CHAPTER - I

RETAIL INDUSTRY: AN OVERVIEW
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INTRODUCTION

Retailing is one of the largest industries in India and one of the biggest sources of employment in the country. Retailing is the set of business activities, which adds value to products and services sold to the consumer. From a marketer’s perspective, retailing is the set of marketing activities designed to provide satisfaction to the end consumer and profitably maintain the customer base by continuous quality improvements across all areas concerned with selling goods and services. It is the final step in the distribution of the merchandise. A retailer plays a key role in connecting the producers to the ultimate consumers. Retailing covers a wide range of products such as food & beverages, apparels, consumer goods, consumer durables and leisure. The retailer provides value to the consumer in terms of availability of the desired product in the desired time.

DEFINITIONS

The retail activity is defined as: “Any business that directs its marketing efforts towards satisfying the final consumer based upon the organization of selling goods and services as a means of distribution” The crux of this definition links the activity of selling and satisfying to final consumer leaving the intermediaries involved in the selling process.

While another definition to Retailing states that, “as all activities in selling goods or services directly to final consumer for their personal, non-business use via
shops, markets, door-to-door selling, mail order or over the internet, where the buyer intends to consume the product through personal, family or household dues."

Thus, it is important to note that purchases for business or industrial use are do not normally fall under the domain of retail transactions. In fact, retailing includes more than the sale of tangible products involving services whether it be air ticketing services or House maintenance services or Air-conditioners repairs.

According to Philip Kotler: “Retailing includes all the activities involved in selling goods or services to the final consumers for personal, non-business use. A retailer or retail store is any business enterprise whose sale volume comes primarily from retailing.

Differences between retail and wholesale:

Retailers are often referred to as ‘middlemen’ or ‘intermediaries’. This suggests that they occupy prominent position as an intermediary, receiving and passing on products from Producers and wholesalers to the final customers. The retailer carries out a specific service and this should not be confused with the wholesaler. Retailers and wholesalers are different in nature and perform distinct functions.

Any organization selling to final consumers whether it is a manufacturer, wholesaler or retailer – is doing retailing. It does not matter how the goods or services are sold (by person, mail, telephone, vending machine or internet or where they are sold – in a store, on the street or in the consumer’s home).

The word retail is derived from the French word retailer, which means to cut off a piece or to break bulk. A retailer may be defined, as a ‘dealer or trader who sells goods in small quantities’ or ‘one who repeats or relates’.

7
Retailing thus may be understood as the final step in the distribution of merchandise, for consumption by the end consumers. To be precise, any firm that sells products to the final consumer is performing the function of retailing. It, thus, consists of all activities involved in the marketing of goods and services directly to the consumers for their personal, family or household use.

It is necessary to understand that in the complex world of trade today, retail would include not only goods but also services, which may be provided to the end consumer. In an age where the customer is the king and marketers are focusing on customer delight, retail may be redefined as the first point of customer contact.

The retail sector can broadly classified into four major categories – food and groceries, consumer durables, apparel, and pharmaceuticals. These together accounts for almost 60 to 70% of the total retail market. Of these four categories, food and groceries account for the largest share of 74%, according to India Brand Equity Foundation (IBEF). The food and groceries segment is estimated at $152 billion. However, organized retail in this sector is just about 1% of the total share, which also indicates the lowest penetration level amongst other major categories. This had prompted many big and small players to grab a pie in the organized retail sector. The major players are Subhiksha, Spencer’s, Reliance Fresh, More etc.

The Indian retail sector is largely dominated by nearly 12 million unorganized players, who constitute nearly 90 to 95% of the sector, which is the highest in any country. On the other hand, the organized retail sector accounted for only 5 to 7% in 2008. of these, nearly 80% of such outlets are small family-owned businesses. In 2008, the size of the retail industry was pegged at US$353 billion in an ASSOCHAM-KPMG joint study. It estimated that the sector would grow to $410 billion by 2010. The organized retail would value approximately $51 billion by 2010.
SEGMENTS OF RETAILING

The following are the two segments of retailing:

**Organized Retailing:** Any retail outlet chain (not a one shop outlet) which is professionally managed (even if it is family run), has accounting transparency (with proper usage of Management Information System and accounting standards) and organized supply chain management with centralized quality control checks for both inbound and outbound material movement, and sourcing (certain part of the sourcing can be locally made and some are of foreign origin) and offering value to the customer money by offering the best possible product length and width can be termed as organized retailing in India.

**Unorganized Retailing:** Any retail outlet which is run locally by the owner or the caretaker of the shop. Such outlets lack technical and accounting standardization. The supply chain and the sourcing are also done locally to meet the local needs.

<table>
<thead>
<tr>
<th>Unorganized Retail Vs. Organized Retail</th>
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<tr>
<td><strong>Characteristics</strong></td>
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<td><strong>Driving factors</strong></td>
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</table>
Challenges

Not all brands are available, price comparison always not possible, small

Availability of in-house brands is not always good because consumers may not associate with them, parking, freshness, distantly located compared to mom-and-pop stores.


In order to understand the growing importance of the organized retail activities, data on some selected Asian countries, US including India is provided hereunder

Table 1.1: Percentage of organized retail across the world (in %)

<table>
<thead>
<tr>
<th></th>
<th>US</th>
<th>Taiwan</th>
<th>Malaysia</th>
<th>Thailand</th>
<th>Indonesia</th>
<th>China</th>
<th>India</th>
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</thead>
<tbody>
<tr>
<td>Unorganized</td>
<td>15</td>
<td>19</td>
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Source: Naukrihub.com website (extracted on 23-12-2008)

It can be understood from the above table 1.1 that Indian markets are yet to take off and become mature, as compared to many advanced countries. The penetration of organized retailing in India is barely 3 per cent. It is evident from the above table; the organized retailing is yet to take its place in the Indian markets. While in other markets it is widely prevalent, and of late it is gaining prominence.

The Evolution of Organized Retail industry in India

The retailing industry in India started changing in the 1980s, with the introduction of open economy. It saw the emergence of some major players in the textile sector like Bombay Dyeing, Raymond’s, S Kumar’s, and Grasim, which opened their retail chains. Subsequently, Titan, one of the pioneers in the watch industry started the concept of organized retailers. The trend was that manufacturers
looked for alternative sales channels to make their products available to consumers. But in the latter half of the 1990s, the trend changed, i.e., a group of pure retailers in different fields started looking for manufacturers for selling their products to consumers. A group of Corporates like the Piramals (Cross Road), the TATAs (Westside chain of stores), the Rahejas (Globus and Shoppers' Stop), ITC (Wills Lifestyle), S Kumar's, RPG Group (Food World, Giant, Music World and Health and Glow) entered into the retailing sector. This led to a revolution in the retail sector. But most of the international players of this industry are considering India as a potential market for retailing. The notable players in this industry are under the process of experimentation for different formats.

**Emergence of Discount Stores**

The discount stores have become the leaders in this industry. There has been the emergence of discount stores like Subhiksha in Chennai, Margin Free in Kerala, Bombay Bazaar in Mumbai, RPG's – Spencer’s (formerly known as Giant) in Hyderabad, Bangalore and Bhubaneswar. The competitive advantage of these discount stores is the low-price, i.e. even if they sell the products below the MRP, it helps them to achieve economies of scale. These discount stores mostly target the mass market.

**Emergence of Malls in India:**

Over the last 2-3 years, Indian consumer market has seen tremendous growth by establishing modern and sophisticated shopping centers. Increase in demand for quality service with multiple options for buying are the scope for retail industry growth. As a result, it is noticed that in 2000 there were only 3 malls, in 2005 in has grown upto 220. In 2007 it was occupied a retail space of 40 million square feet.
Factors like increase in population density, physical space, city planning, and socio economic conditions are the scope to evolve Indian retail industry. In USA, malls are generally occupied a space with 4,00,000 to 1 million sq. ft. whereas in India it is 80,000 sq. ft to 1,00,000 sq. ft. The space increased in metros like Bangalore, Hyderabad, Mumbai, Chennai, Kolkata, and Delhi in 2005 is about 21.1 sq.ft. Kolkata and Hyderabad are considered as new entrants in the mall culture when compared to other places. But they are witnessing a fast growth.

**Importance of Retailing in Indian Economy**

Retailing, the biggest private-sector industry in the world, is one of the prime movers of an economy. A major driver for formal estate and urban development, it accounts for almost 10 per cent of the gross domestic product (GDP) of most countries. The industry is also the major employer in most economies – up to 16 per cent in the US, 15 per cent in Brazil, 12 per cent in Poland, and 7 per cent in China. A strong and vibrant retailing industry has the potential to provide the required impetus to agricultural growth through value-added food processing, handicrafts and small and medium enterprises, thereby indirectly creating millions of new jobs annually. In India, this fledgling modern retail (including food services) sector has created as many new jobs as the BPO/ITES sector. Over 8 per cent of India’s population is engaged in retailing (compared to 20 per cent in the US). The growth of the Indian economy is now manifestation itself in the growing purchasing power of its citizens. A 10% to 12% increase in the economy’s disposable income and a much higher one in urban areas is also reflecting itself in the way goods and services are bought and sold.
Retailing accounts for about 15 – 20% of the organized workforce in any developed economy. An interesting research in this area has shown that grocery stores (56% of all retail outlets) and general stores (13%) dominate rural India. Of urban adults in India are shop owners. There are about 21% outlets in urban area engaged in service retailing. Though no official data is available, the given above figure indicate that this sector may be employing about 15 – 20% of the organized work force, which is in line with global averages.

In US the sales of retail sector is about US$2 trillion. In India, if private final expenditure is taken as an indicator, the total retail trade in India could be about Rs.700,000 – Rs.80,000 crores or US$ 160 – 180 billion (excluding fuels). In US, the annual sales of Wal-Mart (world’s largest retailer), K-mart, and Sears are much greater than the annual sales of Procter and Gamble, PepsiCo, and RJR Nabisco – the three largest consumer products manufacturer.

Key store formats

When the era of organized retail started in India, a lot of players entered this segment. In the food and groceries section itself, players like Subhiksha, Reliance Retail, Big Apple, Sabka Bazaar, Spencer’s, More etc started opening outlets and most of them adopted the discounted small-store format.

Market witnessing a migration from traditional retailing to modern/organized retailing formats, with an explosive proliferation of malls and branded outlets. It can be understood that almost all top industrial houses have made foray into the sector. The makeover of brands from manufacturer’s to retailer’s brands has opened new vistas in retail marketing. Realizing the prospects in this omnipotent sector, all big groups not only from India from around the world like Wal-Mart, Tesco, Carrefour,
Woolworth, Total of France, are attracted and they are synergizing their strengths and marketing strategies as to how to make them adaptable to Indian conditions and making quick moves to avail the early bird incentives.

Until a few years ago, the Indian organized retail market was either dominated by the apparel brand stores or regional retail chains. There was no Pan-India retail chain on the line of developed economies and the organized retail in India contributes roughly 3.5 to 4 per cent of the total Indian retail, which is very small compared to the developing economies like Thailand, Brazil etc.

In modern retailing, a key strategic choice is the format. Innovations in formats may at times be able to provide a competitive edge to retailers. Indian retailers are trying out a variety of formats, to catch up the trend of increasing clusters of independent localities in each city. They are trying to expand by starting small stores in each locality by strengthening their supply chains.

New retail chains and formats could not significantly transform nor influence India’s retail topography. Particularly the last decade, the Indian retail landscape has witnessed a fast-track with experimentation of formats suitable to Indian consumer profile. For selecting an appropriate format, retailers have taken recourse to careful segmentation at the geographic consumer as well as product assortments. Food World, with its successful supermarket format, happily coexists with the ubiquitous kirana stores. The rising demand for more choice in terms of brands and prices culminated in the evolution of multi-brand outlets. Corporates entered the retailing arena pioneering the concept of a hypermarket (e.g. Giant and Big Bazaar). While the Forum and Globus malls changed the concept of shopping experience to a pleasant experience, by mixing the entertainment with shopping and ushered a new era of Shoppertainment with multilevel shopping, food court and video games for children,
has taken the country by storm. On the other hand Tanishq and Pantaloons have demonstrated the potential of ‘Specialty’ stores in India.

The Indian retailers need to get familiarized with the new concepts like footfalls, conversions, and average transaction value, and repeat customers, creation of customer value to make best use of the retail revolution in offing.

Some of the new formats in the modern retail sector are as given under:

**Department stores** : As the name implies, this format carries various ‘departments’ such as apparel, house ware, furniture, jewellery and appliances, but is much smaller than a hypermarket in terms of space and SKUs (stock keeping units). Department Stores are large retail units that offer a wide variety and a deep assortment of goods and services. These goods and services are organized into separate departments for the purpose of gaining control over various store activities like selling, promotion and customer service. These stores provide a one-stop shopping experience to the customers.

A department store is usually large in size (more than 10,000 sq. feet) and consists of various departments which individually function like strategic business units. The store is often operated by national chains and offers bargains to shoppers in a plethora of product categories such as apparel, cosmetics, accessories, home-ware and electronics. Many of these products are available under one roof in the store. They stock multiple brands across product categories, though some of them focus on their own store labels. These are the general merchandise retailers offering various kinds of quality products and services

Shopper’s Stop, Pantaloons, Pyramid Mega Store, Lifestyle, Globus, Westside and Central Mall etc. come under this category.
Supermarkets

These are large (20000 square feet plus) self-service stores selling a variety of products at discounted or non-discounted prices. They are fairly large in terms of size and Stock Keeping Units (SKUs) and are usually located on the outskirts of major cities. A supermarket is a store that sells a wide variety of goods including food, medicine, clothes and other household products that are consumed regularly. It could be a stand-alone store or a chain of stores (sometimes by franchise).

This is the mother of all retail formats and offers everything from foods to dry grocery to hardware to electronics. Typically, would span more than 100,000 sq. ft. of space and preferably located outside of the city center. Metro Cash and Carry and Spar can be cited as Indian examples for this format. The best practice chains in this format on global scale are: Carrefour (France), Wal-Mart (US), Kroger (US) Target (US), Tesco (UK), and Metro (Germany).

Supermarkets are focused on foods, grocery and household items, and located in residential areas. Some of the supermarkets have a chain of stores tend to be located in key residential markets and malls, and offer competitive prices due to economies of scale in logistics and purchasing. This format is witnessed even in small towns in India and some important Indian players in this format are: Big bazaar, Subeeksha, Reliancefresh, Foodworld, Nilgiries, Vishal Megamart, Fabmall, Narullas, Spencer’s etc., Indian supermarkets are smaller than those in other countries, with fewer cash registers and sizes that are at least a fifth of the global players’ selling area (3000 to 4000 square feet versus 20000 to 25000 square feet in case of foreign players). This format relies on a large scale of operations with low profit margins. To
maintain high profits, supermarkets need to make up for the low margins with a high overall volume of sales and with sales of higher-margin items\textsuperscript{10}.

**Hyper markets\textsuperscript{11}**

A hypermarket is a huge retail establishment ranging from 50,000 sq. ft. to 1.2 lakh sq. ft in size and is targeted at middle and upper income consumers. It has a very broad, moderately deep product assortment, ranging from groceries to white goods, apparel and FMCG products. Big Bazaar, Spencers, Vishal RFetail, Magnet, Star India Bazaar, Shop-Rite etc. come under this category.

**Convenience stores:** A convenience store is a well-located store. Ease of shopping and personalized service are the major reasons for its patronage, even when it charges average to above average prices, and carries a limited number of items. It stays open for long hours and provides a good atmosphere and customer services. It is useful for fill-in merchandise and emergency purchases. The convenience stores face most competition from supermarkets that have started providing longer hours and better stocks of non-food items. Accessibility is what this format offers and therefore, is conveniently located in crowded neighborhoods. Examples to suit to this format are Subheeksha, Spencers, Foodworld, Nilgiri’s, Reliance Fresh, Trinethra and Spinach 24/7 in Delhi etc. come under this category.

It is a retail business of less than 5000 square feet with primary emphasis on providing the public a convenient location to quickly purchase an assortment of good, gasoline and other consumable products usually open seven days a week for extended hours.

**Discount stores:** The discount store features a wide variety of goods at prices below the manufacturer’s published or suggested user prices. It was first established after the
end of World War II and initially offered a few customer services. Today's discount stores offer services comparable to those of other formats and have come to resemble them in physical appearance.

Discount stores are expected to spearhead the revolution in organized retailing. Though this segment is growing, it is small compared to international standards where around 60 per cent of the business comes from this format. Internationally, the largest retailer in the world, Wal-Mart, is a discounter. These have advantages of price, assortment dominance and quality assurance and have the ability to quickly build scale and pass on the benefits.

This format proposition is that it offers no-frills such as spacious, well-lit and air-conditioned retail space, but makes up by marking down MRP (Maximum Retail Price). It is a general merchandise retailer that offers a wide variety of merchandise, limited service, and low prices. Subeeksha in South and Mega Mart across India, Margin free markets are operating in this format in India.

**Shopping malls:** A shopping mall is an arrangement of stores and entertainment outlets selected by the Organization operating the mall based on their contribution to the overall merchandising plan. It is an arrangement of retail stores and providing the right mix of shopping, food courts and entertainment and parking facilities. The retail space is shared by anchor stores and other retailers (tenants), who pay the developers of the mall – rent or lease payment for putting up the shop within the mall premises\(^\text{12}\). The malls usually provide space for individual shops on lease and are enticed by the economic resulting from the sharing of costs. The presence of all brands under a single roof attracts more customers into the mall. Mall management involves many functions, including housekeeping, parking management, tenant coordination,
marketing management, regular improvements and upliftment of the centre. Creating a good centre is a good first step, but only effective mall management can ensure sustained customer flow into the project.

Indigenous factors such as availability of physical space, population densities, city planning and socio-economic parameters have driven the Indian market to evolve its own definition of a "mall." While typically a mall in the United States is 400,000 square feet to one million square feet in size, an Indian version can be anywhere between 35,000 square feet and 1,000,000 square feet. Although the primary purpose of a mall is to cater to the retail requirements of its clientele, entertainment-related components are occasionally attached to provide a complete shopping cum entertainment experience. Major attractions to the shopper would be more of everything. These malls would become more of attraction centres than merely a shopping experience. They are expected to increase the average stoppage time for a shopper by three to four hours, which means more of shopping and more of entertainment, all in all, a whole day of picnic.

Most mall developers look out for winning formulas to attract customers by offering a blend of services like shopping, entertainment (Multiplex) and food (MacDonald's/Pizza Hut, Domino’s as the main draws), a common meeting place, convenient weekend destination. It is no surprise to find many mall visitors having no shopping-bags since they have been enticed to visit only for watching a movie and/or having a burger or a pizza or even a cup of coffee. This has set in a new culture and trend into the marketing scenario and the life style of selected segments of the society. The marketers have left no area untouched starting commercial arcades to petrol filling stations to gain access to the shoppers.
As of 2003 there were 25 operational malls in the country and the number is forecasted to rise to a 600 by 2010. Non-metros like Pune, Ahmedabad, Lucknow, Ludhiana, Jaipur, Chandigarh and Indore etc. are also joining the fray with metros and Grade-A towns resulting, a phenomenal growth in this segment. In the initial acceleration phase, most developers were able to sell 50 – 70 per cent mall space prior to, and also during, the construction phase and generate the requisite funds.

The retailers pay for the opportunity to sell their merchandise (through retail outlets in the mall) to the organization operating the mall. A mall is often spread over more than 2 lakh sq. ft. and is the centre of shopping for a large area. The number of malls is increasing rapidly in India

**Mom-and-Pop Stores**

These are, generally, family owned business catering to small sections of society. They are relatively small, individually run and handled retail outlets. They are also called as ‘convenient stores’.

**Specialty Chains**

These retail outlets focus on a particular brand or product category, usually, non-food items, and are located on high streets and in shopping malls. While most specialty chains compete on service, a segment called ‘category killers’ offers price as an advantage. Examples of specialty chains include Gap, Levi Strauss, and Benetton. This format has seen the highest levels of adoption in India, with several chains establishing a strong presence, mostly through franchising, e.g., Locaste, and Allen Solly, Arrow, Van Huessen in apparels category.

With the changing marketing dynamics, specialty chains also started offering a host of services like food joints, multiplexes inside their premises, to attract the...
shoppers as a week end shopping cum relaxing, entertainment destinations. Some of the mall developers in important metropolitan cities started offering the business centers inside their malls, as it would attract many outsiders to attend to their business meetings, product exhibition.

**Wholesale and Cash and Carry**

This is basically a Business to Business (B2B) format, where the retailer sells to shopping establishments, large institutional customers for resale or for their captive consumption. The wholesale cash and carry operation is defined as any trading outlets where goods are sold at the wholesale rate for retailers and businesses houses to buy. The transactions are only for business purposes and not for personal consumption as in the case of retailing. Metro Cash and Carry GmbH of Germany has entered India in this format.

**Exclusive Outlet**

It stocks a single brand and could be either company-owned or franchised. Everyone from Raymond and Madura Garments to LG and Samsung to Maruti and Hyundai have it.

**E-Tailers**

These are retailers that provide online facility of buying and selling products and services via Internet. They provide a picture and description of the product. A lot of such retailers are booming in the industry, as this method provides convenience and wide variety for customer. But it does not provide a feel of the product and is sometimes not authentic. To quote a few successful e-tailers are Amazon.Com and Ebay.com etc.
Kiosk / Vending

Kiosk as a store often termed as standalone or make shift store placed within a mall/shopping centre, a bus station, airport etc. It is a free stand alone pavilion open on one or more sides. For instance, in a bookstore kiosk, customers are provided with online catalogue service to help them to identify titles and read reviews before making a purchase decision.

This kind of retailing is making foray into the industry. As the cost of employees and quality of their services becoming prohibitive, industries looking up and resorting to new ways as a means of cost reduction and convenience. Smaller products such as beverages, snacks, communication, Bill payment services are some of the services that are influenced to a larger extent: STD and Local coin booths, Juice vending stations, coffee, tea vending machines, ATM counters, Bill payment machines in case of water, electricity, telephone and taxes etc.,

Video Kiosks

The video kiosk is a freestanding, interactive, electronic computer terminal that displays products and related information on a video screen. It often uses a touch screen for consumers to make selections. Video kiosks can be situated in high traffic zones such as store aisles or hotel lobbies. They enable consumers to place orders, complete transactions, pay mostly with a credit/debit card, and arrange for products to be shipped. Kiosks can be linked to retailers' computer networks or tied in to the web. World-wide, nearly 80 per cent of kiosks are involved with retail-related transactions.

Shopping Plaza

The shopping plaza is a complex of various stores by using space of 1,000 square feet or so for putting up stores within a single building. For instance, Fountain Plaza (Chennai), Royal Arcade Plaza (Hyderabad) etc.
Factory/Seconds Outlet

The factory stores are owned and operated by the manufacturers who sell discounted merchandise or factory seconds or cancelled orders to consumers at low prices. For instance, the Bata factory Outlet, Indigo Nation/Peter England factory outlet etc.

Seamless Mall

Seamless mall is a format which is relatively new in India. In this format, various brands operate their retail areas without any wall between them, providing a seamless shopping experience. This makes it possible for shoppers to compare brands with ease while they shop. This format has the advantage to reallocate store space more easily based on merchandise/brand performance and customer feedback. Besides, offering apparels, accessories and lifestyle products these malls are also equipped with entertainment and Leisure facilities. Hyderabad Central located in Hyderabad is an example of a seamless mall.

Chain of Stores

A single manufacturer or retailer establishes a chain of stores in different cities by using a unique-store design, synergistic merchandising plan, promotion and service strategy and so on. For instance – Raymond chain of stores, Khazana Jeweler, Bata outlets etc.

Franchisee

Retail stores owned and operated by individuals on behalf of, and licensed by a big supporting organization. For instance, Pizza Hut, Baskin Robbins, Aptech, NIIT, Nirula’s, McDonald’s etc.

Non-Store Retailing

This is the ultimate form of retailing directly targeting at the final consumer by avoiding stores. A direct relationship with the consumer is the basis of any kind of
non-store retail venture. It may be broadly classified into direct selling and direct response marketing. While direct selling involves direct personal contact, direct selling activities, the customer becomes aware of the products/services offered through a non personal medium like mail, catalogues, phone, television or internet.

**Direct Selling**

Direct selling involves making a personal contact with the end consumer, at his home or place of work. Cosmetics, jeweler, food and nutritional products, home appliances and educational materials are some of the products sold in this manner.

The direct selling industry started in India in the mid-1990s. An interesting aspect of direct selling in India is that women comprise 70 per cent of all sales people in India, couples account for 20 per cent and males account for 10 per cent. The number of men is expected to go up, because companies like Modicare, Amway and Herbalife, and all Insurance companies have been encouraging men in their sales force.

Direct selling may follow the party plan or the multi level network. In the party plan, the host invites friends and neighbors for a party. The merchandise is displayed and demonstrated in the party atmosphere and buying and selling takes place. In the multi level network, customers act like master distributors. They appoint other people to work with them as distributors. The master distributor earns a commission on the basis of the products sold and distributed by the distributors under him.

**Mail order retailing/catalogue retailing**

This form of retailing eliminates personal selling and store operations. Appropriate for speciality products, the key is using customer databases to develop
targeted catalogs that appeal to narrow target markets. The basic characteristic of this form of retailing is convenience.

**Television shopping**

Asian Sky Shop is amongst the first few to introduce television shopping in India. In this form of retailing, the product is advertised on television and details about the product features, price and things like guarantee/warranty are explained. Phone numbers are provided for each city, where the buyer can call in and place the order for the product. The products are then home delivered.

**Electronic shopping**

It allows the customer to evaluate and purchase the products from the comfort of his home. The success of this form of retailing largely depends on the products that are offered and the ability of the retail organization to deliver the product on time to the customer. Strong supply chain and delivery mechanisms need to be in place for this to be a success. Many retailers are opting for the brick and mortar option where, they also sell some of their products or ranges on the internet. Though most of the large retail organizations in the world have already adopted this model, it is yet to catch on in India.

**Recycled Merchandise Retailers**

Recycled merchandise retailers sell cast-off clothes, furniture, sporting goods, and computers. They include pawnshops, thrift shops, consignment shops, and operate on fleet markets. A fast growth of this format has been observed over the past several years.

**Mobile vans**

Mobile vans are modified vehicles that usually sell books, newspapers, poultry, and meat products. They move from location to location, for fixed periods of time, thus providing convenience by coming closer to customers.
Brand Stores

These are the exclusive showrooms either owned or franchised out by a manufacturer. A complete range of products of the brand are available in these stores. The exclusive showrooms are now in the process of entering the second rung towns. Madura Garments has started setting up exclusive outlets in cities like Trichy and Thanjavur.

Specialty Stores

Specialty store is a type of general merchandise store that sells limited lines of closely related products or services to a select group of customers. Specialty stores offer a particular line with a deep assortment to its customers. The stores like RPG’s Music World, the Times Group’s music chain Planet M, Mumbai books retailer Crossword, and Bangalore-based Kids Kemp, focus to a particular market segment and are well established in their sectors. Titan, Bata and Tanishq etc. come under this category.

The best part about these retail stores is that they provide almost all products like groceries, perishables, fast moving consumer goods (FMCG), various household products and at times even clothing and textiles under one roof, which makes it extremely convenient for the customer to shop for all items under one roof.
### Table 1.2: Key Retailers in India

<table>
<thead>
<tr>
<th>Retailer</th>
<th>Segments covered</th>
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<tbody>
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<td>Subhiksha Trading</td>
<td>Discount retailing - Food and Grocery</td>
</tr>
<tr>
<td>Margin Free</td>
<td>Discount retailing - Food and Grocery</td>
</tr>
<tr>
<td>Trinethra</td>
<td>Value retailing - Food and Grocery</td>
</tr>
<tr>
<td>Niligiri’s</td>
<td>Value retailing - Food and Grocery</td>
</tr>
<tr>
<td>Raymond Ltd.,</td>
<td>Lifestyle retailing</td>
</tr>
<tr>
<td>Pyramid Merchandising &amp; Retail Ltd.,</td>
<td>Value and lifestyle retailing</td>
</tr>
<tr>
<td>Vijay Sales</td>
<td>Consumer electronics</td>
</tr>
<tr>
<td>Globus Stores</td>
<td>Lifestyle retailing</td>
</tr>
<tr>
<td>Nalli</td>
<td>Speciality saree retailing</td>
</tr>
<tr>
<td>Ebony</td>
<td>Lifestyle retailing</td>
</tr>
<tr>
<td>ITC – Lifestyle Retail Business Division</td>
<td>Lifestyle retailing</td>
</tr>
<tr>
<td>Madura Garments</td>
<td>Apparel brand retailing</td>
</tr>
<tr>
<td>Arvind Brands</td>
<td>Apparel brand retailing</td>
</tr>
<tr>
<td>Levi Strauss India</td>
<td>Apparel brand retailing</td>
</tr>
<tr>
<td>Times Retail (Planet M)</td>
<td>Music retailing</td>
</tr>
<tr>
<td>Barista</td>
<td>Coffee beverage retailing</td>
</tr>
<tr>
<td>Café Coffee Day</td>
<td>Coffee beverage retailing</td>
</tr>
<tr>
<td>McDonald’s</td>
<td>Food service retailing</td>
</tr>
<tr>
<td>Pizza Hut</td>
<td>Food service retailing</td>
</tr>
<tr>
<td>Crossroads</td>
<td>Mall retailing</td>
</tr>
<tr>
<td>In-Orbit</td>
<td>Mall retailing</td>
</tr>
<tr>
<td>Forum Mall</td>
<td>Mall retailing</td>
</tr>
<tr>
<td>Spencer Plaza</td>
<td>Mall retailing</td>
</tr>
<tr>
<td>Nirmal Lifestyles</td>
<td>Mall retailing</td>
</tr>
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</table>

The retail market potential is vast. India has the world's second largest population and consumer market after China. Analysts say Delhi is following a similar trajectory – albeit somewhat more slowly – to that taken by Beijing. China first allowed foreign direct investment in 1992, limited then to six provinces. By 2000, China had virtually liberalized its retail market. Now, half of the top 70 global retailers are there.

**Indian Retail Sector Classification**

1. **Food Retailers** (Departmental stores like Food World, Nilgiris)
2. **Health and beauty products** (Big Bazaars in major cities of India)
3. **Clothing and footwear** (Eg. Shopper's Stop, Kids Kemp in Bangalore, Nallis (sarees))
4. **Home furniture and House hold goods** (Reliance Mart in Ahmedabad)
5. **Durable goods** (E-world in Ahmedabad, Vivek)
6. **Leisure and Specialty goods** (Tanishq and Nakshtra)

Table 1.3: Retail Sector share in India

<table>
<thead>
<tr>
<th>Name of the Sector</th>
<th>US $ in billions</th>
<th>% Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food and Grocery</td>
<td>152</td>
<td>54</td>
</tr>
<tr>
<td>Apparel</td>
<td>83.12</td>
<td>30</td>
</tr>
<tr>
<td>Consumer durables</td>
<td>20</td>
<td>7</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>5.5</td>
<td>2</td>
</tr>
<tr>
<td>Others</td>
<td>19.15</td>
<td>7</td>
</tr>
</tbody>
</table>

Source: E&Y Research quoted in the Marketing Whitebook 2009-10
Growth of Organized Retailing in India

Organized retailing in India began in the South. The availability of land at prime location coupled with low real estate prices (compared to Mumbai and Delhi) made multi-stored shopping complexes possible. And now South India – notably Chennai and, to a lesser extent Bangalore and Hyderabad – have emerged as centers of organized retailing. In fact, in Chennai, supermarkets now account for nearly 20% of food sale and an equal share of consumer durables are sold through specialty chains such as Vivek’s.

The retail segment in the country seems to be in for a big time expansion led by most Indian business majors and global players. As per the images F&R Research estimates for India Retail, the Indian Retail market stood at Rs.1,330,000 crore in 2007 with annual growth of about 10.8 per cent. Of this, the share of organized retail in 2007 was estimated to be only 5.9 per cent, which was Rs.78,300 crore. But the modern retail segment grew at the rate of 42.4 per cent in 2007, and is expected to maintain a faster growth rate over the next three years, especially in view of the fact that major global players and Indian corporate houses are seen entering the fray in a big way. Even at the going rate, organized retail is expected to touch Rs.2,30,000 crore (at constant prices) by 2010, constituting roughly 13 per cent of the total retail market.\(^{17}\)

India is rapidly evolving as an exciting and competitive market place with potential target consumer in both niche and middle class segments. Manufacturer owned and retail chain stores are springing up in urban areas to market consumer goods in a style similar to that of malls in the more affluent countries.
Modern retail is poised to grow at over 35% every year for the next few years. India’s peers such as China and Brazil, took 10-15 years to raise the share of their organized retail sectors from 5% to 20% and 38% respectively. Modern retail captures less than 5% of India, but this figure will hit the 20% level far faster than it has anywhere else in the world. Organized retail in India has the potential to add over Rs.2,00,000 cr ($45 bn) business by the year 2010, generating employment for some 2.5 million people in various retail operations. It is expected to bring in over 10 million additional workforces in retail support activities, including contract production and processing, supply chain and logistics, retail real estate development and management, etc.

Indian retail market is expected to grow at a much faster rate than the present growth. There have been different predictions on the growth of the retail industry. According to the research by A T Kearney, a premier business consulting unit, India is ranked second in the global retail development index of 30 developing countries. India has become a potential market for the global retail players, who are facing the problem of saturation in other developed markets, India’s vast middle class and
untapped market are the two reasons for interest among the retail players for the Indian market\textsuperscript{18}.

The Indian retail market, which is one of the largest ones in the world, is growing at a steady pace of 11\% to 12\% per annum. According to a joint CII – McKinsey report, the retail sector accounts for around ten per cent of the country’s GDP. According to a CRISIL report, the Indian retail markets is the most fragmented market in the world with just 3 per cent of the entire retailing business being carried out by the organized sector. Of the reminder 97 per cent marketing, much of the business is handled by local kirana (grocery) stores. In organized retail, the food and grocery segment is the largest with 62 per cent share. Clothing, textiles and lifestyle products form the other important components. In years to come, organized retailing is expected to grow 25 to 30 per cent annually and also extend its reach to the smaller cities.

Fig 1.1: The rise of Indian Retail Malls

Source: The Bird of gold: The rise of India’s consumer market, McKinsay quarterly journal

Source: Retail In India-ACIRAT K\text{\textregistered}eyn report
According to the estimation by AT Kearney, India’s total retail market is worth $ 202.6 bn and is expected to grow at a compounded 30% over the next few years. The organized retailing represents only 2% of total market in India, which indicates there is a huge potential untapped market of Rs.9,800 bn (approx. $ 225 bn.). A study conducted by the Associated Chambers of Commerce and Industry of India (ASSOCHM), pointed out that organized retail sector is expected to grow at 6% by 2010 as against its current growth of 3%. The retail business will increase to $17 bn by 2010 from the present $ 6 bn. This sector provides jobs to almost 15% of employable Indian adults. Analysts predict that the organized retail will grow from 2% to 15-20% over the next decade.

According to the fourth edition of Price water house Coopers’ (PwC) Retail and Consumer study, “From Beijing to Budapest: Winning Brands, Winning Formats,” the top seven potential markets for investment in retailing are China, India, Turkey, Vietnam, Russia, Romania, and Bulgaria. The PwC indicates partnering with local firms is the most viable strategic option for foreign and new entrants. Development of new products and new formats according to local tastes is the key to tap the high potential market. In order to tap both the high and low-end consumers, there should be successful development of both premium as well as low price brands.

The organized retail in India is relatively nascent compared to the West, where organized retail came into being more than a hundred years ago. Organized retailing had a negligible presence in India till the 1990s, though the roots can be traced back to the late 1800s with the establishment of the ‘Spencers’ departmental store in South India. The other major player who can be seen from the older period is ‘Nilgiries’.
There was a big gap from Spencer’s to ‘Shopper’s Stop’, an apparel retail outlet that was launched in October 1991. Shopper’s Stop was a joint venture by a group of companies by the name K Raheja Corporation. Food retail took almost five years after that, to come into the scene. ‘Food world’ was one of the first food retail outlets, a division of the “Spencer and Co, which is currently owned by the RPG group. Food World started out in Chennai in May 1996, and was separated as an independent company in 1999. Subheeksha came up in Chennai in 1997 and Nilgiris (which started out as dairy in 1905, came up in Hyderabad in the mid-90’s. ‘Pantaloons’ was the second major in apparel and accessories which came up in 1997-98 and went on to become a major player in organized retail. The year 1998 saw the opening up of a bevy of retailers with their own private labels. ‘Westside’, Dubai-based Landmark Group came with ‘Lifestyle’, and ‘Globus’ owned by Rajan Raheja group in Indore (first Store opened in 1999). These are the igniters of retail revolution in India and set the trend for the leaders from India and abroad to take it forward. Hyper City, owned by the Raheja family whose Rs.1,000 Crore property empire trying to utilize their access to prime cities under their hold in reality sector. It had plans to open another 14 stores across India within 18 months. Bharti, the farms-to-phones empire of Sunil Mittal, has already entered into Joint venture arrangement with Wal Mart.

The most aggressive plans are probably those of Mukesh Ambani, chairman and major shareholder in Reliance Industries, which in 2008 had earned profit of $ 2 billion on sales of $ 20 billion. Reliance, a listed company, wants to “revolutionize retail.” The speculation is that it is ready to spend Rs.30,000 Crore on 800 stores in India.

28
The success of a mall depends on footfalls, conversions and the average bill size, location (therefore, rents) depends on the margin the products provide and the ability of the product to cover operating costs. Over the last several years, shopping has been revolutionized with the arrival of malls, departmental stores, specialist boutiques. The mall culture has given urban retail a big push. People go there time and again – to shop, to dine, for entertainment, to people-watch or even just to pass the time.

The organized retail industry in India is faced with stiff competition from the unorganized sector. Traditional retailing is low-cost, mostly owner-operated, with negligible real estate and labour costs and little or no taxes to pay. The advantage that it clearly enjoys is consumer familiarity that runs from generation to generation.

In contrast, players in the organized sector have big expenses to meet and keep prices low to be able to compete with the traditional sector. The high costs for the organized sector arise from higher labour costs, social security to employees, high-quality real estate, much bigger premises, comfort facilities such as air-conditioning, back up power supply, taxes, etc. organized retailing is also up against the Indians’ middle-class psychology that the bigger and the posher a sales outlet is, the more expensive it will be.

The overwhelming presence of unorganized retail stores stems from limited entry barriers, exemptions and reservations of certain items for the small-scale sector and the ease with which they can cater to consumers needs in the rural areas. High capital requirement, size and scale lead to efficiency in procurement and lower logistics and in turn enhanced value to customers.
In to-day’s era of economic liberalization when lot of international brands are entering India, making the market increasingly competitive, to have franchisee partners in malls is one of the best options to stay ahead in the rat race. Since the government has not opened up FDI in retail, the best option that foreign brands have is to enter Indian market by forming alliances with franchise partners.

Several global brands across different segments like McDonald’s, Domino’s Pizza Hut, Gautier, Levis, Lee, Nike, Adidas, Cookie man, Benetton, Swarsoski’s, Sony Sharp, Kodak, Medicine Shoppe, Radisson Hotel, TGIF, Best Western & Quality Inns, Kentucky Fried Chicken, Ruby Tuesday, Subway, Baskin Robbins, Pizza Corner, Hertz etc. are driving the retail boom in India.

This retail push by leading foreign franchisers has opened up immense business opportunities. Organized retail players like Pantaloon, Shoppers Stop, Trent, Globus are set to occupy more than 50 million sq. ft of space. Pantaloon Retail India Ltd, which owns brands Pantaloon, Big Bazaar, Food Bazaar and Central has embarked on a plan to expand its Pantaloon showrooms from 13 to 18. Plans have also been drawn up to increase the Big Bazaar stores from 10 to 20 and simultaneously, expand Food Bazaar.

The RPG group set to increase the number of Food World stores to 150 from 92, Music World stores to over 330 from 166, Health and Glow stores to 140 from 27 and Giant stores to 15. Raheja corporation, the promoters of retail chains Shoppers’ Stop and Crossword, has decided to enter the grocery, food product and value item retailing business. Lifestyle International is gearing up to increase its outlets to 21 in three years.

Ebony Retail Holdings is also fine-tuning its Rs.150-crore expansion plan to meet the rising demand. Ansal Plaza, which came up with a mall in Delhi long before
The mall boom, is getting ready to open more such plazas in Gurgaon, Jalandhar, Ludhiana and Greater Noida with many more to follow. The DLF group, after developing City Centre Mall and Mega Mall in Gurgaon, is pumping in Rs.1,500 crores into the development of about 20 malls across the country in cities like Mumbai, Delhi, Kolkata, Bangalore, Chandigarh, Ludhiana and Jalandhar.

The knight Frank survey points out that for a retailer, the most important parameters in selecting a mall are potential location, consumer demographics and developer’s reputation. In fact, Mumbai, Delhi, Bangalore and Pune rank amongst the top cities for retail growth even though other metros and tier-two cities are also expected to grow in prominence. A significant trend in the industry is the development of integrated retail-cum-entertainment with food courts and video game parlors. The examples are PVR, INOX, and Satyan Cineplexes. Also, Shringar Films is on the verge of expanding its multiplex business all over India.

Drivers of Retailing in India

The retailing business in India has witnessed huge growth due to emergence of Super Markets as well as centrally air conditioned malls. Presently, there are 1500 super markets, 11025 departmental stores and 300 shopping malls having 45 million square feet area of retailing space. The growth of retail industry is influenced by certain factors. The factors are discussed below.

Factors influencing for growth of retail industry in India:

Rising Income

Over the past several years, India’s middle and high income population has grown at a rapid pace of over 10% per annum. The number of households earning above Rs.150,000 per annum is about 30 million today and is expected to grow. Rise in income levels. According to the National Council for Applied economic Research...
(NCAER), approximately 50 per cent of the population has low income in 1994-95. This has been declined to 17.8 per cent in 2006-07.

**Change in Consumer Behaviour**

There has been a change in shopping behaviour in urban India over the past few years with consumers looking for convenience. They want everything under one roof and a bigger choice of products. With an increase in double income households, people do not have much leisure time and seek the convenience of one-stop shopping in order to make the best use of their time. They also look for speed and efficiency. Increased awareness has also means that consumer now seeks more information, variety, product availability, better quality and hygiene as well as improved customer service. The concept of “Value for Money” is picking up.

**Explosion of Media**

Media bombardment has exposed the Indian consumers to the lifestyles of more affluent countries and has raised their aspirations and expectations regarding their shopping experience – they want better choice, value, service and convenience.

**Entry of the Corporate Sector**

Large business houses like the Tata’s, ITC, the RPG Group, the Piramals and the Rahejas have initiated investment in retailing. Big business houses today are in a position to provide the Indian masses with shopping satisfaction, entertainment, quality, products, polite salespersons, product information and discounts.

**New Entrepreneurs**

The growing attractiveness of the retail trade has begun to draw new entrepreneurs with ideas and venture capitalists with funds. Venture capitalists like ICICI and IL&FS are also increasingly willing to invest in retail businesses.
Foreign Retailers Looking for Entry Options

With the opening up of the economy, more and more MNCs has entered the Indian business arena through joint ventures, franchisees or even self-owned stores. The very first MNC to get into the business was Spencer’s which entered into a tie up with the RPG group and Dairy Farm International, a $ 10 bn Hong-Kong based company, and a part of the Jardine Matheson Group. Wal-Mart, the world’s largest retailer, made its foray into India, the fourth largest retail market in the world.

Higher disposable incomes:

In the wake of globalization people working in IT and other lucrative jobs are making huge money. As a result of that, they have high disposable income as such there is an urge to splurge.

Easy availability of credit

There is heavy completion among public sector, private sector and foreign banks. Banks are vying with one another in granting credit cards to the people. As a result of that consumers have easy access to the credit. Banks are also lending loans liberally to buy electronic goods, computers etc.

Growing Technology

In this context internet is the medium connecting people across the globe. Accessibility of the global markets and emerging trends influencing Indian consumer tremendously.

Urbanization

Growing Urbanization has led to higher customer density.

Liberalization and globalization

Liberalization open up ways to enter MNCs by which Indian consumer is now exposed to wide range of alternatives in consumer markets.
High exposure to media and brands:

There is a proliferation of so many channels in the electronic media. The media is giving wider coverage to the new products and brands. An average person cannot escape from the media reach. There is a cut throat competition among channels to reach the product information to the audience.

Rural Retail in India

Approximately two-thirds of the retail stores are located in rural areas. The other forms of retail stores in rural areas are “Haats” and “Melas”. Haats are the weekly super markets, which

After to nearly 10-50 villages, Melas are held on certain occasions and quite big in size. These days Corporates are using these two channels to make their products available directly to the rural masses.

Interestingly, with modest store formats being pursued to attract average rural customers – compared to the plush and vibrant formats adopted by urban retailers – rural retailing is set to provide a new dimension to the Indian retail scenario.

The India Retail Report 2009, by Image FR Research, India’s rural markets offer a sea of opportunity for the retail sector.

- The urban-rural split in consumer spending stands at 9:11, with rural India accounting for 55 per cent of private retail consumption.
- Rural India accounted for almost half of the Indian rural market, which was worth about US$ 273.64 billion in 2008.

Now with most urban markets, including tier-I and tier-II cities, reaching saturation, the next phase of growth is likely to be seen in rural retail.
Higher disposable incomes, easy availability of credit and high exposure to media and brands has considerably increased the average propensity to consume over the years.

India’s luxury retail segment offers huge opportunity, with affluent households estimated to rise by 8.5 per cent in 2010-11. Some salient features of India’s luxury retail market are as follows:

- Affluent households account for about 4.5 per cent of India’s population, and over 22 per cent of the total retail sales, clocking US$ 62,340 million revenues.
- The number of affluent households is projected to increase to 8.5 percent, translating into a retail opportunity worth US$ 152,000 million in 2010-11.
- Delhi and Mumbai are the prime contributors to the luxury retail space, with the highest density of luxury brand outlets.

The concept of retailing draws strength from the French word ‘retailier’, which means ‘to cut a piece off’. Invariably, this term is defined and interpreted in many ways, however, the most acceptable approach and to explain precisely by many ‘as the business activity of selling goods or services to the final consumer’ Retail industry in India is one of the flourishing sectors in Indian economy. Indian retailing industry has seen a phenomenal growth in the last few years. Organized retailing is emerging from the shadows of unorganized retailing and is contributing significantly to the growth of Indian retail sector.

India is basically an agrarian economy, and about 60 per cent of the population live in rural areas. As such, rural markets play an important role in the retail sector. In fact, any study without focusing on rural markets would be incomplete. Hence, the researcher has made an attempt to give inputs on rural retailing activities also.
The total size of the rural market for FMCG products is Rs.41,550 crore when compared to Rs.37,130 cr of the urban market. The rural middle class is on a steady rise. The middle to high income households in rural India currently form 17 per cent of the total rural population, and are growing at 7 per cent annually.

The largest rural retailer in India is ITC, which is the first organization to take new initiatives on rural markets. ITC has ventured into the rural markets with its retailing project called “Choupal Sagar”. The first initiative in this direction is a giant shopping mall near Sehar, a town in Madhya Pradesh. According to company officials, the mall is an extension of the much appreciated e-choupal program run by the company, where farmers have access to Internet and the infrastructure provides expert information to the farming community on crops yield, price and weather-related issues²⁵.

Choupal Sagar is a one-stop physical infrastructure created for farmers to sell their product to ITC, avail banking and insurance services, medical facilities, weather forecasting and soil-testing services. The product-mix sold at these stores is sourced at competitive prices from manufacturers and is priced on part with that in the hypermarkets in the metros. ITC is the second player after DCM Shriram Consolidated to tap the retail opportunity in rural markets with large format retail stores.

Tata Chemicals and Rallis India, are the two companies under the $29 billion Tata Group undertook separate rural ventures till 2003. Tata Chemicals had a chain called Tata Kisan Kendra which offered farmers ranging from agri-inputs to financial advisory functions. Rallis, in partnership with ICICI Bank and Hindustan Lever, supported farmers from pre-harvest to post harvest stage. In 2004, these two
operations were merged under the Tata Kisan Sansar (TKS) banner into a network of one-stop shops providing agri-inputs to loans to know how. Today, these TKS reach out to over 3.6 million farmers through 421 franchisee run centers in three states.

Mahindra Shubhlabh and Mahindra Krishi Vihar, the subsidiaries of India's largest farm equipment company Mahindra & Mahindra, operate on similar lines. While the former, operating in 11 states offers a complete range of products and services to augment farm productivity and establishes linkages to the commodity market chain, the latter helped in realizing a bumper yield of groundnut in Rajasthan and brought in a new variety of grapes in Maharashtra.

Godrej Agrovet and Gulmohar Foods constitute the rural retail wing of the Godrej Group which entered agri-business almost 30 years ago through a small animal feeds subdivision. Currently, its rural marketing initiative is based on two concepts – Aadhaar and Manthan. Through Aadhar, Godrej sells its own products as well as those of other brands and also offers services like veterinary care and soil testing. However, Manthan deals entirely with quality animal feed.

The “Fortune at the Bottom of the Pyramid” has drawn corporate houses from diverse backgrounds. The New Delhi-based DCM Shriram Consolidated Ltd., which is in the consumer finance and insurance businesses, has diversified into rural malls too. Today it has 101 outlets of Hariyali Kisan Bazaars (HKBS) stocking agri-inputs, consumer durables and FMCGs. On an average, each HKB has 400 work-ins per day with 70-80% repeat visitors and together generate a revenue of Rs.140 million annually.

Triveni Engineering has set up 44 Triveni Khushali Bazaars (TKBs) in four states. Within a year of its establishment in 2005, the logo changed from a shaft of wheat to a consumer with a shopping bag, commensurate with its change in
operational policy from selling only agri-inputs to satisfying regular consumer demand.

Reliance Industries and Bharti Tele Ventures are not far away from the mad rush to get slices of the rural pie. The Government of Madhya Pradesh has proposed to set up rural shopping malls across the state to serve the areas outside the retail distribution network of manufacturing companies.

The UP State Agro Industrial Corporation plans to set up Agri Marts across Uttar Pradesh, which will be basically rural malls. The places earmarked for the establishment of these Agri Marts are Hardoi, Hapur, Gorakhpur, etc. Apart from the products of UP State Agro Industrial Corporation, farm implements, seeds, fertilizers, tractors and veterinary products will be available. Financial collaboration with National Agricultural Cooperative Marketing Federation of India (NAFED) is on the anvil.

The Gujarat Government has embarked upon a novel mission to transform its fair price shops into micro rural malls. The State’s Department of Civil Supplies plans to revamp its 15,000 fair price shops to cater to the diverse needs of valid ration card holders. Consequently, these micro malls plan to sell not only grains, fortified flour, edible oils and other essential commodities, but also gas cylinders, cosmetics, mobile recharge vouchers, fertilizers, seeds, packaged goods, etc. Companies like ITC, HUL, Videocon, major oil companies, telephone service providers like Hutch, BSNL and Tata are all suppliers to these malls. LIC and banks (both state run as well as private) have made these malls sales links to their financial products. The mall owners now earn Rs.5000 per month (compared to their previous earning of Rs.1500 to Rs.2000 per month) as commission from sales.
In Mumbai, 90% of new malls are coming up in the suburbs such as Mulund, Andheri, Thane, Kandivilli, etc. Speciality malls are a hot concept in Gurgaon, Noida and suburban Delhi.

Amartex Group plans to diversify from its clothing retail business into agro-business. The Group has prepared a Rs.158 crore blue print for entering into food processing and establishing 25 rural malls in nine districts in Punjab.

Kewal Kiran Clothing (KKC) has set up four departmental stores, the first of which will be located in Kandhivilli (a suburb of Mumbai), at an investment of Rs.50-60 million. KKC is the manufacturer of Killer and Integriti labels and the new stores will house its own as well as another brands²⁶.

**Growth of Organized Vegetable Retailing in India**

For ages, Indians have been buying groceries from small unorganized kirana (grocery) stores. In fact, these stores have dominated the Indian retail market for centuries. These traditional kirana stores often operated in small dark areas with cereals, pulses and other edible items lying open in the good company of rodents. Today's scenario is changed; even the owners of small stores are conscious of how their shops look. They have introduced bright colors in their sign boards; the lighting is now improved and products are properly stocked in shelves. Further, in the past few years, there has been a sudden emergence of organized retailing in various product categories. Several retail chains have established a large number of outlets in many of India’s major cities – focusing on groceries and other goods of daily needs. In more recent times, they have also extended in a big way into the marketing of perishables such as vegetables and fruits.
While the early entrants like Food World, paved the way, subsequent entrants like Subhiksha and Reliance Fresh have taken aggressively into marketing vegetables and fruits and opened up hundreds of stores across the country. Several others are also either planning to get into this segment or to increase their presence in this segment. Such competitors include the Aditya Birla Group (with its More and Trinetra chains), Heritage Foods and Bharti-Wal Mart.

Until recently, Indian consumers have been more than happy to shop from local vegetable markets, street vendors or from push cart vendors who came to their door steps. Currently, India is going through a major demographic revolution. With rapid increase in the number of nuclear families and with more women going out to work, shopping for groceries and perishables in the traditional way is no longer the most convenient option. Further, increase in disposable incomes (to a significant extent contributed by double incomes) and rise in the ownership of vehicles makes the younger generation seek more variety and excitement in shopping, even if it be at a slightly higher cost. All these factors have contributed to growth of organized retailing in India, including the entry of the organized sector into vegetable retailing.

Stores like Food World in Hyderabad, Chennai and Hyderabad pioneered the concept of organized retail and also introduced vegetable and fruit sections in their stores. Although the space allocated for vegetable and fruits was quite less compared to groceries, the idea of buying clean and well displayed / hygienically packed fruits and vegetables was accepted very well by young consumers who had no time or inclination to go to the often congested and unsightly conventional markets. The
organized sector stores have now evolved into acquiring vegetables and fruits straight
from the farmers and they even book the future harvest\textsuperscript{28}.

As the man is progressing their minds are progressing in many spheres, and so
is their expectations from these shopping expectations. There are many malls in India,
to attract the wedding parties to come and have their requirements under one roof.

These days speciality malls creating niches which caters to specific needs – be
it weddings, cars, home interiors or jewellery – and where focused buyers are offered
all possible options at one destination. It is estimated that by 2010, about 15 per cent
of the upcoming malls will be thematic. Besides creating niche markets, specialty
malls also create synergies. In a jewellery mall, for example, the security will be
centralized rather than each shop making separate arrangements. While other
specialty malls in India, are trying to blend the leisure to the shopping, by creating
resorts around the shopping malls to attract the people who live in overcrowded place
or in rural areas to provide a relaxed shopping experience\textsuperscript{29}.

At this point one might wonder why would a customer specially drive into a
mall at all, fight for parking, wait minutes in queues for the elevator and then enter a
store and pay a similar price for a similar product that she could have bought from any
high street store near her place of residence.

The assortment, the host of services offered, the length and depth of offerings
- within the offered categories, the limitless options with a proper product mix under
one roof by these malls makes the customers with not only deep pockets but also
average consumer to make feel to come again and again or the competitive prices that
make customer merry is to be reckoned.
Global Retailers

Retailing in India presents a great opportunity for international giants like Wal-Mart or Tesco, which can set up a wide network of retail stores and get a first mover advantage in the country. India’s retail progress is so rapid that it has been ranked for the second year in 2006 in the Global Retail Development Index (GRDI) as the most attractive market for global retailers to enter.

The worldwide retail sales estimated at $8 trillion, the 20 largest retailers represent a 12 percent share of the world market. Combined, the 200 largest retailers capture 29 percent of worldwide sales. Wal-Mart remains the undisputed leader in the retail world, with sales almost three times as large as those of Carrefour, the second-largest retailer. Home Depot also has made significant sales gains over the last several years. Its fourth-place ranking in 2004 was up from 24th in 1996. Food retailing continues to dominate among the largest global retailers. Eight of the ten largest retailers sell food, and slightly over 50 percent of the 200 largest retailers have supermarket, warehouse, hypermarket, or cash-and-carry formats. The dominance of food retailing would be even more pronounced if U.S. drug store chains, which place more emphasis on convenience food, were included as food retailers. Of the top 2004 global retailers, 42.5 percent are headquartered in the United States, 39 percent in Europe, and 13 percent in Japan. Large retailers headquartered in the United States tend to concentrate on the United States and operate fewer formats than their global counterparts.
### Table 1.5: World wide retail sales of 20 largest retailers

<table>
<thead>
<tr>
<th>Rank</th>
<th>Retailers</th>
<th>Headquarters</th>
<th>2008 retail sales ($ Mn.)</th>
<th># of formats</th>
<th># of countries</th>
<th>Five year CAGR%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Wal-mart</td>
<td>U.S</td>
<td>229,617</td>
<td>5</td>
<td>11</td>
<td>14.2%</td>
</tr>
<tr>
<td>2.</td>
<td>Carrefour</td>
<td>France</td>
<td>85,011</td>
<td>6</td>
<td>31</td>
<td>18.7%</td>
</tr>
<tr>
<td>3.</td>
<td>Home depot</td>
<td>U.S</td>
<td>58,247</td>
<td>2</td>
<td>4</td>
<td>19.2%</td>
</tr>
<tr>
<td>4.</td>
<td>Kroger</td>
<td>U.S</td>
<td>51,760</td>
<td>5</td>
<td>1</td>
<td>14.3%</td>
</tr>
<tr>
<td>5.</td>
<td>Metro</td>
<td>Germany</td>
<td>48,349</td>
<td>6</td>
<td>26</td>
<td>12.4%</td>
</tr>
<tr>
<td>6.</td>
<td>Target</td>
<td>U.S</td>
<td>42,722</td>
<td>3</td>
<td>1</td>
<td>9.0%</td>
</tr>
<tr>
<td>7.</td>
<td>Ahold</td>
<td>Netherlands</td>
<td>40,755</td>
<td>7</td>
<td>17</td>
<td>12.5%</td>
</tr>
<tr>
<td>8.</td>
<td>Tesco</td>
<td>U.K</td>
<td>40,071</td>
<td>5</td>
<td>10</td>
<td>9.7%</td>
</tr>
<tr>
<td>9.</td>
<td>Costco</td>
<td>U.S</td>
<td>37,993</td>
<td>1</td>
<td>8</td>
<td>9.8%</td>
</tr>
<tr>
<td>10.</td>
<td>Sears</td>
<td>U.S</td>
<td>35,698</td>
<td>1</td>
<td>3</td>
<td>-2.9%</td>
</tr>
<tr>
<td>11.</td>
<td>Albertsons</td>
<td>U.S</td>
<td>35,626</td>
<td>3</td>
<td>1</td>
<td>19.4%</td>
</tr>
<tr>
<td>12.</td>
<td>Aldi Einkauf</td>
<td>Germany</td>
<td>33,837</td>
<td>2</td>
<td>12</td>
<td>15.2%</td>
</tr>
<tr>
<td>13.</td>
<td>Safeway</td>
<td>U.S</td>
<td>32,398</td>
<td>1</td>
<td>3</td>
<td>7.6%</td>
</tr>
<tr>
<td>14.</td>
<td>JCPenney</td>
<td>U.S</td>
<td>32,347</td>
<td>2</td>
<td>3</td>
<td>1.8%</td>
</tr>
<tr>
<td>15.</td>
<td>Intermarche</td>
<td>France</td>
<td>31,688</td>
<td>8</td>
<td>7</td>
<td>9.2%</td>
</tr>
<tr>
<td>16.</td>
<td>Rewe</td>
<td>Germany</td>
<td>31,404</td>
<td>7</td>
<td>12</td>
<td>7.4%</td>
</tr>
<tr>
<td>17.</td>
<td>Kmart</td>
<td>U.S</td>
<td>30,762</td>
<td>2</td>
<td>1</td>
<td>-0.9%</td>
</tr>
<tr>
<td>18.</td>
<td>Wallgreens</td>
<td>U.S</td>
<td>28,281</td>
<td>1</td>
<td>1</td>
<td>16.5%</td>
</tr>
<tr>
<td>19.</td>
<td>Edeka/AVA</td>
<td>Germany</td>
<td>26,514</td>
<td>5</td>
<td>6</td>
<td>17.2%</td>
</tr>
<tr>
<td>20.</td>
<td>Lowes</td>
<td>U.S</td>
<td>26,491</td>
<td>1</td>
<td>1</td>
<td>21.2%</td>
</tr>
</tbody>
</table>

Source: website of National Retail Federation, U.S.A.
Table 1.6: Top 500 retailers in the world by country

<table>
<thead>
<tr>
<th>Name of the Country</th>
<th>Number of retail companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>116</td>
</tr>
<tr>
<td>China</td>
<td>81</td>
</tr>
<tr>
<td>Australia</td>
<td>70</td>
</tr>
<tr>
<td>South Korea</td>
<td>38</td>
</tr>
<tr>
<td>Taiwan</td>
<td>32</td>
</tr>
<tr>
<td>New Zealand</td>
<td>30</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>25</td>
</tr>
<tr>
<td>Thailand</td>
<td>24</td>
</tr>
<tr>
<td>Singapore</td>
<td>20</td>
</tr>
<tr>
<td>India</td>
<td>17</td>
</tr>
<tr>
<td>Indonesia</td>
<td>16</td>
</tr>
<tr>
<td>Malaysia</td>
<td>15</td>
</tr>
<tr>
<td>Philippines</td>
<td>12</td>
</tr>
<tr>
<td>Vietnam</td>
<td>4</td>
</tr>
</tbody>
</table>


It can be understood from the above table 1.7 in 2006, there are only 14 retailers exists in the India, while countries that are comparable to Indian market like Taiwan, South Korea, Thailand, Singapore, Indonesia have more number of players than in Indian market.
Table: 1.7 Top 5 Retailers (by revenue)

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Name of the Retailer</th>
<th>Revenue (in billion $'s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Wal-Mart</td>
<td>$256 billion</td>
</tr>
<tr>
<td>2.</td>
<td>Home Depot</td>
<td>$73.1</td>
</tr>
<tr>
<td>3.</td>
<td>Kroger</td>
<td>$56.4</td>
</tr>
<tr>
<td>4.</td>
<td>Costco</td>
<td>$47.15</td>
</tr>
<tr>
<td>5.</td>
<td>Target</td>
<td>$46.8</td>
</tr>
</tbody>
</table>

Consumer Electronics & Entertainment

| 1.     | Best Buy             | $24.5                    |
| 2.     | Circuit City         | $9.7                     |
| 3.     | RadioShack Corporation | $4.8                |
| 4.     | GameStop Corp/Electronics Boutique. | $4.3 |
| 5.     | Guitar Center Inc    | $1.69                    |

Grocery

| 1.     | Kroger Co.           | $56.4                    |
| 2.     | Albertson's Inc.     | $41                      |
| 3.     | Safeway Inc.         | $37.76                   |
| 4.     | Supervalu Inc.       | $19.6                    |
| 5.     | Winn-Dixie           | $9.92                    |

Home Improvement

| 1.     | Home Depot           | $73.1                    |
| 2.     | Lowe's Companies     | $36.5                    |
| 3.     | Buildings Materials Holding Corp | $2.63 |
| 4.     | Builders First source | $2.28                   |
| 5.     | Fastenal Co.         | $1.46                    |

Source: Business line, 2007

The activities of the retail in various countries are also judged based on the entry and exit numbers of global retailers who can significantly influence the market texture. As per the statistics released on these lines by AT Kaerney, the retailing
turnover is found more in Asia, when compared other growing markets like Eastern Europe, Africa and Mediterranean markets.\textsuperscript{32}

As the years are progressing, with the growth in the countries, the year wise growth trend of Global retailer's entry and exit is also found on the rise. One of the important milestones in the annals of global retail activity is formation and influence of WTO on the economies.

Some countries like China one of the big markets have opened its economy to global retailers in the year 2004. This phenomenon is observed more after 2001, may be due to the commitment by its member countries to WTO, to open their markets and allow competition to spur the local activities. But in case of India, still it is guarded as there is no unanimity of opinion in the policy makers to open its doors to welcome the global retailers.

\textbf{FDI in retail:}

The Indian retailing story is linked to the current phase of economic reforms coupled with the country's continued economic boom. Global interest grew on release of Press Note 3 in February 2006, which permitted, although on a very selective basis, Foreign Direct Investment (FDI) up to 51% in single brand retail trade. This meant a direct entry by the international retailers into the country's market, which was hitherto possible largely through franchise/licensing arrangements.

India in general and its retail business in particular have become a destination for FDI. India has become one of the most lucrative markets for international retailers. In fact, the scope offered by its market cannot be compared with that of any other country across the world.\textsuperscript{33}
FDI has been permitted in single brand retailing and also in business-to-business/wholesale marketing. Looking at the recent development, the day may not be far off, when the gates for partial or 100% FDI in multi brand retailing will be opened. The Indian retailers have to be proactive in preparing themselves for the same.

The government commissioned a study by the Indian Council of Research on International Economic Relations (ICRIER) on the impact of organized retail on small trades.

The council in its report to the government suggested that 49% foreign direct investment (FDI) be allowed in the retail industry, pointing out that foreign players have already entered the Indian market through various loopholes in the regulation.

The council said this would provide an opportunity for domestic players to enter into joint ventures (JVs) and the entry of foreign players would ease financial pressures and bring in technical know how and best-management practices in this industry. Also, domestic players will be able to retain majority ownership of JVs in case the FDI limit is not raised beyond 49%.

Meanwhile it is not just cities that are at the receiving end of the big players' expansionist urge. They have no intention of sparing rural areas also. Led by the rising purchasing power, changing consumption patterns, increased access to information and communication technology and improving infrastructure, rural retail market is estimated to cross $45.32 billion by 2010 and $60.43 billion by 2015, says a study by the Confederation of Indian Industry (CII) and YES Bank.

But top economists warn of unbridled opening up of the retail sector for private players, particularly FDI. A study by Centre for Policy Alternatives warns that
only the smaller trader, but even the organized big retailers would not be able to resist the onslaught of multinational retail chains.

The study by a team headed by Mohan Guruswamy, former advisor to Finance Minister cites the example of Wal-Mart, the world’s largest retailer pointing out that the American chain has thousands of stores across the world employing about 1.8 million people and profits of billions.

“Let alone the average Indian retailer in the unorganized sector, no Indian retailer in the organized sector will be able to met the onslaught from a firm such as Wal-Mart – when it comes. With its incredibly deep pockets Wal-Mart will be able to sustain loses for many years till its immediate competition is wiped out,” the study warns. This is a normal predatory strategy used by large players to drive out small and dispersed competition. This entails job losses by the millions.

“If large FDI driven retailers were to take 20% of the retail trade, this would mean a turnover of Rs.800 billion on today’s basis. This would mean an employment of just 43,540 persons displacing nearly eight million persons employed in the unorganized retail sector,” the study says.

Admitting that FDI in retail an have some positive results on the economy like consumer benefiting by both price reductions and improved selection brought about by the technology and know-how of foreign players in the market and consequent increase in output and domestic consumption, the study says that the most important factor against it is that it is labour displacing to such an extent that it can expand only by destroying the traditions retail sector.
The growth of FDI in the retail sector will be beneficial to the Indian economy in the long run. Retail sector liberalization leads to easier availability of quality products in the country. The entry of foreign investment in retail sector indicates that the economic reforms are on the right path and like China, there are a large number of foreign retail giants in India. The total size of the retail Indian market is Rs.5,88,000 crores, out of which Rs.5,83,000 constitute the unorganized market and Rs.5,000 crores constitute the organized market. After agricultural sector, retail sector is the largest employer in India. India's vast middle class and untapped retail industry are the most important factors which attract Foreign Direct Investment (FDI). Opening up of the retail sector to FDI will lead new economic benefits and will create more employment opportunities. Modern retail will be a win-win strategy for the consumer, the domestic trader and the multinational giants 36.

The policy makers of India and the pressure groups have wider perceptual differences in opening the sector. They are confident of attracting huge investments and greater inflow of funds is expected once this sector is made open to foreign direct investment. The major apprehensions these people have, is that repatriation of fruits of the Indian economy will be siphoned away by the MNCs and in the process, it will eventually lead to dampening the progress of Indian industry and already seven percent of the Indian population is eking their livelihood, who will be displaced. If the Foreign Direct Investment is allowed in this sector, the inflow of funds would definitely change the India's retail land space. However, the Indian government seems to be on a gradual, but definite, path toward allowing foreign retailers into the country. And when it takes the final steps, the peak time to enter will quickly pass—giving retailers that enter now a distinct edge. The first step in this direction by Indian
Government is by opening up the retail sector to foreign direct investment by allowing a maximum of 51 per cent in single brand retail stores. Global giants such as Wal-Mart and Tesco are eagerly waiting in the wings to enter the Indian retail market and this will take the organized sector to higher levels in customer service. However, some Indian retailers are demanding a level playing field and are uncomfortable with the haste with which FDI in retail is being planned. This means that they will prefer allowing local retailers to scale up and attaining critical mass before allowing foreign retailers.

**Retail Industry — Road ahead**

As morning shows the day, today’s market dynamics show tomorrow’s scenario. The sector shows a bright future both in urban and rural markets of the country. According to the Retailing in India report published by the PwC Global Retail Intelligence Program, the unorganized retail accounts for a 98% share in the industry. The total number of retail outlets in India is around twelve million. Most of these retail stores are small in nature and are located in rural areas. Most of the small retail stores are “father-son” outlets. On account of the fragmented nature of Indian retail industry, the inhabitants to stores ratio in India is about 150:1, i.e. one retail store serves 150 people, which is 2000:1 in the case of Europe. To overcome competition from the organized sector, the unorganized sector is trying to be organized by joining hands to increase their bargaining power for purchase.

The India Retail Report 2007, put together by leading Indian and foreign consultancies, estimates that the retail pie was worth Rs.1,200,000 crore in 2006, with food and groceries accounting for a whopping 63 percent. But the share of organized retail in this sector was negligible.
A McKinsey Report on India says, organized retailing would increase the efficiency and productivity of entire gamut of activities, and would help in achieving higher GDP growth. The share of employment is expected to increases through retail sector. At present employment of retail industry is low in India as compared with Brazil (14%) and Poland (12%). But there is a huge scope of emergence of new forms of retail formats in Indian Retail Industry.

A.T. Kearney's 2007 Global Retail Development Index, the organized retail industry in India is growing at the rate of about 40 per cent a year. It predicts that organized retailers, who now command about 2 per cent of the total turnover of about $350 billion (Rs.15,75,000 crore), will increase their share to over 5 per cent by 2010, when retail turnover is projected to touch $427 billion (Rs.19,21,500 crore).

The Indian retail market is the fifth largest retail destination globally. It is estimated to grow from the US$ 330 billion in 2007 to US$ 427 billion by 2010 and US$ 637 billion by 2015. Evolving rapidly with growing consumer spending and increasing investment by global players, the Indian retail market, according to AT Kearney's 7th annual Global Retail Development Index (GRDI) in 2008, is the most attractive emerging market for investment in the retail sector.

As many as 98 per cent of the outlets are less than 500 square feet in area. This means the per capita retailing space is about 2 odd square feet compared to 16 square feet in the U.S. There are more than 15 million retail outlets and what the country needs is a structured retailing industry in the modern sense of the term. Retailing in India presents a great opportunity for international retailing giants like Wal-Mart or Tesco, which can set up a wide network of retail stores and get a first mover advantage in the country. Organized retailing is larger in neighboring Asian
countries like China, South Korea, Indonesia, Philippines, Thailand and Malaysia. Most of the retail stores in India are small and individual owned. The average size of an Indian retail outlet is 50 sq. ft. though India has the highest number of retail outlets per capita in the world, the retail space per capita at 2 sq. ft per person, is the lowest in the world.

Retail industry in India accounts for 10 per cent of its GDP and 8 per cent of the employment to reach $17 billion by 2010. about 300 new malls, 1,500 supermarkets and 325 departmental stores are being built in the cities and metropolitan cities. India has undergone a shopping revolution and a large population between 20-34 age groups in the urban regions, was boosting demand by 11.1 per cent in 2004-05.

The Indian retail sector is currently sporting a brand new look and together with a 46.64 per cent three-year Compounded Annual Growth Rate (CAGR), Conventional marketplaces are paving way for new shopping malls, the likes of superstores, shopping plazas, supermarkets and brand label stores. International style shopping centers have started dotting the skyline of cities and smaller towns, acquainting the Indian customer to a unique shopping experience.

It is expected that by 2015, India’s Retail sector could grow to $600 billion. According to Confederation of Indian Industry (CII) the Indian retail industry has the potential to grow from $300 billion to $600 billion by 2015. According to Maureen Johnson of Global Media Group, “Organized retailing in India can be achieved if greater emphasis is laid on customer relationship management. With skilled workforce and systematic approach, Indian will transform the traditional marketing landscape seamlessly”. The organized retail sector is expected to grow at six per cent
by 2010 and touch a retail business of $17 billion as against the current growth of $6 billion.

- Growth of the retail market, to a great extent, is dependent on the size of the country's consuming class and the rate of growth of GDP, especially the disposable incomes.

- India is the world's second most populous country after China and its GDP growth is likely to surpass that of China by 2015.

- It is estimated that India's GDP will surpass that of the US before 2050, to make it the world's second largest economy.

- Reflecting on the robust growth in India's GDP, consumer expenditure (in current prices) grew at a relatively high pace of nearly 10% per annum over the past two years.

- India's advantage lies in the fact that it has the largest young population in the world – over 890 million Indians are below 45 years of age. The median age for India is 25 years as compared to 28 years for Brazil, 33 years for China and 38 years for Russia.

- There are more English-speaking people in India than on the European continent.

- The retailing industry in India, estimated at $270 bn in 2006, is expected to grow to $440 bn by 2010.

- The size of the organized retailing market in 2006 stood at $12.4 bn in 2006, thereby making up a mere 4.7% of the total retailing market.

- Of the total retail market, food and grocery retail is by far the single largest block estimated to be worth a whopping Rs.642,200 cr, but more than 99% of this market is dominated by the neighborhood mom & pop stores.
• Clothing, textiles and fashion accessories constitute the second largest block.

• For the year 2007, the India Apparel Report 2007 expects growth of organized retail to touch 40%. From 2008 onwards (until at least 2010), organized retail is expected to register around 45% YoY growth in India.

• Total retail in India, which registered 5.7% YoY growth from 2004-06, to range between that and 6% YoY growth over the next 3 – 4 years.

• With these growth percentages and following from our estimates for 2006, the future estimates* for organized retail in India would be: 2007 – Rs.77,000 cr; 2008 – Rs.111,500 cr; 2009 – Rs.162,000 cr; and 2010 – Rs.235,000 cr. (*estimates based on 2006 prices).

• As regards formats, the energy in terms of new investments is expected to be driven towards the supermarkets and hypermarket segments.

• All new players – Reliance Industries, Bharti Retail / Wal-Mart, AV Birla Group – have shown interest towards developing these two formats, along with wholesale, cash and carry outlets, while India’s largest retailer – Pantaloon Retail India Ltd, - has a continuous store rollout schedule for its Big Bazaar hypermarkets and Food Bazaar supermarkets.

A report by Images Retail estimates the number of operational malls to more than double to over 412 with 205 million square feet by 2010 and further 715 malls by 2015, on the back of major retail developments even in tier II and tier III cities in India.

With consumers for luxury goods more in numbers than adult population of several countries, the Indian luxury retail market is estimated to soar from around $3.5 billion to $30 billion by 2015, according to a survey done by AT Kearney.
India’s luxury market, estimated to be the 12th largest in the world, has been growing at the rate of 25% per annum.

Indian splurges $2.9 billion on luxury assets, spend another $953 million on luxury services and top it by buying luxury goods worth $377 million. And with a rapidly expanding population of high net worth individuals, India could emerge as the next hub for luxury goods consumption.

**Challenges of Mall development**

Retailing in India known as the Sunrise Industry, it holds a bright future in the light of the benefits that it can get from the current and emerging trends in the Indian property markets. But still it has to go long way. During the entire journey industry has to face certain hurdles and challenges like:

1. **High property prices and difficulties in accessing real estate**: Despite the slump in property prices in the last few years, Mumbai and Delhi remain two of the world’s most expensive places for property.

2. **Investment intensive and high gestation period**: A typical mall of one lakh sq. feet requires an investment to the tune of 20 – 30 crores (excluding the land cost) with a payback of five – six years. Further globally mall operators lease out most of the space (67 per cent) rather than selling it. This allows them to benefit from high rentals after the malls are well established. But in India this is a risky proposition since most of them are new to the business. Again reluctance of the banks funding for such projects and ban on FDI reduces possibility of such projects.

3. **Constraints on Demand**: A combination of low purchasing power and poor urban infrastructure makes the unwilling to travel more distance reducing the catchments of a store.
4. **Shortage of retailers needing mall space**: All malls need few anchor clients such as departmental stores to take up space and attract other retail business. These are currently very few in number. In addition to this the mall needs a base level of smaller speciality stores and fast food outlets to ensure full capacity utilization. Organized retail in India is little over a decade old. It is largely an urban phenomenon and the pace of growth is still slow.

5. **Retail not being recognized as an industry in India**: Lack of recognition as an industry hampers the availability of finance to the existing and new players. This affects growth and expansion plans.

6. **The high costs of real estate**: Real estate prices in some cities in India are among the highest in the world. The lease or rent of the property is one of the major areas of expenditure; high lease rentals eat into the profitability of a project.

7. **High stamp duties**: In addition to the high cost of real estate, the sector also faces very high stamp duties on transfer of property, which varies from state to state (12.5% in Gujarat and 8% in Delhi). The presence of strong pro-tenancy laws makes it difficult to evict tenants. The problem is compounded by problems of clear titles to ownership, while at the same time land use conversion is time consuming and complex as are the legal processes for settling of property disputes.

8. **Lack of adequate infrastructure**: Poor roads and the lack of a cold chain infrastructure hamper the development of goods and fresh grocery retail in India. The existing supermarkets and food retailers have to invest a substantial amount of money and time in building a cold chain network.

9. **Multiple and complex taxation system**: The sales tax rates vary from state to state, while organized players have to face a multiple point control and tax system,
there is considerable sales tax evasion by small stores. In many locations, retailers have to face a multi point octroi. With the introduction of Value Added Tax (VAT) in 2005, certain anomalies in the existing sales tax system causing disruptions in the supply chain are likely to get corrected over a period of time.

The Indian retail industry is in the process of addressing a few challenges to growth. The Indian consumer, especially in the tier two and tier three towns, is still undergoing a change in men organized retail segment fully. The conversion factor (number of buyers vis-à-vis the total visitors – known in retail parlance as footfalls – who visit these stores) is relatively low at 50-60 per cent. The touch and feel factor has been important for the Indian consumer who wants to know about the merchandise completely before buying. This has to gradually change and the consumer should be willing to experiment now.

A majority Indian consumer still prefers to pay cash for their purchases and will use their credit cards only when absolutely necessary. This, however, is changing with the new generation. However, credit card age is still lower than in developed economies. Coupled with this is the competition from traditional stores. The majority of food and food products are retailed through neighborhood kirana stores. They focus on dry food products in the absence of infrastructure for cold storage.

Abundant supply of trained manpower is a constraint for the organized sector. The Retailers Association of India (RAI) has been organizing training programmes for personnel at all levels to address this shortage of trained manpower. This will however remain a challenge for organized retailers in the medium term given the fact that this sector is poised for rapid growth. Various agencies have made different estimates of the size of the organized market in 2010. The one thing in common among these estimates is that the industry will be big in 2010 (estimated at 10 per cent
of total retail by 2010). The status of the industry will depend a lot on external factors such as government regulations and real estate prices, besides activities of the retailers and demands of the customers. Some factors that will propel this growth are:

**Increased investment:** Newer chains will come in and the present players will increase their penetration in the cities and towns. By 2006, the established players would have reached saturation levels in metropolitan cities and will shift the focus of their investments to other class I cities. A recent ICRIER report says that if the sector is opened to FDI, investments in the modern retail sector will receive a boost and will fuel drastic improvements in customer service too.

**Persistence of regional differences:** Although a few players will be able to form pan-Indian retail supply chains. Some sub-sectors such as the food and grocery retail are unlikely to have many dominant national players. For example, food retailing in Chennai, Kolkata and Chandigarh is vastly different from each other in terms of shopping habits and consumer tastes. Many such differences will remain. Retailers who develop different merchandise mix models for achieving a pan-India presence will emerge as national players. Others will remain as retailers with regional strengths.

**24 Hours retailing:** Time stressed consumers ask for round the clock retailing. As these consumers are ready to pay a premium for service at odd hours, the timings of shopping will have to adapt to the needs of these consumers. A number of 24 hours retail stores will emerge to cater to this need.

**Technology:** As the industry grows, a majority of large retail outlets will revamp their technology and move to a centralized network based processing architecture to get better control and more visibility into the supply chain while trying to achieve...
efficiencies in store operations. The application of the right technology such as implementation of ERP package will drive end-to-end process efficiencies in modern retailing.

Organized retailing is poised to grow and see its boom time ahead. However, this will depend on logistical support and other environmental factors such as government policies, availability of investment (both domestic and foreign), availability of skilled manpower and introduction of modern processes and technology in the retail trade.

Availability of quality real estate is another important factor for retailing to take off in a big way. The retail boom in India is likely to have an important effect on the commercial real estate sector because the large metropolis and cities will have sizable retail construction projects underway. Rent Control Act, Urban Land Ceiling Act and Land Acquisition Act until amended, will continue to pull property markets, which would ultimately lead to high property prices.

Apart from the product sourcing, it will be manpower sourcing which might pose an impediment to the growth of the retailing in the country. Another is building of robust supply chains and logistics system especially in case of overseas players

The Wal-Mart has tied up Bharati group of India about a few years back. Tesco is planning to enter the market through a partnership with Home Care Retail Mart Pvt Ltd and expects to open 50 stores by 2010. The Tata’s are trying to knot an alliance with Woolworth of Australia. India cannot remain aloof, leaving aside the effects of globalization to fall on its domain. Still, controversy about how globalization will affect local retailers continues, and local conglomerates are moving quickly to ensure they do not lose out to international players.

Reliance, a leading
Indian conglomerate, announced that it will invest $3.4 billion to become the country's largest modern retailer by establishing a chain of 1,575 stores. If India can achieve 7.3 percent annual growth a reasonable assumption if economic reforms continue – consume spending will quadruple, from 17 trillion Indian rupees ($372 billion) in 2005 to 70 trillion rupees in 2025. The dramatic growth in India’s middle class, from 50 million to 583 million people, will power this surge. Spending patterns will shift dramatically as expenditure grow rapidly on discretionary items ranging from personal products to consumer electronics. Incumbents will have to fight to retain their market dominance, while attackers could find lucrative ways to exploit the evolving tastes of India’s new middle class. India is set to undergo a major transformation over the next two decades with sustained growth resulting in dramatic poverty reduction and formation of a half billion strong middle class. This unique period in India’s evolution will see total consumption in the country quadrupling, making India the fifth largest consumer market in the world by 2025.

The following proactive steps are required to be taken by Indian retailers in order to be better prepared for the future.

1. Sound human resource polices with career growth paths for employees.
2. efficient customer care backed by a robust Customer Relationship Management system
3. Efficient supply, chain management and logistics
4. Thorough training on product knowledge and selling skills to salespersons.
5. Dynamic product pricing so as to get best returns from stocks and ensure optimum inventory turnover.
6. Technical know-how on all aspects of retailing operations.
7. Finding suitable real estate at the right locations at manageable cots.
8. A huge money bag—one’s own or borrowed—to meet investment needs. One will have to compete on a significant scale in order to survive.

9. Lobby for appropriate support and congenial environment from the Indian government.

10. Adopt differentiation strategies to provide consumers with unique shopping experience.

Unlike the experiences in most other countries, the growth of Indian retail is not going to be a staggered and time-consuming process: India has already shown the world how quickly it can adapt to hi-tech products and services and will again set a record of sorts in setting up world class retail formats across the country in no time. In the next five years, India should have retail entities strong enough to compete with the best in the world. India, Inc., is all set to script an Indian model for retail growth. The government has asked big retailers to chart out an India-specific strategy for organized retail.

The Indian retail market is estimated to grow from the $330 billion in 2007 to $427 billion by 2010 and $637 billion by 2015. Simultaneously, organized retail which presently accounts for 4% of the total market is likely to increase its share to 22% by 2010, according to retail sector sources.

India has one of the largest numbers of retail outlets in the world. Of the 12 million retail outlets in the country, nearly 5 million sell food and related products.

Driven by changing lifestyles, strong income growth and favourable demographic patterns, Indian retail is expanding at a rapid pace. Mall space, from a meager one million square feet in 2002, is expected to touch 60 million square feet by end-2008, says Jones Lang LaSalle’s third annual Retailer Sentiment Survey-Asia.
Alongside, Indian cities are witnessing a paradigm shift from traditional forms of retailing into a modern organized sector. The retail sector that contributes 14% to the GDP and employs 8% of the country’s workforce is now marked by frenetic activity.

Companies need to develop ideas and solutions that are uniquely Indian. To be successful in India, retailers have to blend the best expertise and technology that the world has to offer and synergize these with the demands and expectations of the Indian consumers⁴³.
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