Chapter-1

General Introduction
1.1 Retail Story:

Introduction

India is standing on the threshold of a retail revolution and witnessing fast changing retail scenario. India is the most preferred new destination for global retailers and it topped the list in a survey, done by property agents CB Richard Ellis, of 323 international retailers about the markets they entered for the first time last year. India ranks 35 with just about one-fourth retailers present in the country and New Delhi was ranked as the fourth most popular city for new retail entrants at city level, according to the CB Richard Ellis study, which covered 75 countries, in terms of international retailers present in a country.

The RNCOS's convenience store market reports present the picture of changing retail industry with the emergence of organized retailing and modern retail formats like convenience stores, supermarkets and hypermarkets.

The Indian retail industry has experienced high growth over the last decade with a noticeable shift towards organized retailing formats. The industry is moving towards a modern concept of retailing. India's retail market is expected to grow at 7 per cent over the next 10 years, reaching a size of US$ 850 billion by 2020. Traditional retail is expected to grow at 5 per cent and reach a size of US$ 650 billion (about 76 per cent), while organized retail is expected to grow at 25 per cent and reach a size of US$ 200 billion by 2020.

India has emerged as the fifth most favorable destination for international retailers, outpacing UAE, Russia, Indonesia and Saudi Arabia, according to A T Kearney's Global Retail Development Index (GRDI) 2012.

"India remains a high potential market with accelerated retail growth of 15-20% expected over the next five years," highlighted the report by A T Kearney.
Market Size

- The foreign direct investment (FDI) inflows in single-brand retail trading during April 2000 to March 2012 stood at US$ 44.45 million, according to the latest data released by Department of Industrial Policy and Promotion (DIPP).

- Cash and carry represents an opportunity worth around Rs. 8,250 billion (US$ 148.49 billion) of the Rs. 27,500 billion (US$ 494.96 billion) annual retail business in India.

- Domestic pharmaceutical retail market clocked a robust 15 per cent growth during 2011, mainly driven by therapies like anti-diabetic, vitamin, anti-infective and dermatology. The domestic pharmaceutical retail reached a new milestone by recording overall sales of Rs. 60,000 crore (US$ 10.80 billion) for the year 2011.

- The entire textile and apparel industry in India is expected to grow by 11 per cent to touch Rs. 10,320 billion (US$ 185.75 billion) by 2020. Currently, menswear is the major chunk of the market at 43 per cent, according to Technopak Advisors, a retail consultancy.

- India’s cosmetic sector has, in fact, emerged as one of the markets holding immense growth potential.

- The Indian cosmetics market registered impressive sales worth Rs 264.1 billion (US$ 4.75 billion) in 2011, and with rising purchasing power and growing fashion consciousness, the industry is estimated to expand at a compound aggregate growth rate (CAGR) of around 17 per cent during 2011-2015, according to RNCOS latest research report titled 'Indian Cosmetic Sector Forecast to 2015'.
E-tailing

- Online retail business is another format which has high potential for growth in the near future. India’s e-retail industry is likely to touch Rs. 7,000 crore (US$ 1.26 billion) by 2015, up from Rs. 2,000 crore (US$ 359.97 million) currently, as per an industry body report.

- Banks, along with existing e-retail marts are entering into the discount business on the back of flourishing online purchase of gift items, especially jewellery and flowers. The online shopping marts have made gift purchases easy through a number of their retail members. "The estimated Rs. 50,000 crore (US$ 8.99 billion) e-commerce business is growing at an overall 40 per cent. Of this, online flower sector has been rising between 70-75 per cent," as per Kunal Gothivarekar, Director (Sales) of ICICI Merchant Service, an online shopping venture.

- Tesco Hindustan Service Centre (Tesco HSC) is helping the world's third largest and Britain's leading retailer in going global with its e-commerce rollout. "The user response has been excellent. It is one of the five most visited retail websites and on average processes 500,000 orders a week across its online businesses," according to Sandeep Dhar, CEO, Tesco HSC.

- The gems and jewellery industry has found a way to shine online. Data compiled by eBay India Guide 2011 suggest that a piece of jewellery is being sold every three minutes on eBay India.

Retail in Rural India

Rural chains in India are focusing on hinterlands in a big way. For many companies, a large portion of their revenues comes from rural sales. This fact is further making marketers focus their strategies according to customers in rural areas.
• Stronger growth prospects, lesser competition, higher yields and profitability are making tier-II markets an attractive proposition for financiers, according to a credit rating agency, Crisil. The report expects increasing finance penetration and the entry of more players to drive growth in retail loan demand in tier II cities.

• India's franchise market is growing at a healthy pace with tier II and tier III cities gradually getting attracted to the network of retailers and franchisers. "Franchising in India has witnessed impressive growth of around 30-35 per cent year-after-year over the last 4-5 years with an estimated turnover of US$ 4 billion," according to Gaurav Marya, President, Franchise India.

• Philips plans to develop healthcare products for rural India-a shift away from its exports-led strategy of the previous years. Going forward, the quantum of products developed for the Indian markets will go up "exponentially" and the team "will churn out more products for rural India," as per Srinivas Prasad, Head of Healthcare at Philips Innovation Centre.

Investments

• International cash and carry chains in the retail sector plans to expand in India. Wal-Mart, the US$ 446 billion American retail giant, which operates cash and carry outlets in India in a 50-50 per cent joint venture (JV) with the Bharti Group, expects to open 12 to 15 wholesale outlets in 2012.

• According to a recent trend, retail companies such as Carrefour, IKEA, Tesco and Wal-Mart are regularly sourcing well-priced, high-quality products for customers in Western markets from India. Analysts estimate that these four retail majors together source around US$ 3.5 billion-US$ 4 billion from India.
every year. "India continues to be an important sourcing market," as per Wal-Mart.

- The next generation of India's retail environment is favorable for the rise of luxury goods. Watches are growing faster than the broader luxury market. "In watches, there is perhaps a higher level of innovation than other luxury categories," as per Jean Christophe Babin, CEO, Tag Heuer.

Government Initiative

- The Indian retail sector accounts for 22 per cent of the country's gross domestic product (GDP) and contributes to 8 per cent of the total employment. India continues to be among the most attractive investment propositions for global retailers.

- The Union Ministry of Finance has provided relief to the Rs 18,000 crore (US$ 3.24 billion) software industry by replacing a multi-level structure of tax deducted at source (TDS) on distributors with a single TDS. This would be deducted by the first distributor—one who directly purchases packaged software from a developer.

- Till now FDI up to 100 per cent was allowed for cash and carry wholesale trading and export trading under the automatic route, and FDI up to 51 per cent was allowed in single-brand products, with prior government approvals. However, the Government recently passed a cabinet note and permitted FDI up to 51 per cent in multibrand retailing with prior Government approval and 100 per cent in single brand retailing thus further liberalizing the sector. This policy initiative is expected to provide further fillip to the growth of the sector.
Government is planning to remove the old tax systems to simplify the tax calculation and avoid double taxation in Indian retail. New Goods and Service Tax (GST) will simplify the tax structure.

To give an impetus to the FDI space in India, the Government is actively contemplating over allowing foreign airlines to pick 49 per cent stake in domestic ones while proposal for allowing 51 per cent FDI in multi-brand retail is continuously being worked upon.

Road Ahead

With increasing disposable incomes, expansion of stores and supporting economic factors, India’s retail sector is expected to grow to about US$ 900 billion by 2014, according to a report by global consultancy and research firm, PricewaterhouseCoopers (PwC).

Consumer markets in emerging market economies like India are growing rapidly owing to robust economic growth. The retail industry is highly competitive because of ever changing consumer preferences and the need for marketing differentiation.

The retail enterprises need to focus on costs throughout the consumer value chain because of proliferation of new products and categories and ever increasing demands to optimize value chains.

Exchange rate used: 1 INR = US$ 0.01800, as on June 5, 2012.

References: Media Reports, Press Release, RNCOS, Corporate Catalyst India (CCI), Department of Industrial Policy and Promotion (DIPP), Market Research.
1.2 Definitions: What is retailing?

“Retailing consists of those business activities, which are involved, in the sale of goods or services to consumers for their personal, family or household use.” It is the final stage in the distribution process for goods and services from manufacturing to final consumers.

**Organized Retailers**: Defined as those companies engaged in retailing which have a network of retail outlets, compared to the stand alone format characterized by the traditional sector, and those who adopt professional management for day to day operations.

![Distribution Chain Diagram](image)

**A Typical Distribution Chain**

*(Source: Ron Hasty, James Reardon – Retail Management)*

**Retailing involves:**

- Interpreting needs of the consumers.
- Developing good assortments to merchandise.
- Presenting them in an effective manner so that consumers find it easy and attractive to buy.

Retailing differs from marketing in the sense that it refers to only those activities, which are related to marketing goods and / or services to final consumers for personal, family or household use. Whereas marketing, according to American Marketing Association, refers to “The process of planning and executing the
conception, pricing, promotion and distribution of ideas, goods and services to create exchange that satisfy individual and organizational objectives.”

Organizational buyers purchase in order to perform a task or sell a product effectively, efficiently and at a profit. They could be industrial buyers or intermediary buyers. Industrial buyers are those who purchase goods and services to be used in or to aid manufacturing process. Intermediary buyers are those (i.e. wholesalers and retailers) who buy merchandise for resale. Retailers include street vendors, local supermarkets, department stores, restaurants, hostels, barbershops, airlines and even bike and car showrooms. Still retailing may or may not involve the use of a physical location. Mail and telephone orders, direct selling to consumers in their homes and offices and vending machines – all fall within the purview of retailing. In addition to it, retailing may or may not involve a “retailer.” Manufacturing, importers, non-profit firms and wholesalers are acting as retailers when they sell goods and/or services to final consumers.

Whatever the form of retailing, a retail marketing strategy defines the execution of the marketing process and facilitation of customer satisfaction. This retail marketing strategy involves selecting a retail target market (i.e. the carefully/ exactly identified group of final consumers that a retailer seeks to satisfy) and then implementing the corresponding retail marketing mix (i.e. a combination of product, price, promotion and distribution strategies that will satisfy the retail target market). The elements of the marketing mix encompass the facets shown in the table below. The table depicts consumer service as the crux of the whole activity.
1.3 Retail Marketing Mix

<table>
<thead>
<tr>
<th><strong>Product</strong></th>
<th><strong>Price</strong></th>
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<tbody>
<tr>
<td>Branding</td>
<td>Cost of Goods</td>
</tr>
<tr>
<td>Packaging</td>
<td>Business expenses</td>
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<tr>
<td>Product design</td>
<td>Gross Margin</td>
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<td>Assortment</td>
<td>Profit</td>
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<td>Services</td>
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<tr>
<th><strong>Promotion</strong></th>
<th><strong>Place</strong></th>
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<tr>
<td>Advertising</td>
<td>Logistics</td>
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<tr>
<td>Personal Selling</td>
<td>Store Location</td>
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<tr>
<td>Sales Promotion</td>
<td>Site Evaluation</td>
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<tr>
<td>Public relations</td>
<td>Transportation</td>
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<tr>
<td>Visual Merchandising</td>
<td>Storage of Goods</td>
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(Source: Ron Hasty, James Reardon – Retail Management)

The implementation of such a retail strategy mix benefits consumers and producers and yields economic utility. The same has been explained in details in the next topic.

1.4 Benefits of Retailing

The implementation of such a retail marketing strategy yields benefits for consumers, manufacturers, and wholesalers and creates economic utility as described by the following figure:
Retailing benefits

Customers Utility
- Bulk Breaking
- Assorting
- Informing
- Storing
- Serving

Manufactures/Wholesalers
- Distribution of goods to consumers
- Forming Information Channels from Consumers
- Absorbing risks of:
  - Physical Deterioration
  - Possession Fashion Change
  - Technological obsolescence
- Smoothening the Product Cycle

Creates Economic
- Form
- Time
- Place
- Possession

(Source: Ron Hasty, James Reardon – Retail Management)

The first point under retailing benefits for customers, bulk breaking refers to the act retailers of buying good in large quantities and then breaking them into smaller sizes for their individual customers. As a result purchases become convenient for customers—in terms of quantity bought as well as expenditures made. The assorting function is nothing but evaluating all the different products available and offering to the target the optimum array of products from which to choose. The storing function performed by the retailers relieves customers of the task of anticipating their desires too far in advance of their needs as the retailers keep goods in inventory until customers are willing to buy and use them.

Further, retailers help manufacturers smoothen the production cycle by placing orders for peak demands well in advance and by managing inventory even on behalf of the manufacturer. They create economic utility for consumers by providing the products in the form and at the place and time desired by the customer.
1.5. Principal Retailing functions are:

1. Physical movement of goods
2. Availability of a range of goods
3. Change of ownership
4. Advice to potential customers
5. Other services to customers

1) Physical movement of goods/ logistics

One of the most obvious functions of distribution is the physical movement of goods from the place of Production to a point where consumers are willing to buy them. Where a retailer offers a home delivery service this function may involve moving goods from the place of production to that of final consumption. Only from carrying out this distributive function can production on any scale be converted into value. One of the reasons for the increased importance of retailing and distribution function is the production of goods is increasingly carried out in specialized, large scale, geographically concentrated factories. Such production conditions lead to the achievement of many economies of scale, but they impose a corresponding burden upon the distributives process in terms of the physical movement of goods.

2) Availability of a range of goods

Although there may be held to be different policies which retailers can adopt with regard to product range, shops do not generally stock only one narrow type of a commodity or the goods of one producer only. Shopper’s time and effort is saved and a service is provided through retailers offering a range of goods within one category (groceries) by providing an opportunity to do a variety of shopping under one roof (in a departmental
store) or offering a wide selection of narrower class of items (greeting cards). In the case
of on-line retailing the range of goods is brought virtually to the shopper’s home through
internet connected PC and when ordered the chosen item themselves are sent to the
customers. These are merely some of the ways in which the retailer serves the consumers.
These are merely some of the ways in which the retailer serves the consumer. In addition
to the issue of the range of goods, the distributor in providing for an uncertain incidence
of consumer purchases; has to hold a certain level of stock of times. While being out of
stock of a requested item may result in a customer. The retailer, while keeping his stock
holding to a reasonable minimum, hopes to reorder efficiently so as to meet demands
made up on him by his customers. This is possible adopting efficient supply chain
Management (SCM).

3) **Change of ownership at the discretion of the customer**

Other than in cases of hiring or hire purchase, a fundamental characteristic of retailing
is the corresponding exchange of value from the buyer. The need to carry out this
function in respect of thousands of transaction and with a high degree of accuracy
(involving accurate pricing of items weighing of goods, avoiding pilferage, proper
handling of currency for case transactions and administration of any given) account
for a significant part of the cost of retailing.

Furthermore, the display of goods by a shopkeeper is merely an ‘invitation to treat’
and the commercial ignition to the transaction is with the buyer. Without advance
notice the purchase can at any time, during shopping hours choose what to buy and in
what quantity at any one time. There may be exception to this randomness, as when
retailer offers a special incentive by way of price reduction to buy at one particular
season or in larger Quantities, or when a customer place a regular order (usually
accompanied by home delivery as in the case of groceries). By and large, however,
the retailer is subject to the inefficiently and irregularly received instruction of the shopper in these matters which add further to the costs of retailing.

4) Retailer Advice

Not all of this advice may be strictly required in a retail transaction, and some is simply part of the salesmanship of the shopkeeper. But when asked which household medicine is best for a child’s cough, how to remove stain from one’s shirt, or how long it will take to defrost a particular size of frozen meat, the retailer is assisting in the use of the product by the customer.

5) Other Services

This category of distribution functions also embraces a range of services some of which are simply of the marketing activities of the retailer.

- Generous lighting, background music of spacious ‘galleries’ are optional extras designed to entice customers.

- Large car parks on the other hand are a necessity for bulk shopping complexes/malls and departmental stores.

- Credit/acceptance of bank credit card is a facility which has ebbed and flowed in its importance in retailing.

Separate function enlarge and more specialists, that a separate activity or retailing emerged, this separate retailing function has come as a condition to retailing manufacturers have altered and in response to changing demands by the shoppers. These demands place upon retailers by the manufacturers and particularly by shoppers create the special management issue of retailing. Physical distribution of management for retailers is a subject in its own right. The provision of range of goods in response
to relatively unpredictable demand from shoppers who must be drawn to the retail outlet, and a fairly low value of each sales transaction require management decisions on merchandise range and stock holding levels, employment, store location and financial investment. Equally there are rewards to be gained by the retailer who manages physical distribution efficiently, who makes strategically correct decisions regarding merchandise and store location and who controls labor, stock and other financial costs. It is by providing appropriate distributive services efficiently that one class or type of retailer assumes greater or lesser importance in the sector, and within any one type of retailer (for example multiple grocery stores) the recognition of the need for a particular service and the ability to provide this efficiently will determine the survival, profitability and growth of individual retailing enterprises.

1.6. Retail Industry in India

Retail is India’s largest industry. It accounts for over 10 per cent of the India’s GDP and around 8 per cent of the employment. Retail sector is one of India's fastest growing sectors with a 5 per cent compounded annual growth rate. India’s huge middle class base and its untapped retail industry are key attractions for global retail giants planning to enter newer markets. Driven by changing lifestyles, strong income growth and favorable demographic patterns, Indian retail is expected to grow 25 per cent annually. It is expected that retail in India could be worth US$ 175-200 billion by 2016.

The organized retail industry in India had not evolved till the early 1990s. Until then, the industry was dominated by the un-organized sector. It was a seller’s market, with a limited number of brands, and little choice available to customers. Lack of trained manpower, tax laws and government regulations all discouraged the growth of
organized retailing in India during that period. Lack of consumer awareness and restrictions over entry of foreign players into the sector also contributed to the delay in the growth of organized retailing.

A number of factors are driving India's retail market. These include: increase in the young working population, hefty pay-packets, nuclear families in urban areas, increasing working women population, increase in disposable income and customer aspiration, increase in expenditure for luxury items, and low share of organized retailing. India's retail boom is manifested in sprawling shopping centers, multiplex-malls and huge complexes that offer shopping, entertainment and food all under one roof. But there is a flip side to the boom in the retail sector. It is feared that the entry of global business giants into organized retail would make redundant the neighborhood Karana stores resulting in dislocation in traditional economic structure. Also, the growth path for organized retail in India is not hurdle free. The taxation system still favors small retail business. With the intrinsic complexities of retailing such as rapid price changes, constant threat of product obsolescence and low margins there is always a threat that the venture may turn out to be a loss making one.

A perfect business model for retail is still in evolutionary stage. Procurement is very vital cog in the retail wheel. The retailer has to fight issues like fragmented sourcing, unpredictable availability, unsorted food provisions and daily fluctuating prices as against consumer expectations of round-the-year steady prices, sorted and cleaned food and fresh stock at all times.

Trained human resource for retail is another big challenge. The talent base is limited and with the entry of big giants there is a cat fight among them to retain this talent. This has resulted in big salary hikes at the level of upper and middle management and thereby eroding the profit margin of the business. All the companies have laid out
ambitious expansion plans for themselves and they may be hampered due lack of requisite skilled manpower.

But retail offers tremendous for the growth of Indian economy. If all the above challenges are tackled prudently there is a great potential that retail may offer employment opportunities to millions living in small town and cities and in the process distributing the benefits of economic boom and resulting in equitable growth.

1.7. Evolution of Retail Market in India

In the beginning there were only kirana stores called Mom and Pop Stores, the friendly neighborhood store selling every day needs. In the 1980 manufacturer’s retail chains like DCM, Gwalor Suiting’s, Bambay Dying Calico, Titan etc. started making its appearance in metros and small towns. Multi brand retailers came into the picture in the 1990s. In the food and FMCG Sectors retailers like Food sectors retailers like Food world, Subhiksha, Nilgris are some of the examples.

In music segment Planet M, Music world and in books Crossword and Fountainhead are some others. Shopping Centers began to be
established from 1995 onwards. A unique example was the establishment of margin free markets in Kerala. The millennium year saw the emergence of super markets and hyper markets. Now big players like Reliance, Bharti, Tata’s, HLL, and ITC are entering into the organized retail segment. The big international retail bigwigs are waiting in the wings as the present FDI guidelines do not allow them to own retail outlets in the country. Wal-Mart is testing the waters by a greenfield to provide back end and logistic support to Bharti for establishment of retail chains with a view to study the market for future entry when the FDI guidelines change and to establish a backbone supply chain. Table 1 shows the different phases in the growth of organized retailing in India. India is witnessing an unprecedented consumption boom. The economy is growing between 7 and 8 percent and the resulting improvement in income dynamics along with factors like favorable demographics and growth in apparitional consumption are the drivers. Retailing in India is currently estimated to be US$ 200 billion, of which organized retailing (i.e. modern trade) makes up 3 percent or US$ 6.4 billion. Organized retail is expected to grow at 25-30 percent p.a., and is projected to attain US$ 23 billion by 2010. At these levels, organized retail would constitute up to 9 percent of overall retail sales.
1.8 Fastest growing retail segments in India

Retail industry in India is largely unorganized and predominantly consists of small, independent, owner managed shops. Retailing is India’s largest industry in terms of contribution to GDP and constitutes 13% of the GDP. There are around 5 million retail outlets in India. There are so unaccounted number of low cost kiosks and carts / mobile vendors. Total retail sales area in India was 490 in 2005, with an average selling space of 29.4 sq. mt. per outlet. In India, the per capita retailing space is about 2 sq. which is quite low in comparison to the developed economies (Bajaj, Tuli & Srivastava, 2005). The average urban household income in India is about $3,000 a year, roughly in line with China, and the consuming class has grown from 35 billion families in 1996 to an expected 110 million in 2007. That’s roughly in line with the US. This is a very big opportunity for us “Organized retailing in India represents a small fraction of the total retail market. In 2005, organized retail trade in India was worth Rs. 18,225 billion.

The modern retail formats are showing robust growth as several retail chains have established a base in metro politan cities, especially in south India, and are spreading all over India at a rapid pace. However, space and rentals are proving to be the biggest constraints to the development of large formats in metropolitan cities since retailers are aiming at prime locations.

In urban India, families are experiencing growth in income but dearth of time, more and more women are taking up corporate jobs, which is adding to the family’s income has led to an increased demand for better quality products while lack of time has led to a demand for convenience and services. The demand for frozen, instant, ready to cook, ready to eat food has been on the rise, especially in the metropolitan and large cities in India. There is also strong trend in favor of one-stop shops like supermarkets.
and department stores, reliance will, soon encounter competition from large domestic players like ITC, the Aditya Birla Group, telecom maverick Sunil Mittal’s Bharti Group, Goenka’s rpg enterprises and the Russia’s Essar group, all of whom are finalizing their retail plans while global players like Carrefour, Wal-Mart and Tesco will inevitably move in either with franchised, cash and carry or plain retail models. It’s raining malls in small-town India. Whether it’s Kanpur, Ahmadabad, Indore, agar, Baroda or Surat, the mall and multiplex culture has caught on in the country’s smaller cities, powered by the burgeoning purchasing power of India’s middle-class. From a handful of malls in the mid ’90s, India today has nearly 200 malls spread across large and small cities and 700 new malls are coming up all over India-40% of them concentrated in the smaller cities. Small-town India is the next big thing in the retail business. Consider these numbers: in 2005, the contribution of smaller cities to total organized retailing sales was 15%. By the end of this year, that proportion is expected to grow to 25%. Organized retailing in small-town India is growing at a staggering 50-60% a year compared to 35%-40% in the large cities. The striking point is that it is the big names in the organized retail business that are eyeing these new opportunities.

The Kishore Biyani-owned future group, India’s largest retailer, plans to invest Rs 3,600 crore in 100 stores in 30 cities, increasing its retail space from 3.5 million square feet to 30 million sq. Feet. The rpg group plans to open malls in all cities with a population of over 8 lakhs, similarly, wills lifestyle, the garments and accessories retailing division of ITC Ltd, plans to increase its footprint by doubling the number of stores from 50 to around 100 in the next two to three years, mostly in smaller cities. Even Sunil Mittal’s Bharti group has announced plans to get into food and farm products retailing. All these plans, however, are dwarfed by Mukesh Ambani’s ambitions to do a Wal-Mart in India by investing $5.60 billion (Rs 25,000 crore) and covering 1,500 cities and
towns. The small-town retail boom could be considered a show-case of India’s free-market prosperity. It is being powered by healthy economic growth that is making more Indians more prosperous.

Organized retailers have understood this and are hoping to ride the wave, exploit the first-mover advantage and establish strong brand loyalties in these relatively under-served markets. Indeed, this is probably the most compelling example of the trickle-down impact of liberalization in India.

Looking ahead, retail analysts suggest that the sustained success of the IT and Its industries in small towns is expected to create more jobs and enhance spending power. Typically, small cities offer a 15% to 30% cost advantage over larger cities, not just in terms of employee costs but real estate costs as well, not to speak of the gains that accrue from reduced staff attrition rates. This gap is expected to widen over the next few years, creating a pull for smaller towns that will, in turn, power the small-town retail revolution. At present, real estate costs present a major incentive for India’s organized retailers. Average rental values for ground-floor space are Rs 50-60 per square foot a month, against 100-120 per sq. foot a month in the bigger cities. However, a strong demand for retail space has more than doubled rentals in cities like Jaipur, Chandigarh, Surat and Lucknow. While in the metros, retailers are filling gaps by increasing more stores, in small towns, these malls are way beyond the expectations of the consumers. These cities are untapped markets and retailers find it important to establish their brands there.

Most of the smaller cities are seeing plenty of action. For instance, Ludhiana can already boast worldwide restaurant chains like KFC, McDonald’s, Pizza Hut, Domino’s Pizza, Ruby Tuesday and Subway. A new world-class, 25-acre commercial
center and some seven new shopping malls-cum-entertainment centers are under construction.

The Indian retail market is estimated at $350 billion. But organized retail is estimated at only $8 billion. However, the opportunity is huge—by 2010, organized retail is expected to grow to $22 billion. With the growth of organized retailing estimated at 40% (CAGR) over the next few years, Indian retailing is clearly at a tipping point. India is currently the ninth largest retail market in the world. It is names like Dehradun, Vijayawada, Luck now and Nasik that will power India up the rankings soon.

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1.9. Growth of Indian Retail Industry

DLF Mega Mall -- located in the IT and ITES hub i.e. Gurgaon on the outskirts of Delhi -- bears a deserted look. Of the few operating shops in this large mall, most have few customers. The same goes for several other retail outlets and many of the
other malls in the vicinity. True, a retail chain like Future Group's Big Bazaar may be
clocking heady sales (growing at 100% year-on-year), but the dozen-odd shops
operating in its proximity wear a deserted look, giving a somewhat hollow ring to the
much-talked-about retail boom in the country. In what seems like a quirk of
circumstance, malls have sprung up all over urban India in anticipation of a
consumption boom that may itself prove to be eventually truant. Move to Mulund
(West), a suburban locality of India's financial nerve, Mumbai. Rajesh Parashar, a
resident of the area has the option of shopping at Big Bazaar, Apna Bazaar,
Subhiksha, Spinach, Shoprite, and Foodland or at the local Sai Supermarket, all of
which are within a two-kilometer radius of his residence.

This is paralleled by the developments happening in the Delhi suburb of Ghaziabad,
where the upcoming Shipra Mall at Indirapuram already has Big Bazaar operating out
of its lower-ground floor, while Reliance is slated to open shop on the third floor.

Customer footfalls, however, are more in the projections of the occupiers of the mall
than real. All this retail activity, and more, and the sheer gigantic size of the
investments planned, ask the question -- does the consumer's wallet have enough
money in it for everyone? "Only time will tell," is KPMG's executive director,
Deepankar Sanwalka's laconic answer. To a great extent the success or the failure of
malls will hinge on the consumer population of the area. "If the spending power of
consumers is high in a locality, it could sustain two-to-three large players." Not so,
elsewhere, he adds poignantly. The significance of these remarks sinks in gradually.

With planned investments of $22 billion over the next five years excluding what
might be brought in by new global and large local players henceforth -- the retail
sector is expected to grow 40% to $427 billion by 2011.
Organized retail, which is 3% of the whole currently, is in turn pegged to grow to $64 billion by 2015. And one consequence of all those investments will be the fact that India's present two square-feet per capita retailing space will raise by 15-20% by 2010. To be viable, the huge investments made in the sector by India Inc. would have to be responded to by a corresponding massive surge in footfalls. And for that to happen, a lot of links would have to fall in place. Between the drawing board and the emerging market realities, the realization dawns that a lot of things can go wrong with India's much-heralded retail revolution.

The more visible among these loose ends: vexingly high real estate prices, the loosely-knit distribution networks in India's hinterland, the near-absence of any modern supply chain logistics, shortage of skilled personnel, and a regulatory system that resembles a patchy quilt more than anything else. Then there is the nature of the business itself. Retailing is a low-margin, high-volume, commodity business where profitability gets strained as competition intensifies. And if wrong choices are made regarding the location or the formatting of the store, it'll woe betide the retailer. The catches are many and to make it big, a retailer would have to negotiate all the tricky turns most of the time. The big players are optimistic, however. "There is enough room for six-to-eight players," says Reliance group chairman Mukesh Ambani, who recently kicked off the first Reliance Fresh outlet in Hyderabad. There are reasons for his optimism the country's preponderantly young working population, disposable incomes that are expected to increase at an average 8.5% per annum till 2015, and a steadily climbing per capita income (from $460 in 2002, it rose to $620 in 2005). In fact, it is the expectation of a large working and earning population that has attracted most global retailers to the country. But most analysts are agreed that the Indian retail market could at best support 10 large players with revenues in excess of $2 billion each by 2015.
Given the number of players getting into the fray today, this clearly means a winnowing out the weaker retail players. What’s more, that time could be sooner rather than later, maybe just three or four years down the line. That’s not so surprising, industry insiders even say, pointing out that a large number of the new entrants may not be committed to retailing in the long term. While some almost certainly are looking to act as silent partners for foreign players, others may be more willing to look at an exit option a few years down the line. As of now, the retail turf is set for some hectic activity. Reliance has drawn up a Rs 25,000-crore (Rs 250 billion) retail plan that would see its outlets dotting 784 cities and small towns by 2010.

Already it has 17 stores in Hyderabad alone (the number will go up to 40 by end of the above period). More recently, Sunil Bharti Mittal made news when he announced an alliance with the world’s biggest retail chain Wal-Mart, for a supply chain and cash-and-carry venture, besides a franchise agreement for retail. Seen as a coup of sorts, this could exert pressure on other retailers in the country to explore similar collaborative opportunities.

### 1.10 Top 100 World Retailing Players

<table>
<thead>
<tr>
<th>No.</th>
<th>Retailer</th>
<th>Base</th>
<th>Type</th>
<th>Sales in U.S. Smillions</th>
<th>Region</th>
<th>Regional Station</th>
<th>% of sales in foreign country</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Wal-Mart Stores, Inc</td>
<td>USA</td>
<td>Discount Store</td>
<td>163,532.00</td>
<td>N.America</td>
<td>Global</td>
<td>13.90%</td>
</tr>
<tr>
<td>2</td>
<td>Carrefour Group</td>
<td>FRA</td>
<td>Hypermarkets</td>
<td>52,196.10</td>
<td>Europe</td>
<td>Global</td>
<td>37.70%</td>
</tr>
<tr>
<td>3</td>
<td>The Kroger Co</td>
<td>USA</td>
<td>Supermarkets</td>
<td>45,352.00</td>
<td>N.America</td>
<td>Single Country</td>
<td>0.00%</td>
</tr>
<tr>
<td>4</td>
<td>Metro AG</td>
<td>GER</td>
<td>Diversified</td>
<td>44,163.37</td>
<td>Europe</td>
<td>Global</td>
<td>40.00%</td>
</tr>
<tr>
<td>5</td>
<td>The Home Depot, Inc</td>
<td>USA</td>
<td>Hardlines</td>
<td>38,434.00</td>
<td>N.America</td>
<td>Global</td>
<td>3.70%</td>
</tr>
<tr>
<td></td>
<td>Company</td>
<td>Country</td>
<td>Industry</td>
<td>Revenue</td>
<td>Region</td>
<td>Type</td>
<td>Market Share</td>
</tr>
<tr>
<td>---</td>
<td>--------------------------------</td>
<td>---------</td>
<td>-------------------</td>
<td>---------</td>
<td>---------------</td>
<td>------------</td>
<td>--------------</td>
</tr>
<tr>
<td>6</td>
<td>Albertson's, Inc</td>
<td>USA</td>
<td>Supermarkets</td>
<td>37,478.00</td>
<td>N.America</td>
<td>Single Country</td>
<td>0.00%</td>
</tr>
<tr>
<td>7</td>
<td>ITM Entreprises SA</td>
<td>FRA</td>
<td>Supermarkets</td>
<td>36,762.45</td>
<td>Europe</td>
<td>Regional</td>
<td>36.00%</td>
</tr>
<tr>
<td>8</td>
<td>Sears, Roebuck and Co</td>
<td>USA</td>
<td>Dept Store</td>
<td>36,728.00</td>
<td>N.America</td>
<td>Regional</td>
<td>10.60%</td>
</tr>
<tr>
<td>9</td>
<td>Kmart Corporation</td>
<td>USA</td>
<td>Discount Store</td>
<td>35,925.00</td>
<td>N.America</td>
<td>Single Country</td>
<td>0.00%</td>
</tr>
<tr>
<td>10</td>
<td>Target Corporation</td>
<td>USA</td>
<td>Discount Store</td>
<td>33,702.00</td>
<td>N.America</td>
<td>Single Country</td>
<td>0.00%</td>
</tr>
<tr>
<td>11</td>
<td>J C Penney</td>
<td>USA</td>
<td>Dept Store</td>
<td>31,503.50</td>
<td>N.America</td>
<td>Global</td>
<td>0.50%</td>
</tr>
<tr>
<td>12</td>
<td>Royal Ahold</td>
<td>NET</td>
<td>Supermarkets</td>
<td>31,222.15</td>
<td>Europe</td>
<td>Global</td>
<td>76.40%</td>
</tr>
<tr>
<td>13</td>
<td>Safeway Inc</td>
<td>USA</td>
<td>Supermarkets</td>
<td>30,801.80</td>
<td>N.America</td>
<td>Regional</td>
<td>10.80%</td>
</tr>
<tr>
<td>14</td>
<td>Rewe-Gruppe</td>
<td>GER</td>
<td>Supermarkets</td>
<td>30,567.69</td>
<td>Europe</td>
<td>Regional</td>
<td>19.70%</td>
</tr>
<tr>
<td>15</td>
<td>Tesco plc</td>
<td>UK</td>
<td>Supermarkets</td>
<td>30,404.40</td>
<td>Europe</td>
<td>Global</td>
<td>10.00%</td>
</tr>
<tr>
<td>16</td>
<td>Ito-Yokado Co, Ltd</td>
<td>JPN</td>
<td>Gen. Merchandise</td>
<td>30,237.57</td>
<td>Asia</td>
<td>Global</td>
<td>29.80%</td>
</tr>
<tr>
<td>17</td>
<td>Edeka-Gruppe</td>
<td>GER</td>
<td>Diversified</td>
<td>30,002.57</td>
<td>Europe</td>
<td>Regional</td>
<td>2.40%</td>
</tr>
<tr>
<td>18</td>
<td>Costco Companies, Inc</td>
<td>USA</td>
<td>Warehouse Club</td>
<td>26,976.45</td>
<td>N.America</td>
<td>Global</td>
<td>18.40%</td>
</tr>
<tr>
<td>19</td>
<td>Tengelmann Warrendorf</td>
<td>GER</td>
<td>Supermarkets</td>
<td>26,509.12</td>
<td>Europe</td>
<td>Global</td>
<td>47.90%</td>
</tr>
<tr>
<td>20</td>
<td>The Daeil, Inc</td>
<td>JPN</td>
<td>Diversified</td>
<td>26,486.11</td>
<td>Asia</td>
<td>Regional</td>
<td>N/A</td>
</tr>
<tr>
<td>21</td>
<td>Aldi Group</td>
<td>GER</td>
<td>Supermarkets</td>
<td>26,107.50</td>
<td>Europe</td>
<td>Global</td>
<td>32.50%</td>
</tr>
<tr>
<td>22</td>
<td>J Sainsbury plc</td>
<td>UK</td>
<td>Supermarkets</td>
<td>25,833.06</td>
<td>Europe</td>
<td>Global</td>
<td>15.00%</td>
</tr>
<tr>
<td>23</td>
<td>Auchan Groupe</td>
<td>FRA</td>
<td>Hypermarkets</td>
<td>23,742.42</td>
<td>Europe</td>
<td>Global</td>
<td>18.90%</td>
</tr>
<tr>
<td>24</td>
<td>Jusco Co, Ltd</td>
<td>JPN</td>
<td>Gen. Merchandise</td>
<td>23,166.21</td>
<td>Asia</td>
<td>Global</td>
<td>8.90%</td>
</tr>
<tr>
<td>25</td>
<td>Leclerc, Centres E</td>
<td>FRA</td>
<td>Hypermarkets</td>
<td>22,876.97</td>
<td>Europe</td>
<td>Regional</td>
<td>1.10%</td>
</tr>
<tr>
<td>26</td>
<td>OttoVersand GmbH &amp; Co</td>
<td>GER</td>
<td>Non-Store</td>
<td>19,781.13</td>
<td>Europe</td>
<td>Global</td>
<td>52.00%</td>
</tr>
<tr>
<td>27</td>
<td>IGA Inc</td>
<td>USA</td>
<td>Supermarkets</td>
<td>19,600.00</td>
<td>N.America</td>
<td>Global</td>
<td>44.90%</td>
</tr>
<tr>
<td>28</td>
<td>MYCAL Corporation</td>
<td>JPN</td>
<td>Dept Store</td>
<td>18,173.10</td>
<td>Asia</td>
<td>Regional</td>
<td>0.00%</td>
</tr>
<tr>
<td>29</td>
<td>CVS Corporation</td>
<td>USA</td>
<td>Drug Stores</td>
<td>18,098.30</td>
<td>N.America</td>
<td>Single Country</td>
<td>0.00%</td>
</tr>
<tr>
<td>30</td>
<td>Federated Department</td>
<td>USA</td>
<td>Dept Store</td>
<td>17,923.35</td>
<td>N.America</td>
<td>Single Country</td>
<td>0.00%</td>
</tr>
<tr>
<td>31</td>
<td>Delhaize &quot;Le Lion&quot;</td>
<td>BEL</td>
<td>Supermarkets</td>
<td>17,840.52</td>
<td>Europe</td>
<td>Global</td>
<td>83.00%</td>
</tr>
<tr>
<td>32</td>
<td>Walgreen Co</td>
<td>USA</td>
<td>Drug Stores</td>
<td>17,839.00</td>
<td>N.America</td>
<td>Single Country</td>
<td>0.00%</td>
</tr>
<tr>
<td>33</td>
<td>Kingfisher plc</td>
<td>UK</td>
<td>Diversified</td>
<td>17,521.35</td>
<td>Europe</td>
<td>Global</td>
<td>41.00%</td>
</tr>
<tr>
<td>34</td>
<td>Lowe's Companies, Inc</td>
<td>USA</td>
<td>Headlines Special</td>
<td>15,905.60</td>
<td>N.America</td>
<td>Single Country</td>
<td>0.00%</td>
</tr>
<tr>
<td>35</td>
<td>Casino Groupe</td>
<td>FRA</td>
<td>Hypermarkets</td>
<td>15,515.98</td>
<td>Europe</td>
<td>Global</td>
<td>21.00%</td>
</tr>
<tr>
<td>36</td>
<td>Karstadt Quelle AG</td>
<td>GER</td>
<td>Diversified</td>
<td>14,913.95</td>
<td>Europe</td>
<td>Regional</td>
<td>8.20%</td>
</tr>
<tr>
<td>37</td>
<td>Coles Myer Ltd</td>
<td>AUS</td>
<td>Diversified</td>
<td>14,611.94</td>
<td>Australia</td>
<td>Regional</td>
<td>0.80%</td>
</tr>
<tr>
<td>Rank</td>
<td>Company Name</td>
<td>Country</td>
<td>Industry</td>
<td>Revenue</td>
<td>Region</td>
<td>Geography</td>
<td></td>
</tr>
<tr>
<td>------</td>
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<td>------------</td>
<td></td>
</tr>
<tr>
<td>38</td>
<td>Saison Group</td>
<td>JPN</td>
<td>Supermarkets</td>
<td>14,414.03</td>
<td>Asia</td>
<td>Regional</td>
<td>N/A</td>
</tr>
<tr>
<td>39</td>
<td>Winn-Dixie Stores</td>
<td>USA</td>
<td>Supermarkets</td>
<td>14,115.57</td>
<td>N.America</td>
<td>Regional</td>
<td>N/A</td>
</tr>
<tr>
<td>40</td>
<td>The May Dept Store</td>
<td>USA</td>
<td>Dept Store</td>
<td>13,869.00</td>
<td>N.America</td>
<td>Single Country</td>
<td>0.00%</td>
</tr>
<tr>
<td>41</td>
<td>Lidl &amp; Schwarz Stiftu</td>
<td>GER</td>
<td>Supermarkets</td>
<td>13,461.60</td>
<td>Europe</td>
<td>Regional</td>
<td>20.40%</td>
</tr>
<tr>
<td>42</td>
<td>Rite Aid Corporation</td>
<td>USA</td>
<td>Drug Stores</td>
<td>13,328.00</td>
<td>N.America</td>
<td>Single Country</td>
<td>0.00%</td>
</tr>
<tr>
<td>43</td>
<td>Publix Super Markets</td>
<td>USA</td>
<td>Supermarkets</td>
<td>13,068.90</td>
<td>N.America</td>
<td>Single Country</td>
<td>0.00%</td>
</tr>
<tr>
<td>44</td>
<td>Marks &amp; Spencer plc</td>
<td>UK</td>
<td>Gen. Merchandise</td>
<td>12,667.26</td>
<td>Europe</td>
<td>Global</td>
<td>17.20%</td>
</tr>
<tr>
<td>45</td>
<td>Best Buy Co, Inc</td>
<td>USA</td>
<td>Hardlines Special</td>
<td>12,494.02</td>
<td>N.America</td>
<td>Single Country</td>
<td>0.00%</td>
</tr>
<tr>
<td>46</td>
<td>Safeway Co, Inc</td>
<td>UK</td>
<td>Supermarkets</td>
<td>12,389.52</td>
<td>Europe</td>
<td>Regional</td>
<td>2.00%</td>
</tr>
<tr>
<td>47</td>
<td>Woolworths Limited</td>
<td>AUS</td>
<td>Supermarkets</td>
<td>12,252.15</td>
<td>Australia</td>
<td>Regional</td>
<td>N/A</td>
</tr>
<tr>
<td>48</td>
<td>Toys &quot;R&quot; Us, Inc</td>
<td>USA</td>
<td>Hardlines Special</td>
<td>11,862.00</td>
<td>N.America</td>
<td>Global</td>
<td>27.00%</td>
</tr>
<tr>
<td>49</td>
<td>The Gap Inc</td>
<td>USA</td>
<td>Apparel Special</td>
<td>11,635.40</td>
<td>N.America</td>
<td>Global</td>
<td>11.30%</td>
</tr>
<tr>
<td>50</td>
<td>Takashimaya</td>
<td>JPN</td>
<td>Dept Store</td>
<td>11,367.98</td>
<td>Asia</td>
<td>Global</td>
<td>1.90%</td>
</tr>
<tr>
<td>51</td>
<td>UNY Co Ltd</td>
<td>JPN</td>
<td>Gen. Merchandise</td>
<td>10,808.88</td>
<td>Asia</td>
<td>Regional</td>
<td>1.40%</td>
</tr>
<tr>
<td>52</td>
<td>Circuit City Stores</td>
<td>USA</td>
<td>Headlines</td>
<td>10,599.41</td>
<td>N.America</td>
<td>Single Country</td>
<td>0.00%</td>
</tr>
<tr>
<td>53</td>
<td>Office Depot, Inc</td>
<td>USA</td>
<td>Headlines</td>
<td>10,263.28</td>
<td>N.America</td>
<td>Global</td>
<td>12.90%</td>
</tr>
<tr>
<td>54</td>
<td>Piault-Printemps-Red</td>
<td>FRA</td>
<td>Diversified</td>
<td>9,947.64</td>
<td>Europe</td>
<td>Global</td>
<td>48.10%</td>
</tr>
<tr>
<td>55</td>
<td>The Limited, Inc</td>
<td>USA</td>
<td>Apparel</td>
<td>9,723.33</td>
<td>N.America</td>
<td>Single Country</td>
<td>0.00%</td>
</tr>
<tr>
<td>56</td>
<td>Loblaw Companies</td>
<td>CAN</td>
<td>Supermarket</td>
<td>9,563.33</td>
<td>N.America</td>
<td>Single Country</td>
<td>0.00%</td>
</tr>
<tr>
<td>57</td>
<td>Mitsukoshi Ltd</td>
<td>JPN</td>
<td>Dept Store</td>
<td>9,370.50</td>
<td>Asia</td>
<td>Global</td>
<td>N/A</td>
</tr>
<tr>
<td>58</td>
<td>Migros - Genossenscha</td>
<td>swi</td>
<td>Supermarkets</td>
<td>9,344.85</td>
<td>Europe</td>
<td>Regional</td>
<td>1.40%</td>
</tr>
<tr>
<td>59</td>
<td>Systeme U</td>
<td>FRA</td>
<td>Supermarkets</td>
<td>9,297.83</td>
<td>Europe</td>
<td>Single Country</td>
<td>0.00%</td>
</tr>
<tr>
<td>60</td>
<td>Meijer, Inc</td>
<td>USA</td>
<td>Hypermarkets</td>
<td>9,250.00</td>
<td>N.America</td>
<td>Single Country</td>
<td>0.00%</td>
</tr>
<tr>
<td>61</td>
<td>Staples, Inc</td>
<td>USA</td>
<td>Hardlines</td>
<td>8,936.80</td>
<td>N.America</td>
<td>Global</td>
<td>5.40%</td>
</tr>
<tr>
<td>62</td>
<td>Somerfield plc</td>
<td>UK</td>
<td>Supermarkets</td>
<td>8,841.31</td>
<td>Europe</td>
<td>Single Country</td>
<td>0.00%</td>
</tr>
<tr>
<td>63</td>
<td>TJX Companies, Inc</td>
<td>USA</td>
<td>Apparel</td>
<td>8,795.34</td>
<td>N.America</td>
<td>Global</td>
<td>8.70%</td>
</tr>
<tr>
<td>64</td>
<td>Dillard's, Inc</td>
<td>USA</td>
<td>Dept Store</td>
<td>8,676.71</td>
<td>N.America</td>
<td>Single Country</td>
<td>0.00%</td>
</tr>
<tr>
<td>65</td>
<td>COOP Italia scarl</td>
<td>ITA</td>
<td>Supermarkets</td>
<td>8,256.10</td>
<td>Europe</td>
<td>Single Country</td>
<td>0.00%</td>
</tr>
<tr>
<td>66</td>
<td>SuperValu Inc</td>
<td>USA</td>
<td>Supermarkets</td>
<td>8,069.76</td>
<td>N.America</td>
<td>Single Country</td>
<td>0.00%</td>
</tr>
<tr>
<td>Rank</td>
<td>Company Name</td>
<td>Country</td>
<td>Sector</td>
<td>Revenue</td>
<td>Region</td>
<td>Type</td>
<td>Percentage</td>
</tr>
<tr>
<td>------</td>
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<td>-----------------</td>
<td>-----------</td>
<td>-----------</td>
<td>--------------------</td>
<td>------------</td>
</tr>
<tr>
<td>67</td>
<td>IKEA AB</td>
<td>SWE</td>
<td>Hardware</td>
<td>8,057.28</td>
<td>Europe</td>
<td>Global</td>
<td>99.90%</td>
</tr>
<tr>
<td>68</td>
<td>Dainamti, Inc.</td>
<td>JPN</td>
<td>Dept Store</td>
<td>8,011.86</td>
<td>Asia</td>
<td>Global</td>
<td>N/A</td>
</tr>
<tr>
<td>69</td>
<td>El Corte Ingles</td>
<td>SPA</td>
<td>Dept Store</td>
<td>7,618.21</td>
<td>Europe</td>
<td>Global</td>
<td>N/A</td>
</tr>
<tr>
<td>70</td>
<td>Empire Company Limited</td>
<td>CAN</td>
<td>Supermarkets</td>
<td>7,580.48</td>
<td>N.America</td>
<td>Single Country</td>
<td>0.00%</td>
</tr>
<tr>
<td>71</td>
<td>H. E. Butt Grocery CO</td>
<td>USA</td>
<td>Supermarkets</td>
<td>7,420.00</td>
<td>N.America</td>
<td>Regional</td>
<td>N/A</td>
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<tr>
<td>72</td>
<td>Coop Schweiz</td>
<td>SWI</td>
<td>Supermarkets</td>
<td>7,294.64</td>
<td>Europe</td>
<td>Single Country</td>
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</tr>
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<td>73</td>
<td>Great Universal Store</td>
<td>UK</td>
<td>Non-Store</td>
<td>7,242.31</td>
<td>Europe</td>
<td>Global</td>
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<td>74</td>
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<td>UK</td>
<td>Hardlines</td>
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<td>Europe</td>
<td>Regional</td>
<td>18.10%</td>
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<tr>
<td>75</td>
<td>The Boots Company plc</td>
<td>UK</td>
<td>Drug Stores</td>
<td>7,000.54</td>
<td>Europe</td>
<td>Global</td>
<td>0.80%</td>
</tr>
<tr>
<td>76</td>
<td>Euromadis Spa</td>
<td>ITA</td>
<td>Super Stores</td>
<td>6,901.70</td>
<td>Europe</td>
<td>Single Country</td>
<td>0.00%</td>
</tr>
<tr>
<td>77</td>
<td>ICA Group</td>
<td>SWE</td>
<td>Supermarkets</td>
<td>6,816.51</td>
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<td>Regional</td>
<td>N/A</td>
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<tr>
<td>78</td>
<td>Army and Air Force Ex Scv</td>
<td>USA</td>
<td>Diversified</td>
<td>6,690.67</td>
<td>N.America</td>
<td>Global</td>
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<tr>
<td>79</td>
<td>Cora Group</td>
<td>FRA</td>
<td>Supermarkets</td>
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<td>Europe</td>
<td>Global</td>
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<td>Saks Incorporated</td>
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<td>Single Country</td>
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</tr>
<tr>
<td>81</td>
<td>Galeries Lafayette</td>
<td>FRA</td>
<td>Dept Store</td>
<td>6,172.55</td>
<td>Europe</td>
<td>Regional</td>
<td>N/A</td>
</tr>
<tr>
<td>82</td>
<td>Dairy Farm International</td>
<td>HK</td>
<td>Supermarkets</td>
<td>5,764.70</td>
<td>Asia</td>
<td>Global</td>
<td>N/A</td>
</tr>
<tr>
<td>83</td>
<td>S Group</td>
<td>FIN</td>
<td>Diversified</td>
<td>5,736.64</td>
<td>Europe</td>
<td>Regional</td>
<td>N/A</td>
</tr>
<tr>
<td>84</td>
<td>John Lewis Partnership</td>
<td>UK</td>
<td>Dept Store</td>
<td>5,458.10</td>
<td>Europe</td>
<td>Single Country</td>
<td>0.00%</td>
</tr>
<tr>
<td>85</td>
<td>La Rinascente</td>
<td>ITA</td>
<td>Dept Store</td>
<td>5,366.72</td>
<td>Europe</td>
<td>Single Country</td>
<td>0.00%</td>
</tr>
<tr>
<td>86</td>
<td>GIB Group, SA</td>
<td>BEL</td>
<td>Diversified</td>
<td>5,158.19</td>
<td>Europe</td>
<td>Global</td>
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<td>87</td>
<td>Nordstrom, Inc</td>
<td>USA</td>
<td>Dept Store</td>
<td>5,124.23</td>
<td>N.America</td>
<td>Single Country</td>
<td>0.00%</td>
</tr>
<tr>
<td>88</td>
<td>Marui Co Ltd</td>
<td>JPN</td>
<td>Dept Store</td>
<td>5,109.22</td>
<td>Asia</td>
<td>Single Country</td>
<td>0.00%</td>
</tr>
<tr>
<td>89</td>
<td>Hudson's Bay Company</td>
<td>CAN</td>
<td>Discount Store</td>
<td>5,024.96</td>
<td>N.America</td>
<td>Single Country</td>
<td>0.00%</td>
</tr>
<tr>
<td>90</td>
<td>Faellesforeningen Dan</td>
<td>DEN</td>
<td>Diversified</td>
<td>4,965.98</td>
<td>Europe</td>
<td>Single Country</td>
<td>0.00%</td>
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<tr>
<td>91</td>
<td>OfficeMax, Inc.</td>
<td>USA</td>
<td>Hardlines</td>
<td>4,842.69</td>
<td>N.America</td>
<td>Global</td>
<td>0.00%</td>
</tr>
<tr>
<td>92</td>
<td>Kesko Ltd</td>
<td>FIN</td>
<td>Supermarket</td>
<td>4,673.43</td>
<td>Europe</td>
<td>Regional</td>
<td>1.70%</td>
</tr>
<tr>
<td>93</td>
<td>Consolidated Stores Co</td>
<td>USA</td>
<td>Diversified</td>
<td>4,658.85</td>
<td>Americas</td>
<td>Single Country</td>
<td>0.00%</td>
</tr>
<tr>
<td>94</td>
<td>Venator Group, Inc</td>
<td>USA</td>
<td>Diversified</td>
<td>4,647.00</td>
<td>N.America</td>
<td>Global</td>
<td>16.90%</td>
</tr>
<tr>
<td>95</td>
<td>Anton Schlecker</td>
<td>GER</td>
<td>Drug Store</td>
<td>4,623.68</td>
<td>Europe</td>
<td>Regional</td>
<td>15.00%</td>
</tr>
<tr>
<td>96</td>
<td>Kohl's Corporation</td>
<td>USA</td>
<td>Dept Store</td>
<td>4,557.11</td>
<td>N.America</td>
<td>Single Country</td>
<td>0.00%</td>
</tr>
<tr>
<td>97</td>
<td>Menard, Inc</td>
<td>USA</td>
<td>Hardlines</td>
<td>4,500.00</td>
<td>N.America</td>
<td>Single Country</td>
<td>0.00%</td>
</tr>
</tbody>
</table>
1.11 Top Ten World Retailing Players

As animated discussions take place in India over the issue of allowing 51 per cent foreign direct investment in the multi-brand retail sector and 100 per cent FDI in single-brand retail, here’s a look at the top 10 retail giants, listed in the Deloitte Global Powers of Retailing 2011 report.

1. Wal-Mart (United States)

   The world’s largest retail company, Wal-Mart was founded by Sam Walton in 1962. Incorporated on October 31, 1969, Walmart has 8,500 stores in 15 countries.
   
   Sales in 2010: $405.04 bn
   
   CAGR 2005-10: 7.3%

2. Carrefour (France)

   Carrefour S.A. headquartered in Levallois-Perret, France opened on January 1, 1958, in suburban Annecy.
   
   The group was built by Marcel Fournier, Denis Defforey and Jacques Defforey. In 1995 it merged with Promodes, known as Continent, one of its major competitors in the French market.

   Sales in 2010: $119.88 bn

   CAGR 2005-10: 3.4%
3. **Metro (Germany)**
   Founded in 1964, Metro AG is a diversified retail and wholesale/cash and carry group based in Dusseldorf, Germany. It has the largest market share in its home market.
   Sales in 2010: $90.85 bn
   CAGR 2005-10: 3%

4. **Tesco (United Kingdom)**
   Tesco plc is a global grocery and general merchandise retailer headquartered in Cheshunt, United Kingdom. Founded in 1919, it has stores in 14 countries across Asia, Europe and North America.
   Sales in 2010: $90.43 bn
   CAGR 2005-10: 10.9%

5. **Lidl Stiftung & Co (Germany)**
   Founded in the 1930s by a member of the Schwarz family, Lidl stores are present across 20 countries in Europe.
   Sales in 2010: $77.22 bn
   CAGR 2005-10: 9.8%

6. **The Kroger Co (US)**
   Founded in 1883, The Kroger Co is an American supermarket chain founded by Bernard Kroger in 1883 in Cincinnati, Ohio. As of 2010, Kroger has 3,619 stores.
   Sales in 2010: $76.73 bn
   CAGR 2005-10: 6.3%

7. **Costco (US)**
   Costco Wholesale Corporation is the largest membership warehouse club chain in the United States. Costco is also one of the largest retailers of fine wine.
8. **Aldi (Germany)**

   Albrecht Discount (ALdi), is a discount supermarket chain based in Germany started by brothers Karl Albrecht and Theo Albrecht.

   Sales in 2010: $67.70 bn
   CAGR 2005-10: 6.3%

9. **Home Depot (United States)**

   The Home Depot is an American retailer of home improvement and construction products and services. It has stores in 2,248 locations.

   Sales in 2010: $66.17 bn
   CAGR 2005-10: -2.0

10. **Target Corp (United States)**

    Founded in 1902 as Dayton Dry Goods, Target Corporation is an American retailing company headquartered in Minneapolis, Minnesota.

    It is the second-largest discount retailer in the United States, after Walmart.

    Sales in 2010: $63.43 bn
    CAGR 2005-10: 6.8%

(Source by: rediff.com business)

1.12 **List of Top Retail Indian Companies:**

   The retail industry in India is one of the quick growing sectors in India and this sector has seen very good progress in the past two years. Initially, the retail sector in India was unorganized, but nowadays with the growing preferences of consumers, the sector is becoming one of the organized sectors in India.
Unorganized retail industry includes paan shops, kirana stores, subzi mandi, medicine stores and medium & small grocery stores. The names of some of the top players in the retail sector in India are given below:

1. Shoppers’ Stop
2. Westside
3. Pantaloons
4. Lifestyle
5. RPG Retail
6. Crossword
7. Wills Lifestyle
8. Globus

Some of the details regarding these top players in the retail industry in India are given below:

1. **Shoppers’ Stop:**
   Shoppers’ stop was established by the K. Raheja Group in the year 1991 on the 27th of October. This company has already made their mark in the real estate and hospitality sector in India and now they have made their presence felt in the retail industry as well. They deal with a wide range of products like gift items, home decorations, accessories and men & women apparel in the retail industry. They have stores in different cities like Pune, Mumbai, Kolkata, Bangalore, Chennai, Lucknow, Jaipur, etc.

2. **Westside:**
   Westside is also called as Trent Limited and this retail company was established in the popular Tata Group. They are operating from their corporate
office from the city of Mumbai with their chain of stores in different cities like Vodadara, Surat, Pune, Noida, Nagpur, Mumbai, Luck now, Kolkata, Jaipur, Indore, Hyderabad, Gurgaon, etc.

3. **Pantaloons:**
   A pantaloon is a flagship of the Future Group and they have nearly 140 stores in 32 cities in India with their headquarters at the city of Mumbai. Pantaloons is the founder of the popular Big Bazaar a hypermarket chain and this is located in different cities in India. They are dealing with a wide range of products like footwear, fashion accessories, gifts, stationery, music, books, consumer electronics and home improvement products.

4. **Lifestyle:**
   The Indian Retail industry was revolutionized by Lifestyle by offering a truly international shopping experience to the people. Initially, they launched their first retail outlet in the city of Chennai and now they have their outlets in different cities like Bangalore, Hyderabad, Mumbai and Gurgaon.

5. **RPG Retail:**
   RPG Retail is one of the fastest growing groups in India and they have made their mark in different sectors like tyres, life sciences, entertainment, transmission, power, Information technology and communications. Some of the best names in the retail industry are Spencer’s and music world.
6. Crossword:
Crossword is one of the largest booksellers in the retail industry in India and this company came into existence in the year 1992 on the 15th of October. During the year 2004, crossword was honored for excellence in publishing by the Federation of Indian Publishers. They are not only dealing with books, but are also engaged in sale of CD-ROMs, toys, magazines and stationery items through their outlets located in different cities in India.

7. Wills Lifestyle:
Wills Lifestyle was established by the popular ITC limited and this retail company has established itself as a fashion destination offering different types of accessories and apparels. The apparels and accessories offered by Wills Lifestyle are designed by top designers in India.

8. Globus:
Globus came into existence in the year 1998 and this company was established by the popular Rajan Raheja Group. The first outlet of Globus was opened in Indore and two more was established in Chennai.
The retail industry in India is operating with the view to fill the gap between the manufacturers and the end users. It is because of this industry that people are able to make use of different products.

1.13 Organized Retail Industry in India

India has the highest shop density in the world and the present retail market in India is estimated to be US$ 200 billion of which only 3% (around US$ 64 billion) is in the
organized Sector. This organized retail sector is poised for a takeoff. India is ranked second in the global retail development index out of 30 by AT Kearney. Figure 1 shows the comparative penetration of organized retail in India. With the organized retail segment growing at the rate of 25-30 per cent per annum, revenues from the sector are expected to triple from the current US$ 7.7 billion to US$ 24 billion by 2010. The share of modern retail is likely to grow from its current 3 per cent to 15-20 percent over the next decade. 85 per cent of organized retailing is taking place in India’s urban areas while 66 per cent of it taking place in India’s 6 main cities alone. The growth is much faster in south India than in northern states. The total retail market in south India is $94 billion and of this organized retail is $8.5 billion. In southern part of India the organized retail market growth is estimated as 35 per cent per annum. In Chennai the growth rate is 12 percent while in Hyderabad it is 7 percent and in Kerala it is 3-4 per cent per annum. As per Techno park study the sales in the organized sector for food, beverage and tobacco is $195 billion which cover 65 per cent. Sale of personal care product is $15 billion (5 per cent) and apparel at 7 percent around $21 billion. In coming years Co-brands labels will be more in these products. The paper explores the evolution of this sector of economy. The main theme of enquiry of this paper is what it all means for the Indian society.
1.14 Evolution and Trends in Organized Retailing Formats and Retail Outlets

Historical Indian retail market consisted of weekly markets, village fairs and mela’s and the 19th century gave birth to the retail outlets which took the form of convenience stores, Mom and Pop stores/ kirana stores. This helped the consumers on to stick to a particular store for their day to day requirements and also avail the credit purchasing facility. And in the 1980’s people have seen the new formats like supermarket, departmental stores and discount stores entering into the Indian retail space. In less than a decade hypermarkets have gained all the applause of the retail market and stood above all the other formats by bringing in the concept of “one stop shopping.” This stood as an opening door for the new generation of the retail industry. And very soon the malls became the trend setters in the new millennium.

This has coined the term of ‘shopper tainment’ (shopping and entertainment) which can be attributed to the changing life styles of the people.
**Hypermarket:**

It is the largest format in Indian retail so far is a one stop shop for the modern Indian shopper.

**Merchandise:** food grocery to clothing to spots goods to books to stationery.

**Space occupied:** 50000 Square feet and above.

**SKUs:** 20000-30000.

**Example:** PETER ENGLAND retail’s Big Bazaar, RPG’s Spencer’s (Giant), Vishal mega mart.

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**Supermarket:**

A subdued version of a hypermarket.

**Merchandise:** Almost similar to that of a hypermarket but in relatively smaller proposition.

**Space occupied:** 5000 Sq. ft. or more.

**SKUs:** Around 10000.

**Example:** Nilgiris, Apna Bazaar, Trinethra/more.

---

**Convenience store:**

A subdued version of a supermarket.

**Merchandise:** Groceries are predominantly sold.

**Space occupied:** Around 500 Sq. ft. to 3000 Sq. ft.

**Example:** stores located at the corners of the streets, Reliance Retail’s fresh.
Department store:
A retail establishment which specializes in selling a wide range of products without a single prominent merchandise line and is usually a part of a retail chain.

Merchandise: Apparel, household accessories, cosmetics, gifts etc.
Space occupied: Around 10000 Sq. ft. – 30000 Sq. ft.
Example: Landmark Group’s Lifestyle, Trent India Ltd.’s Westside.

Discount store:
Standard merchandise sold at lower prices with lower margins and higher volumes.
Merchandise: A variety of perishable/ non-perishable goods.
Example: Viswapriya Group’s Subiksha, Piramal’s TruMart.

Specialty store:
It consists of a narrow product line with deep assortment.
Merchandise: Depends on the stores
Example: Bata store deals only with footwear, RPG’s Music World, Crossword.

MBO’s:
Multi Brand outlets, also known as Category Killers. These usually do well in busy market places and Metros.
Merchandise: Offers several brads across a single product category.

Kirana stores:
The smallest retail formats which are the highest in number (15 million approx.) in India.
Merchandise: Mostly food and groceries.
Space occupied: 50 sq ft and even smaller ones exist.
Malls:
The largest form of organized retailing today located mainly in metro cities, in proximity to urban outskirts.

Merchandise: They lend an ideal shopping experience with an amalgamation of product, service and entertainment, all under a common roof.

Space occupied: Ranges from 60,000 sq ft to 7, 00,000 sq ft.

Retail Formats Available in India

Mono / Exclusive branded retail shop
- Exclusive showrooms either owned or franchised out by a manufacturer
- Complete range available for a given brand, certified product quality

Multi branded retail shop
- Focus on particular product categories and carry most of brands available
- Customers get to have more choices as many brands are on display

Convergence retail outlets
- Usually have on display most of the convergence as well as consumer / electronics products including
- One stop shop for customers, many product lines of different brands on display

However, kiranas still continue to score over modern formats primarily due to the convenience factor. The organized segment typically comprises of a large number of retailers, greater enforcement of taxation mechanisms and better labor law monitoring system. It's no longer about just stocking and selling but about efficient supply chain management, developing vendor relationship quality customer service, efficient merchandising and timely promotional campaigns. The modern retail formats are encouraging development of well-established and efficient supply chains in each
segment ensuring efficient movement of goods from farms to kitchens, which will result in huge savings for the farmers as well as for the nation. The Government also stands to gain through more efficient collection of tax revenues. Along with the modern retail formats, the non-store retailing channels are also witnessing action with HLL initiating Sangam Direct, a direct to home service.

Network marketing has been growing quite fast and has a few large players today. Gas stations are seeing action in the form of convenience stores, ATMs, food courts and pharmacies appearing in many outlets.

In the coming years it can be said that the hypermarket route will emerge as the most preferred format for international retailers stepping into the country. At present, there are 50 hypermarkets operated by four to five large retailers spread across 67 cities catering to a population of half-a-million or more. Estimates indicate that this sector will have the potential to absorb many more hypermarkets in the next four to five years.

<table>
<thead>
<tr>
<th>Retailers</th>
<th>Current formats</th>
<th>New formats, Experimenting with</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shopper’s stop</td>
<td>Department store</td>
<td>Quasi mall</td>
</tr>
<tr>
<td>Ebony</td>
<td>Department store</td>
<td>Quasi mall, Smellers outlets, adding food retail</td>
</tr>
<tr>
<td>Crossword</td>
<td>Large Bookstore</td>
<td>Corner shop</td>
</tr>
<tr>
<td>Piramyd</td>
<td>Department store</td>
<td>Quasi mall, food retail</td>
</tr>
<tr>
<td>Pantaloons</td>
<td>Own brand store</td>
<td>Hypermarket</td>
</tr>
<tr>
<td>Subhiksha</td>
<td>Super market</td>
<td>Considering moving to self-service</td>
</tr>
<tr>
<td>Vitan</td>
<td>Super market</td>
<td>Suburban discount store</td>
</tr>
<tr>
<td>Foodworld</td>
<td>Food Super market</td>
<td>Hypermarket, foodworld express</td>
</tr>
<tr>
<td>Globus</td>
<td>Department store</td>
<td>Small fashion stores</td>
</tr>
<tr>
<td>Bombay Bazaar</td>
<td></td>
<td>Aggregation of kiranas</td>
</tr>
<tr>
<td>Efoodmart</td>
<td></td>
<td>Aggregation of kiranas</td>
</tr>
<tr>
<td>Metro</td>
<td></td>
<td>Cash and Carry</td>
</tr>
<tr>
<td>S Kumar’s</td>
<td></td>
<td>Discount store</td>
</tr>
</tbody>
</table>
1.15 Fastest growing formats in India:

![Fastest growing formats in India](image-url)

In the above graph it shows that the there are many formats of retailing in India but the specialty store and supermarket is fastest growing formats in India.

1.16 The opportunities in Indian organized retail

The opportunities in Indian organized retail sector are many for this sector is witnessing a boom. The retail industry in India amounted to US$ 200 billion in 2006, and out of this amount the Indian organized retail sector amounted to US$ 6.4 billion. The opportunities in India organized retail sector can be judged from the fact that by 2010 it is expected to rise to US$ 23 billion. The various opportunities in the organized retail sector in India are mainly there for the Indian consumers behaviour pattern has changed.

Now the Indian consumer gets more hefty pay- packages, is younger, a large number of women are working, western influences, and more disposable income have opened a lot of opportunities in Indian organized retail sector. The Indian consumer wants to
shop, eat and get entertainment in one place and is having also given Indian organized retail sector an opportunity to grow.

The Indian government in 2005 allowed foreign direct investment (FDI) in single brand retail to 51%. This has opened up a lot of opportunities in India organized retail sector. In fact 325 departmental stores, 300 new malls, and 1500 supermarkets are being built which shows the tremendous opportunities in the organized retail sector in India. Many Indian companies seeing the various opportunities in organized retail sector in India have entered it.

Pantaloons have decided to increase its retail space to 30 million square feet with an investment of US$ 1 billion. Reliance Industries Limited is targeting for annual sales of US$ 25 billion by 2011. It is planning to invest US$ 6 billion in order to open 1,500 supermarkets and 1000 hypermarkets. Bharti Telecos is planning a joint venture with Telco a global retail giant worth £ 750 million.

The opportunities in the organized retail sector in India have also increased with the desire of many global retail giants to set up shop here. The global retail giants who are entering the Indian organized retail sector are:

Tesco, Wal- Mart, Metro AG , Carrefour SA

The opportunities in Indian organized retail sector are varied and it must be fully exploited by the Indian retailers.

1.17 The Emerging Trends in the Indian Organized Retail Sector

The emerging trends in the Indian organized retail sector would help the economic growth in India. There is a fantastic rise in the Indian organized retail sector in a very short period of time between 2001 and 2006. Eventually, out of the shadows of the unorganized retail sector, India has a chance of tremendous economic growth, both in
India and abroad. The emerging trends in the Indian organized retail sector are also adding up to the development of the Indian organized retail sector. The relaxation by the government on regulatory controls on foreign direct investments has added to the process of the growth of the Indian organized retail sector.

The infrastructure of the retail sector will evolve radically in the recent future. The emergence of shopping malls is increasing at a steady pace in the metros and there are further plans of expansion which would lead to 150 new ones coming up in India by 2008. As the count of super markets is going up much faster than rate of growth in retail sector, it is taking the lions share in food trade. The growth of the Indian organized retail sector is anticipated to be heavier than the growth of the gross domestic product. Alterations in people's lifestyle, growth in income levels, and encouraging conventions of demography are proving favorable for the new emerging trends in the Indian organized retail sector.

The success of this retail sector would also lie in the degree of penetration into the lower income strata to tap the possible customers in the lowest levels of society. The demands of the buyers would also be enhanced by more access to credit facilities. With the arrival of the Transnational Companies (TNC), the Indian retail sector will undergo a transformation. At present the Foreign Direct Investments (FDI) is not encouraged in the Indian organized retail sector but once the TNC's get in they inevitably try to out their Indian counterparts. This would be challenging to the retail sector in India.

**1.18. Challenges facing the Indian Organized Retail sector**

The challenges facing the Indian organized retail sector are various and these are stopping the Indian retail industry from reaching its full potential. The behavior
pattern of the Indian consumer has undergone a major change. This has happened for the Indian consumer is earning more now, western influences, women working force is increasing, desire for luxury items and better quality. He now wants to eat, shop, and get entertained under the same roof. All these have lead the Indian organized retail sector to give more in order to satisfy the Indian customer.

The biggest challenge facing the Indian organized retail sector is the lack of retail space. With real estate prices escalating due to increase in demand from the Indian organized retail sector, it is posing a challenge to its growth. With Indian retailers having to shell out more for retail space it is affecting their overall profitability in retail. Trained manpower shortage is a challenge facing the organized retail sector in India.

The Indian retailers have difficulty in finding trained person and also have to pay more in order to retain them. This again brings down the Indian Retailers profit levels. The Indian government has allowed 51% foreign direct investment (FDI) in the India retail sector to one brand shops only.

This has made the entry of global retail giants to organized retail sector in India difficult. This is a challenge being faced by the Indian organized retail sector. But the global retail giants like Tesco, Wal-Mart, and Metro AG are entering the organized retail sector in India indirectly through franchisee agreement and cash and Carry wholesale trading. Many Indian companies are also entering the Indian organized retail sector like Reliance Industries Limited, Pantaloons, and Bharti Telecos. But they are facing stiff competition from these global retail giants. As a result discounting is Indian becoming an accepted practice.
1.19. The reasons for resistance to organized retail:

- In smaller towns and urban areas, there are many families who are traditionally using these kirana shops/ ‘mom and pop’ stores offering a wide range of merchandise mix. Generally these kirana shops are the family business of these small retailers which they are running for more than one generation.

- These kirana shops are having their own efficient management system and with this they are efficiently fulfilling the needs of the customer. This is one of the good reasons why the customer doesn’t want to change their old loyal kirana shop.

- A large number of working class in India is working as daily wage basis, at the end of the day when they get their wage, they come to this small retail shop to purchase wheat flour, rice etc for their supper.

- For them this the only place to have those food items because purchase quantity is so small that no big retail store would entertain this.

- Similarly there is another consumer class who are the seasonal worker. During their unemployment period they use to purchase from this kirana store in credit and when they get their salary they clear their dues. Now this type of credit facility is not available in corporate retail store, so this kirana stores are the only place for them to fulfill their needs.

- Another reason might be the proximity of the store. It is the convenience store for the customer. In every corner the street an unorganized retail shop can be found that is hardly a walking distance from the customer’s house. Many times customers prefer to shop from the nearby kirana shop rather than to drive a long distance organized retail stores.
1.20 Indian unorganized retail sector & its challenge

India is the only one country having the highest shop density in the world, with 11 outlets per 1000 people (12 million retail shops for about 209 million households). Rather we can see the democratic scenario in Indian Retail (because of low level of centralization, low capital input and due to a good number of self-organized retail).

India started its Retail Journey since ancient time. In Ancient India there was a concept of weekly HAAT, where all the buyers & sellers gather in a big market for bartering. It takes a pretty long times to & step to shape the modern retail. In between these two concepts (i.e. between ancient retail concept & the modern one there exist modern kirana/ mom and pop shops or Baniya ki Dukan. Still it is predominating in India so the Indian retail industry is divided into two sectors- organized and unorganized.

Organized retail sector refers to the sectors undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the corporate retail formats of the exclusive brand outlets, hypermarkets, supermarkets, departmental stores and shopping malls.

Unorganized retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, hand cart and pavement vendors, & mobile vendors, the local kirana shops, owner manned general stores, paan/beedi shops, convenience stores, hardware shop at the corner of your street selling everything from bathroom fittings to paints and small construction tools; or the slightly more organized medical store and a host of other small retail businesses in apparel, electronics, food etc.
1.21. Characteristics of unorganized retail

Small-store (kirana) retailing has been one of the easiest ways to generate self-employment, as it requires limited investment in land, capital and labor. It is generally family run business, lack of standardization and the retailers who are running this store they are lacking of education, experience and exposure. This is one of the reasons why productivity of this sector is approximately 4% that of the U.S. retail industry. Unorganized retail sector is still predominating over organized sector in India, unorganized retail sector constituting 98% (twelve million) of total trade, while organized trade accounts only for 2%.

1.22. UNIQUE CUSTOMER PERCEPTION (UCP)

Marketing is a domain which is dynamic i.e. involves change, an important phenomenon not to be overlooked. We have come across a term “Unique Selling Proposition” (USP) which companies feel as a constant factor. Every organization is an open system of management which means change is inevitable and is associated with environmental factors. Companies need to focus not only on USP of their products but also on the “Unique Customer Perception” (UCP) of the final end users. The prop of marketing is based on the need identification and the USP’s are prepared based on the identified needs. If the needs are wrongly identified then even the USP’s which are unique to the product would not serve the purpose. USP identifies a product/service from its competitors while UCP is the perception or picture a customer develops from all types of promotional inputs from the company about their product or service. It is often seen that some brands do extremely well compared to other brands having the same resources. The reason for the brands not to do well is probably the communications which does not reflect the customer’s perception. So it
is not the USP but UCP that plays an important role. This has lead to the concept -
"Customer Perception is the Rule and not Customer Satisfaction".
Remember that a customer always buys a product or service with a lot of expectations which he has derived from the promotional inputs of the company or other sources including word of mouth. So a customer would be satisfied when Performance is equal to Expectation while would not be satisfied when Performance does not match with Expectations. Now this expectation is what has been derived from perception. Perception is not good or bad, right or wrong, it is just the way someone judges an experience based on their value system of what they believe should happen. Since people are unique, each of their perceptions are unique. On the other hand each situation is a "point of contact" with an employee that will tell the customer a "truth" about the company's idea of customer service. Each situation will create expectations of what the next experience will probably be like.
Companies spend considerable amount on advertisement and in this world of competitive advantage advertisement has to be repetitive in nature. So companies need to understand the Unique Customer Perception to facilitate advertising and Sales Promotional (ASP) efforts towards a better bargain. The cost incurred on advertisement is huge i.e. if we refer to the 5 M's of advertising. Money is a budgetary constrain for an ideal advertising campaign. Thus UCP has to be rightly analyzed for better results by the company to match performance and expectation.