Chapter 1

Introduction

1.1 Introduction of retail.

Concept of retail:

Retail comes from the Old French word tailer (compare modern French retailer), which means "to cut off, clip, pare, divide" in terms of tailoring (1365). It was first recorded as a noun with the meaning of a "sale in small quantities" in 1433 (from the Middle French retail, "piece cut off, shred, scrap, paring"). Like the French, the word retail in both Dutch and German (detailhandel and Einzelhandel, respectively) also refers to the sale of small quantities of items. The word 'retail' is derived from the French work retailer, meaning 'to cut a piece off' or 'to break bulk'.

The distribution of consumer products begins with the producer and ends at the ultimate consumer. Between the producer and the consumer there is a middleman—the retailer, who links the producers and the ultimate consumers. Retailing is defined as a conclusive set of activities or steps used to sell a product or a service to consumers for their personal or family use. It is responsible for matching individual demands of the consumer with supplies of all the manufacturers.

Retailing has become such an intrinsic part of our everyday lives that it is often taken for granted. The nations that have enjoyed the greatest economic and social progress have been those with a strong retail sector. Why has retailing become such a popular method of conducting business? The answer lies in the benefits a vibrant retailing sector has to offer—an easier access to a variety of products, freedom of choice and higher levels of customer service.

Retail consists of the sale of physical goods or merchandise from a fixed location, such as a department store, boutique or kiosk, or by mail, in small or individual lots for direct consumption by the purchaser. Retailing also include subordinated services, such as delivery. Purchasers may be individuals or businesses. In commerce, a "retailer" buys goods or products in large quantities from manufacturers or importers, either directly or through a wholesaler, and then sells smaller
quantities to the end-user. Retail establishments are often called shops or stores. Retailers are at the end of the supply chain. Manufacturing marketers see the process of retailing as a necessary part of their overall distribution strategy. The term "retailer" is also applied where a service provider services the needs of a large number of individuals, such as a public utility, like electric power.

A retailer is a person, agent, agency, company, or organization which is instrumental in reaching the goods, merchandise, or services to the ultimate consumer.

Shops may be on residential streets, shopping streets with few or no houses or in a shopping mall. Shopping streets may be for pedestrians only. Sometimes a shopping street has a partial or full roof to protect customers from precipitation.

According to Philip Kotler Retailing includes all the activities in selling goods or services directly to final consumers for personal, no business use, a retailer or retail store is any business enterprise whose sales volume comes primarily from retailing.

Retailing is a distribution channel function, where one organization buys products from supplying firms or manufactures products themselves, and then sells these directly to consumers. Retailers offer many benefits to suppliers and customers as resellers. Consumers, for instance, are able to purchase small quantities of an assortment of products at a reasonably affordable price. Similarly, suppliers get an opportunity to reach their target market, build product demand through retail promotions, and provide consumer feedback to the product marketer.

1.2 Types of retail formats

Retailing in India is a buzzword and is growing very fast. According to one estimate, one third of the one million or so new businesses created each year belong to retail industry. It represents an amazing conglomerate of independent ‘kirana’ stores, departmental stores, convenience stores, speciality stores, factory outlets, kiosk stores, category killers and cooperative stores. Over the last few years due to mall revolution and westernized impact, various new retail formats have emerged. Same item of merchandise, a retailer can buy from a wider variety of retailers. Some retailers not only provide physical buying but ‘on-line’ and order on telephone is being provided.

This section deals with various types of retail formats that coexist with traditional ‘kirana’ stores that are changing themselves in a big way. Each type of retail formats offer a different set of
features and has its own merits and demerits over others. Usually these retail formats are
classified under three categories as under:

1) Traditional retail format
   1. Kirana shops or mom and pop stores
   2. Mandis and Weekly Bazaars
   3. Fairs and Festive shops

2) Modern Retail format
   1. Department Store
   2. Hypermarket
   3. Supermarket
   4. Convenience Stores
   5. Discounters
   6. Branded Store
   7. Category Killer
   8. Dollar Stores

**Figure: 1.1** (Source: Dr. Harjeet Singh, Retail Management- A Global Perspective, 2009)
1.2.1. Traditional Retail Format:

The Indian retail sector is highly fragmented and the unorganized sector has around 13 million retail outlets that account for around 95-96% of the total Indian retail industry. The retail industry in India is highly fragmented and unorganized. Earlier on retailing in India was mostly done through family-owned small stores with limited merchandise, popularly known as kirana or mom-and-pop stores. In those times, food and grocery were shopped from clusters of open kiosks and stalls called mandis. There were also occasional fairs and festivals where people went to shop.

**Kirana shops or mom and pop stores:** These type of retail stores are independent and have emerged with the spread and density of population. Historically they are traced to the generation of surplus in agriculture that needed to be sold to obtain other essential commodities by the producer. This was accompanied by the emergence of a trading class in India. Generally the kirana, mom and pop and family owned retail stores represent the retail business in India. These are usually shops with a very small area, stocking a limited range of products varying from region to region according to the needs of the clientele or the whims of the owner. About 78% of these retail stores are family owned businesses utilizing only household labour. Even among the retail enterprises that employ hired workers the bulk of them use less than three workers. According to ORG-MARG a small retailer is defined as one with an average turnover between Rs. 17,500 and Rs. 52,500 per annum. Conventionally retailers source the merchandise from wholesalers and sell it to end users. Manufactures distribute goods through carrying and forwarding agents to distributors and wholesalers.

**Mandis and Weekly Bazaars:** These are the daily and weekly retailing where customers can get fresh vegetables, fruits daily in Mandis, each village, town city is having one or more mandis. Farmers bring fresh vegetables and fruit from their farms and sell in mandi. Whereas in weekly bazaar customers get everything of their household need on a fixed day of week in their town. Weekly bazaar is one stop shopping concept where all type of traders are having their stall in the Bazaar, where customer can get each and everything they need right from food to cattle and farming equipment, grocery to cloths and toys etc. in fact shopping mall culture is modern format of Bazaar structure.
**Fairs and Festive shops:** India is having various festivals, on the occasion of these festivals local authorities or traders arrange fairs and festive shops where people get entertainment and they can shop at the same time. Normally fairs are arranged once in a year.

**1.2.2. Modern Retail Formats:**

The retailer is trying to segment the market with the help of format. The retailer developed another new format in the form of Wholesale Club to sell a segment of consumer who purchase on bulk and look out for discounts and offers. The new format is going to be kind of wholesale club which is likely to be located close to Food Bazaar. Consumers who are interested to purchase on bulk can take benefit from this format. Similarly the Land mark group also operates multiple formats such as hypermarket (Max), departmental store (Lifestyle), Shoemart and Funcity (Family entertainment centre which offers excellent opportunity for kid to learn and have fun.) etc. Such experimentation and identification of an appropriate format for the local conditions would separate winners from losers in India, possibly implying multiple formats could be the reality in the long.

Large format Malls are increasingly getting prominent with adequate retail space allocated to leisure and entertainment. This boosted the confidence of the mall developers to accommodate entertainment players like PVR, Waves, Adlab and Fun Republic in large malls.

**Department Store**

A department store offers an extensive assortment (width and depth) of goods and services that are organized into separate departments for the purpose of efficient buying, assortment, promotion and above all ease of shopping for the consumer. Such a format provides the greatest selection of any general merchandise and very often serves as the anchor store in shopping mall or shopping centre. In India, the number of department stores is less compared to other retail formats such as supermarkets and discount stores. Shoppers' Stop is the first one to open a department store in the early 1990s and currently operates 19 stores in 10 different cities in India. The store strongly focuses on lifestyle retailing and mainly divides into five departments such as apparel, accessories, home décor, gift ideas and other services. Shopper’s Stop is getting stronger and stronger year after year. It attracts more than 12 million shoppers every year with a conversion rate of 38 per cent. Another operator Lifestyle India began operations in 1998 with its first store in Chennai in 1999 and in March 2006 it opened one of the largest department stores in
the same city. The store spreads over 75,000 sq. ft and store provides customers a great shopping experience with three floors of apparel, footwear, products for children, household furniture and decor, health and beauty products.

**Hypermarket**

Hypermarkets have emerged as the biggest crowd pullers due to the fact that regular repeat purchases are a norm at such outlets. Hypermarkets not only offer consumers the most extensive merchandise mix, product and brand choices under one roof, but also create superior value for money advantages of hypermarket shopping. With product categories on offer ranging from fresh produce and FMCG products to electronics, value apparels, house ware, do it yourself (DIY) and outdoor products, the hypermarkets are becoming popular formats in India. Number of players operating hypermarket format are increasing day by day. One of the leading players in this format is Pantaloon Retail India Limited which operates Big Bazaars in major cities. In early 2006, the K. Raheja Corp (C.L. Raheja Group) has introduced it’s value retail concept Hypercity which is the country’s largest hypermarket at 118000 sq ft. Hypercity carries product range varies from Foods, Homeware, Home Entertainment, Hi-Tech, Appliances, Furniture, Sports, Toys & Clothing. Hypercity Retail plans to open 55 hypermarkets by 2015. As the market is expanding and consumers are in a mood to accept changes, hypermarkets are getting overwhelming response from consumer.

As all hypermarkets use food and grocery as crowd puller, the price plays major role. Apart from price, other things retailers need to worry about are offering right product mix at right price and right place. Ideally, a 40:60 mix of food to non-food should yield a blended gross margin of around 18-19 per cent. Hypermarkets will be successful if the retailers understand the shopper better and design product offering tailor made for specific segment of consumer.

Retailers have to use efficient sourcing and merchandising process to bring down cost of operation. The most important one is to phase out inefficiencies from the supply chain and pass on a part of that benefit to consumer. Another way of improving margin is to increase percentage of private label or store brand.

**Supermarket**

Unlike western countries where supermarkets are prominently visible, in our country this is lacking. The supermarkets largely concentrate on selling food related products and are
considerably smaller in size compared to hypermarkets. Their value proposition is also different from the hypermarkets. The supermarkets offer relatively less assortments but focus on specific product categories. They do not play the game on price rather use convenience and affordability as their salient features. In India this role is played by the provision stores and sweet shops. Interestingly the fresh vegetables and fruits are sold on the foot path and in open markets. Traditionally consumers feel conservative to buy fruits and vegetables from air conditioned supermarkets. They prefer to buy either from the local mobile vegetable sellers or from the nearest sabzi market. Probably that works as deterrent factor for the growth of supermarkets in India. But the situation is changing and slowly supermarket operators are coming to their own.

A supermarket normally sells grocery, fresh, cut vegetables, fruits, frozen foods, toiletries, cosmetics, small utensils, cutlery, stationery and Gift items. The SKU’s are divided into the broad categories - staples, fresh produce and branded foods, home & personal care products. Staples include groceries like rice, wheat, dal, spices and oils. Fresh produce comprise of fruits and vegetables, which are sold loose through the concessionaire arrangement. Along with national brands and local brands the store keeps private labels in some product categories such as utensil cleaners, preservatives and bakery products. For example in utensil cleaner category private label gives the highest margin about 25 per cent and commands a share of 50 per cent in the store. The private labels offer flexibility to both the retailer and the consumer on price front. The objective of the store is to offer variety at affordable price in each category. Food Bazaar is made the transition from a just grocery retailer to developing emotional bonding with shoppers by providing some value added services to the shoppers. Some of these initiatives include:

- Live chakki: which allows customers to buy fresh wheat and have it grinded there at the store.
- Fresh Juice counter: This provides customer to have fresh juices.
- Live dairy: This provides customers with fresh milk and milk products.
- Live kitchen: Customers have the option of buying vegetables, getting them chopped, cooked fully or partly. Soups, salads and sandwiches are also available.

**Convenience Stores**

A Convenience store offers location advantage for the shoppers and provides ease of shopping and customized service to the shoppers. It charges average to above average prices, depending on the product category and carries a moderate number of stock keeping units (SKUs). Normally it
remains open for long hours and shoppers use it for buying fill-in merchandize and emergency purchases.  

**Discounters**

Wal-Mart, the largest retailer in the world is a discounter. Practically the discounters offer several advantages such as lower price, wider assortment and quality assurance. The discounters like Wal-Mart and Aldi* were able to quickly build scale and pass on benefits to the consumer. However, in the long run success depends on the operational efficiency and consistent value delivery to the consumer. The same retailer Wal-Mart struggles in Asian countries like China but extremely successful in USA. It is believed that the average Indian consumer is highly price-sensitive and looks for savings in term of money in her grocery purchase. So price-value equation is a critical component in most of the grocery purchases.

Despite this, there is hardly any national level discount chain operating in India. But retailers such as Aldi (Albrecht Discount- a global discount supermarket chain based in Germany) and Lidl (German global discount supermarket chain, based in Neckarsulm, Baden-Württemberg, Germany) are extremely successful in Europe. Due to regulatory issues no such retailers are allowed to sale their products directly to consumer. But they can sell in a cash and carry format which is exclusively B2B context. If these retailers are allowed to operate in India through their retailer stores they may find it extremely difficult in the early stages because of lack of experience in the grocery retailing in this market. Unlike the western markets where retailers largely depend on private labels to offer price advantage, here the concept of private label is very early stage. Some of the food retailers like Food world and Adani sell private labels but they are not discounters. Soft discounters are present in India, although their influence on grocery retailing in 2005 was very minimal with a value share at less than half a percentage point. The absence of strong discounters and the lack of local retailer’s initiatives in discounters have several reasons. Unlike most Western countries, Indian retailers are mainly small stores and do not have much bargaining power with manufacturers in order to negotiate terms. Due to low economies of scale, retailers are unable to offer significant discounts on their own. Consequently, the presence of discounters is much smaller than that of supermarkets.

**Branded Store**

The major apparel brands in India are Madura Garments, Zodiac, Raymonds, Colour Plus and Arvind Mills. Some of branded apparel stores prominent in India are Madura Garments (140
stores), Weekender (75 stores), Benetton (100 stores), Grasim (110 exclusive showrooms), Madura Garments (40 stores), Wills Life style (40 stores), Lee (59 stores), Newport (500 stores), Wrangler (37 stores), John Players (80 stores) and Raymond.

Raymond a nationwide retail chain has 260 Raymond shops deals in fabrics, apparels and accessories. In addition to that its distribution network includes 20 exclusive Park Avenue Parx stores, and 1,000 multi-brand outlets. These specialty stores sell the well known brands like Park Avenue, Parx, Manzoni and Be. Park Avenue is an up-market brand, while Parx and Manzoni are targeted at the casual wear and the premium ranges respectively. ‘Be:’ is especially a brand for women’s wear. Similarly BK Birla’s Century Textile plans to increase its number of outlets from 60 currently to 100 near future. International brands like Tommy Hilfiger are also present in India through franchise arrangements with Arvind Murjani Brand Private Limited (AMBPL) and its first store was opened at Banjara Hills, Hyderabad. The 3,840 sq ft store retails wide variety of products such as men’s denim wear & sportswear, women’s sportswear, junior jeans and accessories like handbags, belts and watches. Apart from the new store in Hyderabad, Tommy Hilfiger is also available in its exclusive stores in New Delhi, Gurgaon, Chandigarh, Bangalore and Mumbai.

There is no major Indian retailer in the sports and foot wear category. Reebok (85 stores) is the market leader here in India and there is no clear-cut winner in the second place. In fact, this segment is dominated mainly by foreign labels – Levis, Lee Cooper, United Colors of Benetton, Lacoste, Adidas (76 stores), Nike (62 stores), and Woodland (58 stores), etc.

Indian labels are few and far between – Proline is the best-known Indian brand and the other brands are more local in nature. The other Indian retailer which is making some sort of impact is Wills Sports with 29 stores across different cities in India.

**Category Killer**

The category killer concept originated in the U.S. due to abundance of cheap land and the dominant car culture. Category Killer is a kind of discount specialty store that offers less variety but deep assortment of merchandise. By offering a deep assortment in a category at comparative low prices, category specialist can be able to “kill” that specific category of merchandize for other retailers. Generally such kind of retailers uses a self service approach. They use their buying power to negotiate low prices, excellent terms and assured supply when items are scarce.
In India this kind of retail stores are not prevalent at this point of time. But there is scope for such kind of format. In India, Mega-Mart is one sort of category killer which sells apparel products.

**Dollar Stores/ 99 Stores**

Dollar stores have their roots in America's homey five-and-dimes, the general stores that offered a range of products at low prices say $1. But modern dollar-store retailers are having more sophisticated operations; leveraging their growing buying power to strike special deals with vendors and continuously striving for unique advantage of both convenience and price. Some chains sell all their goods at $1 or less. Others offer selected items at higher prices. Most sell a combination of paper products, health and beauty supplies, cleaning products, paper and stationery, household goods, toys, food and sometimes clothing. Both private-label and brand-name goods fill the shelves. They are looking for employing technology to manage large distribution networks. US based My Dollar Store started operation in Mumbai through master franchise arrangements with Sankalp Retail Value. In India same concept has been adopted by many retailers in the form of Rs. 99 stores selling wide range of products on the prices of Rs. 99, Rs. 199, Rs. 299 so on.

**1.3 History, evolution and growth of retail industry in the world & global retail scenario:**

**Global Retail Scenario**

Retailing has played a major role in the global economy. In developed markets, retailing is one of the most prominent industries. In 2008, the US retail sector contributed 31% to the GDP at current market prices. In developed economies, organized retail has a 75-80% share in total retail as compared with developing economies, where un-organized retail has a dominant share.
### Table: 1.1 Top 10 global retailers by revenue

<table>
<thead>
<tr>
<th>Retail Revenue Rank</th>
<th>Name of the company</th>
<th>Country of origin</th>
<th>2012 retail revenue (US $ mn)</th>
<th>2012 parent company/group revenue (US $ mn)</th>
<th>2012 parent company/group net income (US $ mn)</th>
<th>No. of countries of operation</th>
<th>2007-2012 Retail revenue CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>Walmart store</td>
<td>U.S.</td>
<td>469,162</td>
<td>469,162</td>
<td>17,756</td>
<td>28</td>
<td>4.4%</td>
</tr>
<tr>
<td>02</td>
<td>Tesco</td>
<td>U.K.</td>
<td>101,269</td>
<td>102,889</td>
<td>190</td>
<td>13</td>
<td>6.2%</td>
</tr>
<tr>
<td>03</td>
<td>Costco Wholesale Corporation</td>
<td>U.S.</td>
<td>99,137</td>
<td>99,137</td>
<td>1767</td>
<td>9</td>
<td>9.0%</td>
</tr>
<tr>
<td>04</td>
<td>Carrefour S.A.</td>
<td>France</td>
<td>98,757</td>
<td>100,906</td>
<td>1692</td>
<td>31</td>
<td>-1.3%</td>
</tr>
<tr>
<td>05</td>
<td>The Kroger Co.</td>
<td>U.S.</td>
<td>96,751</td>
<td>96,751</td>
<td>1,508</td>
<td>1</td>
<td>6.6%</td>
</tr>
<tr>
<td>06</td>
<td>Schwarz Untemehmens Treuhand KG</td>
<td>Germany</td>
<td>87,236</td>
<td>87,236</td>
<td>n/a</td>
<td>26</td>
<td>6.6%</td>
</tr>
<tr>
<td>07</td>
<td>Metro AG</td>
<td>Germany</td>
<td>85,832</td>
<td>85,832</td>
<td>130</td>
<td>32</td>
<td>0.7%</td>
</tr>
<tr>
<td>08</td>
<td>The Home Depot</td>
<td>U.S.</td>
<td>74,754</td>
<td>74,754</td>
<td>4,535</td>
<td>5</td>
<td>0.7%</td>
</tr>
<tr>
<td>09</td>
<td>Aldi Einkauf GmbH &amp; Co.</td>
<td>Germany</td>
<td>73,035</td>
<td>73,035</td>
<td>n/a</td>
<td>17</td>
<td>6.0%</td>
</tr>
<tr>
<td>10</td>
<td>Target Corporation</td>
<td>U.S.</td>
<td>71,960</td>
<td>73,301</td>
<td>2,999</td>
<td>1</td>
<td>3.2%</td>
</tr>
</tbody>
</table>

Source: Planet Retail, Deloitte.com

Above table is having a detail of top 10 global retail giants amongst the top 250 retailers worldwide. Total revenue for the top 250 Global powers of retailing reached nearly $ 4.3 trillion by 2012, and average size of top 250 retailers exceeded $ 17 billion. Wal-Mart is on no. 1 position with the revenue of $ 469,162 million in 2012. Which followed by Tesco having revenue of $ 101,269 million in 2012. Wal-Mart has its operations in 28 countries in 2012, whereas Carrefour is having in 31 countries with the revenue of $ 100,906.

India has the highest number of retail outlets in the world at over 13 million retail outlets, and the average size of one store is 50-100 square feet. It also has the highest number of outlets (11,903) per million inhabitants. The per capita retail space in India is among the lowest in the world, though the per capita retail store is the highest. Majority of these stores are located in rural areas.
Evolution of organized retail

The share of organized retail in developed countries is much higher than developing countries like India. In 2006, the share of organized retail in the US was around 85%, in Japan it was 66%, and in the UK it was 80%, while in developing countries like India, China and Russia it was 6%, 20% and 33%, respectively. The concept of organized retail had occurred much later in developing economies than the developed economies. Modern day retail came into existence in three successive waves. The first wave took place in the early to mid-1990s in South America, East Asia excluding China, North Central Europe and South Africa. The second wave of organized retail occurred during mid-to-late 1990s in Mexico, Central America, South-east Asia and South Central Europe. The third wave of organized retail boom started in the late 1990s and early 2000 in some parts of Africa, Central and South America, South-east Asia, China, India and Russia and continues to grow at a rapid pace.

Rising household expenditure in BRIC countries drives organized retail

The household expenditure in Brazil, Russia, India and China, or the BRIC countries, is growing at a faster rate than the developed countries like the US, UK, Japan, Germany, and France, indicating the higher growth potential for the retail sector in these countries that have a large consumer base. Household expenditure (at constant prices) in developed countries like the US, UK, Germany, and Japan has witnessed an average annual growth of 3.2%, 2.5%, 0.2%, and 1.0%, respectively, during 2004-2007, but the expenditure in the BRIC countries has been

### Total number of retail outlets in select countries (in ‘000)

<table>
<thead>
<tr>
<th>Country</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>11,689.0</td>
<td>12,049.8</td>
<td>12,408.8</td>
<td>12,770.8</td>
<td>13,122.1</td>
<td>13,448.5</td>
</tr>
<tr>
<td>China</td>
<td>5,463.7</td>
<td>5,208.1</td>
<td>4,854.1</td>
<td>4,635.7</td>
<td>4,503.2</td>
<td>4,496.3</td>
</tr>
<tr>
<td>Brazil</td>
<td>976.1</td>
<td>1,006.6</td>
<td>1,071.5</td>
<td>1,122.9</td>
<td>1,157.6</td>
<td>1,188.3</td>
</tr>
<tr>
<td>Russia</td>
<td>437.5</td>
<td>447.4</td>
<td>456.3</td>
<td>466.0</td>
<td>475.1</td>
<td>480.8</td>
</tr>
<tr>
<td>USA</td>
<td>923.5</td>
<td>923.7</td>
<td>934.3</td>
<td>945.8</td>
<td>946.5</td>
<td>946.2</td>
</tr>
<tr>
<td>UK</td>
<td>314.6</td>
<td>312.0</td>
<td>308.3</td>
<td>302.1</td>
<td>298.3</td>
<td>295.1</td>
</tr>
<tr>
<td>France</td>
<td>416.9</td>
<td>411.7</td>
<td>409.2</td>
<td>407.1</td>
<td>406.7</td>
<td>406.5</td>
</tr>
<tr>
<td>Germany</td>
<td>288.0</td>
<td>286.2</td>
<td>284.2</td>
<td>283.0</td>
<td>281.8</td>
<td>281.8</td>
</tr>
</tbody>
</table>

*Source: Euromonitor*
much higher. The developed countries are witnessing a continuous fall in domestic demand and high dependence on export earnings, which are the reasons for lower household expenditure. In current times, the global demand is weakening, owing to economic slowdown, and this worry is looming large over the retail sector.

**Household expenditure in BRIC countries at constant prices (percentage growth)**

The consumer market in the developed countries is saturating, and therefore, big retail companies in those countries are increasingly expanding their footprint in emerging countries like India, China, and Russia. With 100% FDI is permitted in the retail sector, India continues to attract leading global retailers to start retail business through local alliances.

### Major global retail markets

This section provides a brief overview on the retail industry in major global markets on the basis of phases of retail lifecycle. Organized retailing in most economies typically passes through four distinct phases:

- In the first phase, new entrants create awareness of modern formats like hypermarket, supermarket, department stores etc and raise consumer expectations
- In the second phase, consumers demand more modern formats as the markets develop, thereby leading to a strong growth
- In the third phase, the high rate of growth leads to a stage of mature market
• In the final phase, the domestic market reaches a saturation point leading to limited growth, so retailers explore and evaluate new markets across the globe

USA

The US retail market is the largest retail market in the world, and the organized sector constitutes over 85% of the total retail sales. In 2008, the US retail industry recorded sales of US$ 4,404.7 billion, amounting to 31% of the national GDP at current prices. The US retailing is divided into three categories: department stores, mass merchandisers, and specialty stores. Consumers in the US have now become more value-conscious, which has led to an increase in the sales of discount stores that make ‘mass merchandisers’ as the largest category. Online retailing also has been gaining popularity in the US, but the recent slowdown in the economy and financial crisis have shrunk consumer spending, which is likely to reflect in the retail sales figures. As domestic markets in the developed countries have saturated and opportunities in emerging markets are rising, organized retailers from those countries have been turning to new markets.

UK

The UK retail sales were valued at £278 billion in 2008 with 197,990 establishments. The industry contributed to 8% of the national GDP in 2008. The retail industry in the UK provides employment to 2.8 million people, which constitutes 11% of the total workforce; however, the recent global economic slowdown has affected the UK market also. As the financial system in the UK is facing problems, and has resulted in a sluggish economy, consumer spending has also reduced.

China

China opened up its economy to the world in 1980s which led the growth of the organized retail market in the country, which constituted 20% of the total retail sales of US$ 785 billion in 2006. China’s retail industry is also growing at a phenomenal rate and plays a vital role in the global retail scenario due to its large and burgeoning population, large cities, and increasing purchasing power of local population.
GLOBAL RETAIL INDUSTRY: SOME FACTS

- Worldwide retail sales are estimated at $7 trillion (USD).\(^9\)
- $4.29 trillion is the aggregate retail revenue of top 250.\(^10\)
- The top 250 largest retailers account for 63% of worldwide demand.\(^11\)
- 10 average numbers of countries in which top 250 retailers operate.\(^12\)
- Retail sales are generally driven by people’s ability (disposable income) and willingness (consumer confidence) to buy.
- The world’s population is poised to expand 50% by 2050. The world is currently 78% poor, 11% middle income and 11% rich.
- Some two-thirds or $6.6 trillion out of the $10 trillion American economy is consumer spending. About 40% of that ($3 trillion) is spending on discretionary products and services.
- Retail trade in Europe employs 15% of the European workforce (3 million firms and 13 million workers)
- Time and quality of life are becoming relatively more important than money; 60% of Americans want to simplify their lives.
- In U.S Product performance was found to be the top purchasing criterion, while environmental features were a close second in a survey.\(^13\)

1.3.1 GLOBAL RETAIL CHAINS

Wal-Mart

When one thinks of Wal-Mart, one thinks big! It's the world's biggest retailer and also the biggest employer with over 1.8 million full- and part-time workers. It operates Wal-Mart stores along with Sam's Club membership warehouses in the U.S. and 15 foreign countries.

Known for its low pricing and wide selection of goods, Wal-Mart has become the undisputed king of retailing. It is also a feared giant for its sheer size and pricing power. For fiscal 2005, Wal-Mart had record revenues of $312.4 billion and net income of $11.2 billion. U.S. sales rose 3.0% in Wal-Mart stores and 5.0% in Sam's Club stores.

Wal-Mart has more than 3,800 stores worldwide. The company has been growing rapidly overseas, especially in China. It now generates 20% revenues internationally. With its growth and dominance, Wal-Mart has become a target of opposition for its low worker pay and sheer
size. In response, the company has tried to improve its image and announced a new program to offer health plans to part-time workers. Wal-Mart, also entered India with a 50:50 JV with Bharti Group and now with 100% FDI in retail it is expected to provide employment to huge young force of India.\textsuperscript{14}

**Carrefour**

The supermarket of tomorrow, the Carrefour group specializes in large scale distribution and has come a long way since the creation of its first supermarket in 1963. Carrefour is the European leader in distribution, the World’s second, owns a number of other brands such as Shopi, Champion, Norte, Dia and ED, and has 11 000 shops in 32 countries, including in China. It is no mere chance that Carrefour today serves more than 2 billion customers. The customer is king and the group is constantly innovating. From the development of ranges of local products to the implementation of supply chain management (product tracking, respect for the environment), it is constantly adapting to its customers' new consumption patterns. The group has also developed a number of other customer services, such as the sale of financial products, theatre and concert tickets, holidays and Internet-selling. The group's long-term aim is to become the supermarket of the future where the customer can find everything they need under one roof.\textsuperscript{15}

**Tesco**

Tesco operates 923 stores and employs 240,000 people, giving access to a population of 260 million across nine markets. Over the past five years, the company has expanded from traditional UK supermarket base into new countries, products and services, including a major non-food business, personal finance and internet shopping. The increasing scale and internationalization of sales and purchasing operations makes a significant contribution to efficiency and profitability, as it has progress towards the long-term goal of becoming a truly international retailer.

Tesco has 702 stores in U.K and is the largest food retailer in the United Kingdom. Tesco continues to increase market share through the policy of cheaper prices, offering better value and providing more choice and convenience for customers. The share of the UK market has grown steadily since the early nineties as a result of customer focused strategy: their market share is now 16.2%. Tesco operates 4 store formats in the United Kingdom.\textsuperscript{16}
Table 1.3 Types of stores of Tesco

<table>
<thead>
<tr>
<th>Type</th>
<th>No. of stores</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extras</td>
<td>29</td>
</tr>
<tr>
<td>Superstores</td>
<td>450</td>
</tr>
<tr>
<td>Metro/high Street</td>
<td>167</td>
</tr>
<tr>
<td>Express</td>
<td>56</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>702</strong></td>
</tr>
</tbody>
</table>

Source: www.tesco.com

**IKEA**

IKEA is a worldwide furnishing company with operations in 42 countries and a total number of 70,000 employees of which 59,000 work in Europe. It is a Swedish based company built on the idea to “offer a wide range of well-designed, functional home furnishing products at prices so low, that as many people as possible will be able to afford them”. It started out in the 1940s by the entrepreneur Ingvar Kamprad, who still has control over the company through the INGKA foundation, situated in the Netherlands. The IKEA group is solely owned by the Foundation through a holding company (INGKA holding B.V). It is therefore not listed on any stock exchange. Originally, IKEA sold pens, wallets, picture frames, table runners, watches, jewelry and nylon stockings or practically anything. Furniture was first added to the IKEA product range in 1947 and, in 1955, IKEA began to design its own furniture. The company motto is: "Affordable Solutions for Better Living". The bulk of the operations are that of retail business with 165 stores in 22 countries and a total of 75% of the employees in this area. In addition to purchasing from outside suppliers the IKEA group also produces some of its own furniture through the IKEA industrial group, Swedwood.17

**The Metro Group**

The METRO Group was created in 1996 through the merger of leading retailing companies. The corporate group is composed of high-performance, operationally independent companies and businesses. The group includes:

- Metro Cash & Carry, the world’s market leader in cash & carry.
- Real hypermarkets and Extra supermarkets.
- Media Market and Saturn, Europe’s leader in consumer electronic retailing.
• Galeria Kaufhof, the system leader in the department store business Metro Cash & Carry is the global market leader in self-service wholesale and at the same time also the most international retail brand with the highest sales volume at the METRO Group. A mature, efficient and internationally reproducible concept guarantees the successful tapping of new markets. It offers commercial customers a high assortment competence in food and nonfood products at favorable wholesale prices. This makes Metro Cash & Carry the ideal partner for commercial customers in numerous countries of the world. The assortment and service portfolio are geared to meeting the special needs of professionals, mainly from the restaurant and retailing sectors. In India, the company is expected to invest close to Rs. 1800-2000 crore in the next three years to open 15-18 stores in all major cities across the country.18

1.4 PROBLEM STATEMENT:

The retail industry in India is hailed as a sunrise sector, and is estimated to double in value from US$ 330 billion in 2007 to $640 billion by 2015. In fact, India has topped AT Kearney's annual Global Retail Development Index (GRDI) for the third year in a row as the most attractive market for retail investment. The bad news is, despite the fact that India has one of the largest number of retail outlets in the World, organized retail accounts for only 10-12% of the total market. This makes it especially difficult to apply sophisticated merchandising and sales tools, enhance consumer interaction and also, make very accurate analysis. Analysts believes the sector is likely to show significant growth of over 9 % p.a. over the next 10 years and also see rapid development in organized retail formats, with the proportion likely to reach a more respectable 25% by 2018.

Looking towards the facts we can understand that the organized retail companies have miles to go and this can achieved by entering in the untapped market of India, studies also revealed that tier II cities of India is having huge potential for organized retail with larger population and increased income level of people of small cities. Cities of Marathwada are also in the list of organized retail
companies to test their fortunes in this region as Aurangabad is already encountered by many organized companies.

This research study focuses on estimating market potential for organized retail companies in Marathwada the region of tier II cities viz. Aurangabad, Jalna, Parbhani, Hingoli, Nanded, Latur, Osmanabad and Beed. The changing lifestyles, increased income, buying preferences are the various reasons which may lead to the prospective for the organized retail in the region.

There are many factors which may affect the demand for any product or industry, the research study covering those factors by considering the demographic sample of the respondents like age, gender, education, income and occupation. It is very important to understand customer needs, wants, expectations and their behavior to analyze the potential which is the crucial part of the study.

Many companies have started their operations in Aurangabad and also some have closed since the inception of organized retail in the region, the study is a descriptive research which tries to understand the reasons of it and also it examines whether there is really potential for organized retailing in the region.

1.5 SCOPE:

The retail industry across the country is witnessing exponential growth and expansion. The Indian retail market which is fifth largest retail destination globally, was ranked second after Vietnam as the most attractive emerging market for investment in the retail sector.

Present study focuses on studying the unorganized retail sector in Marathwada and at the same time it studies the current scenario of organized retail industry in India as well as the retail companies which have already functioning in Aurangabad.
This study focuses on the customer behavior towards organized retailing, it examines whether there is potential for organized retailers in Marathwada or not, what are the expectations of customers from organized retailers, the study also unveils the issues and challenges for organized retailers, this study will give insightful inputs to the organized retail companies at same time this research study will be helpful for local retailers for meeting the expectations of customers, adopt new practices to compete with the organized retailers.

Geographical Scope- The research study is focusing on the Districts of Marathwada viz. Aurangabad, Jalna, Parbhani, Hingoli, Nanded, Beed, Osmanabad and Latur.

Operational Scope- The research study concentrates on-
A) Local retail market i.e. unorganized market.
B) Organized retail companies which are operating in Aurangabad and those who have not come yet.
C) Different types of customers to know the buying patterns and behavior of customers of Districts of Marathwada.

1.6 OBJECTIVE OF THE STUDY:

1) To study organized retail industry in India
2) This research aims at examining in detail the readiness of Districts of Marathwada especially Aurangabad, for the organized retail companies.
3) To study the traditional retail market of districts of Marathwada.
4) This research study will also investigate the challenges that organized retail companies may encounter in districts of Marathwada.

5) The research study will provide insightful inputs that may help the forthcoming and existing organized retail companies to flourish in districts of Marathwada.
6) The research study will provide insightful inputs that may help the conventional unorganized retail players to come up with new value propositions and ways to compete with the organized retail companies.
1.7 HYPOTHESIS:

1) Aurangabad is promising market for organized Retail Business.

2) There are potential market opportunities for organized retail companies in districts of Marathwada.

3) Unorganized retail sector is dominating the market of districts of Marathwada.

4) Customer buying patterns and behavior is changing.

5) Prices offered by organized retail companies are more competitive as compared to Unorganized Retail players in Districts of Marathwada.

1.8 RESEARCH METHODOLOGY:

Research Design: The present research design is descriptive cross sectional design.

Two ways are required for collection of necessary information for research which is used by researcher.

These are 1) Primary Data 2) Secondary Data

1) Primary Data:

The primary data collected from survey of cities of Marathwada, by meeting the customers coming for shopping in organized retail outlets, and the outlets of unorganized retailers in Aurangabad and seven other cities of Marathwada.

Importance of the research study, inputs of the findings which would be useful for the customers were explained to the respondents, questionnaire was also explained to the respondents where ever they found difficulty but it is drafted in such a way that respondent can easily understand it.

Questionnaire was also made in Marathi language which is the home language of the region.

Surveys conducted randomly to assess customer buying practices, patterns and behavior. This was done by personal interactions and with the help of questionnaires, mailers etc.
2) **Secondary Data:**
Secondary data collected through internet from various websites, various reports published online, statistical data collected from various government authorized websites, national and international journals were referred, various magazines viz. business magazines, retail magazines were also referred during the period of study to update the current facts and figures, news papers is the important source for current information for any research, books of famous national and international authors was used for the study, government reports as well as reports of private organizations were referred for secondary data etc.

**SAMPLING PLAN:**

Research conducted with the help of representative and cross-sectional sampling and simple random sampling.

The **demographic sampling** includes Age, Education, Occupation and income which is taken as follows,

<table>
<thead>
<tr>
<th>Demographic Variables</th>
<th>Sampling units in variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>21-30</td>
</tr>
<tr>
<td></td>
<td>31-40</td>
</tr>
<tr>
<td></td>
<td>41-50</td>
</tr>
<tr>
<td></td>
<td>51 &amp; Above</td>
</tr>
<tr>
<td>Education</td>
<td>Post Graduate</td>
</tr>
<tr>
<td></td>
<td>Graduate</td>
</tr>
<tr>
<td></td>
<td>HSC</td>
</tr>
<tr>
<td></td>
<td>SSC</td>
</tr>
<tr>
<td>Occupation</td>
<td>Self Employed</td>
</tr>
<tr>
<td></td>
<td>Govt. Employee</td>
</tr>
<tr>
<td></td>
<td>Pvt. Employee</td>
</tr>
<tr>
<td></td>
<td>Professional</td>
</tr>
</tbody>
</table>
Table 1.4: Demographic Sampling

| Income          | Below Rs. 15000 | Rs. 15001- 30000 | Rs. 30001- 45000 | Rs. 45001 & Above |

**Geographic sampling:** Research sample is mainly Aurangabad and other seven cities of Marathwada i.e. Jalna, Parbhani, Hingoli, Nanded, Beed, Osmanabad and Latur.

**Sample Size:**

The sample of 5000 respondent is taken from all eight cities of Marathwada by taking 800 respondents from Aurangabad, 600 each from Jalna, Parbhani, Hingoli, Nanded, Beed, Osmanabad and Latur by using convenience Random sampling method.

Data was collected by meeting customers who were visiting shopping malls, customers who were coming on kirana shops, customers from the market, public places, visited to customer’s houses and offices etc.

**1.9 LIMITATIONS:**

Study is limited to the customers of Marathwada region hence it is not sure that there will be same perception of the customers of other areas of India, researcher is not sure that the findings of present study will be applicable to rest of the country. Limitation of this work was related with the co-operation level of the owner of unorganized retail outlets and authorized persons of organized retail companies in terms of their financial details.
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