retail are pretty archaic. Specifically speaking, some of the laws that need to be reviewed on priority basis are :-

a. Essential Commodities Act
b. Weights and Measures
c. Agriculture products market Act
d. Prevention of food adulteration Act
e. Shops and Establishment Act

These are just some of the main areas that need attention.
RECOMMENDATIONS

This section discusses the policy changes that are needed to ensure that Indian retail significantly improves its productivity. While doing this, we try to identify the stakeholders in the process of retail change, understand their viewpoint and their relevance as potential bottlenecks, and finally define how best to address their issues.

Permit FDI in retail

FDI has played a key role in the rapid development of high quality retail in several other developing countries. Allowing global retailers to invest in this sector would attract best practice players into India. Several retailers (such as Tesco, Marks & Spencer and Toys ‘R’ Us) have already evinced an interest in building businesses here.

Relax SSI Reservation

The reservation of large sub-segments for the small-scale industry renders the processing sector, particularly in food and apparel, inefficient. Therefore, the first step should be to continue to relax restrictions and permit larger, more efficient players to enter these sectors. It should be emphasized that this will allow small-scale firms to increase their scale of operations and become more productive and competitive.

Remove distribution constraints

Retailers must be allowed to source directly from the farmers and food grains should be allowed to be transported freely among the various states of our country.
Organize market for real estate

Here the objective is to ensure a regular supply of real estate for retail and to ensure transparency in dealings. There are four major areas of action that retailers should focus on:

Ensure proper rent laws

Linking rents to market value will ease out businesses surviving on uneconomic rental rates. Currently, rental laws in our country as well as their implementation are extremely pro-tenant. Strict enforcement of rental laws will make landowners more confident in getting their property back.

Make zoning laws more flexible

The government needs to be more flexible with zoning laws and ensure that usage norms take into account both demand and supply without upsetting the balance both in urban and suburban areas.

Restructure finances of municipal bodies

The responsibility for providing adequate local infrastructure rests with the local governments. To improve their finances, these local governments need to enforce property tax collection to raise funds for infrastructure development.

Increase land supply

City administrators need to bring government owned land into the market regularly. This will encourage and aid large-scale developments both in the suburbs and within the cities.
**Simplify the tax structure**

The government should ensure the adoption of a uniform sale tax rate across states, and with time, introduce Value Added Taxation (VAT). It should also eliminate octroi wherever it is levied. These policies are already being considered, and most states have agreed to uniform taxation, at least in principle.

**Ensure flexibility of labour laws**

Permitting flexibility in the use of labour, without doing away with the benefits accruing to them will permit retailers to better organize operations and improve capacity utilization. This will include permitting retail businesses to stay open all days of the week, encouraging use of part time labour, etc. Retailers in the state of Tamil Nadu (Capital-Chennai) have agreed to these on the face of requests from some well established retailers.

**Better enforcement of tax collection from small retailers**

Small retailers will derive several benefits from non-enforcement of labour and taxation laws. While it will be difficult for the enforcement mechanism to regularly monitor labour usage and electricity consumption by the millions of small retailers, it should definitely improve the tax collection mechanism.

**Ensure single window clearance for retail chains**

State governments should make all licenses and permits available through a single agency at least at the city level. Providing one-time licenses for multiple stores in a chain will ease the bureaucratic hurdle experienced by modern retailers.
Eliminating bureaucratic hurdles

The state/local government is a critical stakeholder in retail. Several important changes in retail environment imply a loss of power for government officials. These comprise better enforcement of laws among small counter stores, simplification of legislation and loss of tax revenue from sales and octroi levies. While the legislative change may be easier to initiate, the behavioural change process will definitely take more time.

Vendor relations and off take discounts on buying should be discussed and linked with discounts offered to customers and end users. Vendor partnership is an essential element in the success of the operations.

Stores management- The way it is done today should be reworked to support the discount store concept. Manpower deployment at sales assistant level should be different for different categories of goods. Here assortment of goods will become important based on the size of the store. Effective category management will have to be incorporated in retailing.

Display inside the store should be more self-explanatory which will guide the customer for his buying decision. Price tags should be pasted depending on the commodity so that they are visible irrespective of category of merchandise.

There are currently very few stores with stock - clearance programmes. They will have to have the stock clearance of merchandise aged more than “n” Days.
Another best practice that needs to be present is *sharing profits with the customer*. Customer participation in business can be introduced by way of customer loyalty programme. This action will push the sales and over a period of time.

Innovation in terms of schemes and continuous introduction of *best, latest products* and *Brands* at Customer Participation Price should be offered. The Vendor could contribute part of this sharing. As off take increases vendor can offer turnover discount, which will create a win-win situation for all - Vendor, Retailer & Consumer / Customer.

Our country has major cultural diversity including diverse traditions and practices, apart from language problems. Retail involves dealing with the local consumers in a manner appropriate to their culture and traditions, and invariably in the local languages. Local competitors who have strong hold in their respective markets have to be reckoned with. Winning over their loyal customers will be necessary to build a market share in each market.

In a similar way, it would be necessary to build a rapport with the local authorities. Their support and co-operation is important for successfully entering and developing business in the new market.

Organized retail is poised to grow at an astronomical pace over next few years. It becomes crucial for retailers to identify and differentiate themselves on one or more value-centric attributes that will provide them with long-term competitive advantage.
Retailers must adopt a \textit{phased approach} when developing their customer analytics capabilities.

Retailers need to look beyond the accepted methods of \textit{data collection} and analysis. Once retailers have identified the necessary customer data, defined and implemented appropriate retail technology and analyzed the data for valuable insights, they can create a competitive advantage that will directly improve both sales and margin.

To win consumer loyalties \textit{high quality of goods and services} are to be offered.

Retailers must be capable of adapting to new situations in the market by \textit{responding to changes} in the environment by having \textit{innovative business models}. This will enable them to earn stable profits during different stages of the economy.

With the retail market size, \textit{increase in consumption expenditures} as well as \textit{retail sales}, the opportunities for the retailer and consumer are immense. The sector’s growth potential is further reflected by the share of organized retail which forms 4\% of the country’s retail industry.

Some distinctive trends are likely to emerge on the retail scenario. Domestic retailers and mall developers will be moving into the \textit{smaller towns and cities} in order to respond to the growing consumers markets there and to capture the rising demand for branded products.

Last but not the least, the market for \textit{luxury retail} will gain critical mass and this segment will witness substantial growth in the next few years. However, to enable this sector to realize its full potential Foreign Direct Investments (FDI) restrictions in retail
will have to be relaxed further and retail rentals will need to undergo some degree of rationalization

**Personal Shopping Service**

One of the key successes of the unorganized kirana stores is the home delivery system. The very same practice can be successfully implemented in the organized retail outlets also. This will increase customer loyalty and continued patronage for the store.

**Utility/Help Desk**

After the introduction of IT system it has become easier to pay dues to the government in the form of taxes, LIC premium through internet and mobile. But still some people continue to make payments for the above manually. A help desk manned by an NGO to collect payments for utilities and water tax would offer tremendous value to customers. This facility can be extended to ticket bookings also.

**Value-Added Range**

The immediate example that can be quoted under this category is the ‘Ready to Eat’ range of food products that are now available in some of the supermarkets. Apart from offering immense convenience to customers, it generates much higher margins.

**Darning/Tailoring/Alteration**

In spite of readymade apparel having made inroads into most of our wardrobes, there is still need for tailoring services. This service can be given to the customers visiting an organized retail store also thereby enhancing its reputation. The actual work need not be done at the store, thereby reducing the space required to its bare minimum.
Product Hiring Service

This is done by most Retailers abroad and usually covers cutlery and crockery. A similar service might find takers who would appreciate the convenience of just hiring instead of having to purchase such items. Again, this is something that can be actually offered by a third party, using the store as a connection point.

Service Support for Home Appliances

Several corporate retailers also have an electronic store format in their portfolio and offer in-house service for electronics and electrical products. Help desks can be installed in the supermarkets which would act as a collection and delivery points for anyone wanting to avail of the service. One of the most common requirements of our customers is the service/repair of the pressure cooker. This work can be undertaken by the organized retailers also.

Connection Point for Domestic Help

Most hardware stores have a resident plumber, carpenter or electrician. They sustain each other’s business by purchasing from that store; the store could also refer these people if there is any enquiry for work. In today’s context, where domestic help is hard to find, the neighborhood store can function as a connection point for the same. Today there are agencies which offer to find and send such resources. A representative of such an agency may be deployed at the store.
Community Message Board

A soft board may be displayed in every store where customers can post simple personal notes. The messages would be about sale of vehicles, homes for rent, tuition, pet wanted, old guitar for sale etc.

Jumble Sales

Most of the customers have loads of things which they never use. A monthly jumble sales organized in association with an NGO would provide yet another opportunity for customers to get such things out of their homes. A part of the sales proceeds could be donated to the needy. Customers could register their names to participate by paying a nominal fee, which would take care of the organizational expenses if any.

Overview of Basic Retail Concepts to Maximize the Returns

Conventional store owners are masters of Retailing. It is in their blood. However, what they know is typically word of mouth knowledge which is based on past experiences. The world and market place to day is changing and changing very fast. In that context, these shop owners should attend some Retail training Programmes which teaches the basics of assortment planning, store profitability, etc. Coupled with their native wisdom, this conceptual knowledge would give them the edge to be more competitive as also might open their minds to experimenting with some of the ideas from the training programme.
Explore Other Formats

Most of the corporate Retail in has adopted existing western models like supermarkets, hypermarkets, etc. Also, real estate, density of population, lifestyle, etc. are different and might be served better through differentiated formats. An example is from the fast-food industry. Some of the pizza chains typically has a dine in restaurant where one sits down and enjoys meal, while it also has a tele-ordering mechanism as also a small outlet for takeaways only.

Corporate retail is only now experimenting with online shopping as an extension of physical stores. But, some different physical formats like a store that sells mainly damaged goods at steep discount can be experimented.

The implementation of the suggestions by the concerned authorities will go a long way in improving the retail sector in the days to come.

CONCLUSIONS

After undertaking an in-depth study on the topic “Emerging Trends in Chennai Retailing”, the following conclusions are arrived at:-

- There is huge potential for organized retail.

- Retail outlets exist in all shapes and sizes - from a “panwala” to a Shoppers’ Stop. However, most of these outlets are basic mom-and-pop stores - the traditional “kirana” shops in the locality, which are smaller than 500 sq. ft. in area with very basic offerings, fixed prices, zero use of technology, and little or no ambience.
• The well-known consultancy firm, Technopak has listed ten retail trends in their recent report entitled Retail Outlook 2007. Technopak says that there is bound to be an unprecedented investment over the coming five years.

• Modern retail will grow but traditional retail will survive – both of them will co-exist.

• Consumption will shift to lifestyle categories - consumers shifting evaluation from MRP to EMI.

• New retail formats will emerge and grow. There will be an investment surge in forecourt retailing and the country will witness the growth of super-specialty formats.

• Modern retail will witness enhanced private equity infusion.

• There will be creation of large retailer brands (private labels). ‘Own label’ branding trend will be on the rise, particularly in groceries, home care and clothing. This will provide better profit margin advantage to retailers

• There will be interplay between retailers & suppliers – branded firms will collaborate with top retailers

• New investments will happen in the back-end areas. There will be enhanced focus on improving the supply chain, storage and display.
• Modern retail will benefit consumers and rural sector. Rural retailing formats will ensure quality goods, easy accessibility and low rates. Monthly shopping bill of the consumers will reduce by at least 10%

• Consolidation will increase in the retail sector.

• In addition to basic infrastructure like parking, real estate etc. would require additional investments. However, given the nascent stage of the industry, most of these investments will be in the form of equity.

• In recent years, this sector has witnessed a lot of interest from both domestic and global players, which will lead to increase in the share of modern retail from the current 4.5 per cent to almost 25 per cent of the total retail market by 2018.

• Modern retail will continue to grow since the long term fundamentals of the Indian economy are still strong. Therefore, the fundamentals still support the case for modern retail in India and there is no reason to believe that retailers will not to continue to invest and expand as planned in the coming years.

• On the operations front, the players are now starting global retail practices. However it would take sometime before the players are able to bring their supply chain infrastructure in line with the world-class standards to maximize benefit.

• Besides the retailer would need to do substantial works on the front end of their business models, which involve implementation of practices and processes for
efficient *customer management techniques* and linking them to the merchandize and supply chain planning systems of the company.

• Retailers have realized that it is more important to focus on the basics and get them right first. Accurate *inventory control* is the main requirement of an enterprise retail system. Overall IT expenses in retail are on the rise and some retailers are now looking beyond basic applications to higher levels of *IT functionalities*.

• Evidently, retail is one of the *hottest industries* both in India and in Chennai. The changing profile of the consumer combined with the fresh interest displayed by developers and retailers has meant the *entry of new formats* in the industry. Retailers and developers are rushing to setup *retail cum leisure destinations*, which bundle several options into a single offering to give customers what they want. Apart from the metros smaller cities too are witnessing intense *property development*.

• The growing emphasis on retail IT among both the established and the new players becomes evident from the fact that a large number of retailers are now indicating *increase in* their *IT budgets*.

• FDI will also enter retail sector in the very near future.

• *Current players* are *maturing*, and *new entrants* are *learning* from their experience. As of now major investments are on-hold awaiting a trigger e.g.
financial success of some of the current icons, *FDI permission* for the sector, *real estate law reforms, grant of industry status* etc. will further boost retailing.

- Supply side constraints are showing sign of easing – next 5 years should see substantial improvement.

- Overall, in Indian scenario Retail would be one of the best 5 Business Sectors in this Decade.

- *Kirana’s* will continue to co-exist, along with organized retailers. They should focus on value-added services, longer hours, innovative solutions that offer convenience, etc.

- Online transactions should start seeing a boom. People have moved onto the online booking space with regard to travel and hotel bookings. This comfort level coupled with stricter authentication measures by credit card companies would make consumers open to online shopping. This is an excellent opportunity for retailers to move into the online space.

- Several allied and related value offerings are bound to start and some are already around. Personal shoppers are sites that compare prices and consolidate offers from various retailers. Similarly retail training institutes, logistics service providers, housekeeping business etc. would also grow and thrive.

- Initially, the corporate retail focus was on expansion and then with the downturn it moved to consolidation, cost control and profitability. A very important
perspective is not yet on the radar of Indian retail, which are Green retail or eco-friendly initiatives by retailers.

• Similarly, there are innumerable other opportunity areas with regard to green retail. Corporate retailers would wake up to this potential when they realize that there is an opportunity to improve profitability by doing such initiatives and thereby earning carbon credits. A few top of the mind ideas to explore are solar panels for power generation, electric vehicles for neighbourhood delivery, gas kits for the delivery trucks and recycling initiatives.

• At least in the growing urban markets, the shift towards DIY and space-saving products would start. Retailers who cater to this niche would stand to gain. However, DIY cannot be a straight import as understood in the developed countries. The Indian DIY would have to be structured keeping in mind the Indian consumers.

• All in all, it promises to be a great and exciting journey with tremendous learning as also hard work.

• A few clues can be taken from other emerging markets, where retail industry has taken shape in the last couples of decades. Study of other emerging markets shows that it takes 10-12 years for the organized industry to achieve 10 percent to 12 percent market share. Most of the emerging markets like Thailand, Indonesia, Malaysia, which saw an emergence of organized retail in the 1980s, have now achieved between 20 percent to 40 percent market shares. However, for India to
achieve a similar level of penetration, it would have to overcome key roadblocks like lack of FDI approval, complex taxation and infrastructure bottlenecks.

• While some of these hurdles are easy to remove, others are politically sensitive issues. And might take several years to get addressed. As a result, it is believed that growth in the organized retailing in India might not be as rapid as seen in other emerging markets. This would mean that the industry would continue to remain in an investment stage for longer time compared to other emerging markets.

• A tremendous opportunity exists in the Indian market and organized retail will prevail as in other parts of the world. It is only a matter of time before that happens and it is probably closer than what we are imaging. This is the right time to invest and continue investing in the business. Profits may come in only after 5 or 7 years but that’s the way this industry operates and unlike some of the other sectors, this is not a business to make profits from day one. But when it’s setup, its solid profits and nothing illusionary.

• Indian retailers have been expanding swiftly in the last couple of years. There are already seven retailers with more than 500 outlets in the country.

• Earlier, most modern retail was targeted at upper middle/upper class of consumers. Toady, more broad-based formats are being planned. Technopark estimates, that in 2003, modern retail targeted hardly one per cent of the Indian
population. This has grown to about 7-8 per cent of the population now and is expected to reach at least 40 – 50 per cent in the next five years.

**Table 6.1**

*The future of organized retailing*

<table>
<thead>
<tr>
<th></th>
<th>2003 (in %)</th>
<th>2008 (in %)</th>
<th>2013 (in 5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>F &amp; G</td>
<td>12.0</td>
<td>17</td>
<td>48</td>
</tr>
<tr>
<td>Misc.</td>
<td>22.0</td>
<td>15</td>
<td>13</td>
</tr>
<tr>
<td>Apparel</td>
<td>38.0</td>
<td>34</td>
<td>12</td>
</tr>
<tr>
<td>CDIT</td>
<td>9.0</td>
<td>9</td>
<td>11</td>
</tr>
<tr>
<td>Home Improvement</td>
<td>2.0</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>Furniture</td>
<td>2.0</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Footwear</td>
<td>7.0</td>
<td>9</td>
<td>2</td>
</tr>
<tr>
<td>Jewellery &amp; Watches</td>
<td>5.0</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td>Pharmacy</td>
<td>3.0</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Technopak Research

- Modern retail has now also expanded beyond the top 8 – 10 cities. It has now already spread to almost 60 -70 cities of the country and is expected to reach about 500 – 600 towns/rural hubs in the coming years.

- More consumer goods companies are also now vertically integrating by setting up their own retail channels. Having accumulated a wealth of consumer knowledge over the years, they have come to realize that there is no better place to influence
the consumer than at the point-of-sale. This helps them not only in building brand loyalty, but also, in gathering valuable consumer data to spot consumer trends.

- In recent years, more retailers are looking at partnering with global players, which helps them reach out to consumers with well-known brands. This helps Indian retailers in introducing formats which are currently not there in their portfolio and also allows them access to the best global practices in sourcing, store operations, merchandising etc.

- In the last few years we have also seen some mergers and acquisitions taking place in the retail sector. Initially, companies looking at entering retail were acquiring existing regional retailers to get valuable operational understanding of the sector. Of late, consolidation is also taking place, with retailers seeking acquisitions as a route for expansion or diversification to newer geographies and categories.
Diagram - 6.1

Indian Retail Growth across years

![Diagram showing Indian Retail Growth across years]

Source: Techno Park Research

The mantra for the retailers, behind this would this be:-

“The customer is the most important visitor on our premises. He is not dependent on us. We are dependent on him. He is not an interruption in our work. He is the purpose for it. He is not an outsider in 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 opportunity to do so”