CHAPTER 1
INTRODUCTION AND SUMMARY

GLOBAL RETAIL INDUSTRY:

Retailing

The activities involved in the selling of goods to ultimate consumers for personal or household consumption are called Retailing. Retailing is the interface between the producer and the individual consumer buying for personal consumption. This excludes direct interface between the manufacturer and institutional buyers such as the government and other bulk customers. A retailer is one who stocks the producer's goods and is involved in the act of selling it to the individual consumer, at a margin of profit. As such, retailing is the last link that connects the individual consumer with the manufacturing and distribution chain.

Introduction:

The Global Retail Industry: An Overview

Retail has played a major role world over in increasing productivity across a wide range of consumer goods and services. The impact can be best seen in countries like U.S.A., U.K., Mexico, Thailand and more recently China. Economies of countries like Singapore, Malaysia, Hong Kong, Sri Lanka and Dubai are also heavily assisted by the retail sector.

Retail is the second-largest industry in the United States both in number of establishments and number of employees. It is also one of the largest Industry world wide. The retail industry employs more than 22 million Americans and generates more than $3 trillion in retail sale annually. Retailing is a U.S. $7 trillion sector. (Source: CSO, MGI Study)

Wal-Mart is the world's largest retailer. Already the world's largest employer with over 1 million associates, Wal-Mart displaced oil giant Exxon Mobil as the world's largest company when it posted $219 billion in sales for fiscal 2001. Wal-Mart has become the most successful retail brand in the world due its ability to leverage size, market clout, and efficiency to create market dominance. Wal-Mart heads Fortune magazine list of top 500 companies in the world. (Source: STORES / Deloitte Touche Tomahatsu). In the last Fiscal year Wal-Mart outsourced around 2 billion US dollar worth of goods from India only (Source: ET).
## Global Retail Scenario

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Retail (US$ Billion)</th>
<th>Organised Retail (US$ Billion)</th>
<th>% Share of Organised Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>150</td>
<td>1.1</td>
<td>0.7</td>
</tr>
<tr>
<td>2002</td>
<td>180</td>
<td>3.3</td>
<td>1.8</td>
</tr>
<tr>
<td>2005</td>
<td>225</td>
<td>7</td>
<td>3.2</td>
</tr>
</tbody>
</table>

(Source: CSO, MGI Study)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Retailer</th>
<th>Home Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Wal-Mart Stores, Inc.</td>
<td>U.S.A.</td>
</tr>
<tr>
<td>2</td>
<td>Carrefour Group</td>
<td>France</td>
</tr>
<tr>
<td>3</td>
<td>The Kroger Co.</td>
<td>U.S.A.</td>
</tr>
<tr>
<td>4</td>
<td>The Home Depot, Inc.</td>
<td>U.S.A.</td>
</tr>
<tr>
<td>5</td>
<td>Metro</td>
<td>Germany</td>
</tr>
</tbody>
</table>

(Source: STORES / Deloitte Touche Tomahatsu)

### About Retail Worldwide

- Retail is the biggest industry in the world with sales of $7.2 trillion.
- Every 10th billionaire in the world is a retailer.
- 25 of the top 50 Fortune 500 companies are retail.
- Retail generated a shareholder return of 18%.

(Source: AC Nielsen Study)

### Organised Retailing in South Asian Countries:

<table>
<thead>
<tr>
<th>Country</th>
<th>Organised Retailing</th>
<th>Traditional Retailing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaysia</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Thailand</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>Philippines</td>
<td>35%</td>
<td>65%</td>
</tr>
<tr>
<td>Indonesia</td>
<td>25%</td>
<td>75%</td>
</tr>
<tr>
<td>South Korea</td>
<td>15%</td>
<td>85%</td>
</tr>
<tr>
<td>China</td>
<td>20%</td>
<td>80%</td>
</tr>
<tr>
<td>India</td>
<td>2%</td>
<td>98%</td>
</tr>
</tbody>
</table>

(Source: AF Ferguson and Co. as on 2002)

### Share of Indian Organised Retail

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Retail (in billion INR)</th>
<th>Organized Retail (in billion INR)</th>
<th>% Share of Organized Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>7000</td>
<td>50</td>
<td>0.70%</td>
</tr>
<tr>
<td>2002</td>
<td>8250</td>
<td>150</td>
<td>1.80%</td>
</tr>
<tr>
<td>2005</td>
<td>10000</td>
<td>350</td>
<td>3.5%</td>
</tr>
</tbody>
</table>

(Source: www.retailimages.com)
RETAIL MARKET PROFILE IN INDIA:

Retail in India is still at a very early stage. Most retail firms are companies from other industries who are now entering the retail sector on account of its amazing potential. The Indian retail sector is estimated to have a market size of about $180 billion; but the organized sector represents only 3% share of this market as on 2005. Most of the organized retailing in the country has started recently, and has been concentrated mainly in the metro cities. But now the trend is changing and the retailers are entering in to non-metropolitan cities like Chandigarh, Coimbatore, Pune, Ahmedabad, Baroda, Trivandrum, Cochin, Ludhiana, Simla etc. Organized retailing in India is expanding because of the vast market and the growing consciousness of the consumer about product quality and services. A study conducted by Fitch in 2002, expects the organized retail industry to continue to grow rapidly. Fuelling this growth is the growth in development of the retail-specific properties and malls.

According to the estimates available with Fitch, close to 25mn sq. ft. of retail space is being developed and will be available for occupation over the next 36-48 months. Fitch expects organized retail to capture 15%-20% market share by 2010. As the corporates like the Reliance, Piramals, the Tatas, the Rahejas, ITC, S.Kumar’s, RPG Enterprises, and mega retailers like Crosswords, Shopper’s Stop, and Pantaloons race to revolutionize the retailing sector, retail as an industry in India is coming alive.

Across the country, retail sales in real terms are predicted to rise more rapidly than consumer expenditure during 2003-08. The forecast growth in real retail sales during 2003-2008 is 8.3% per year, compared with 7.1% for consumer expenditure. Modernization of the Indian retail sector will be reflected in rapid growth in sales of supermarkets, departmental stores and hyper marts. Sales from these large-format stores are to expand at growth rates ranging from 24% to 49% per year during 2003-2008, (Source: Euro Monitors International)

<table>
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<tr>
<td>India</td>
<td>2%</td>
<td>98%</td>
</tr>
</tbody>
</table>

Source: AF Ferguson and Co. (www.directories-today.com)
So it is a booming time for retail industry in India. Developed countries have well established retail stores with some big names like Wal Mart, Spencer etc. The share of organized retailing in such countries varies approximately from 40% to 80% where as in our countries it is only 2% (approximately) as on 2002 which had increased to 3% in 2005. During the past decades many entrepreneurs and business houses took advantages of the liberalized economic scenario and plunged into organized retailing to exploit the vast potential offered by the Indian market. The success of some companies makes the other think and tries their hand in this sunrise sector by offering better value for money to the consumers. Such companies are virtually frisking away customers from the traditional or Kirana stores. What is the reaction from existing shop owners to this new customer focused retailing environment is really a big question mark.

Even though India has well over 5 million retail outlets of all sizes and styles (or non-styles), the country sorely lacks anything that can resemble a retailing industry in the modern sense of the term. This presents international retailing specialists with a great opportunity.

It was only in the year 2000 that the global management consultancy AT Kearney put a figure to the retail market: Rs. 400,000 crore which will increase to Rs. 800,000 crore by the year 2007 – an annual increase of 20 per cent.

Retailing in India is thoroughly unorganised and has a very less implications of supply chain management perspective. According to a survey by AT Kearney, an overwhelming proportion of the Rs. 400,000 crore retail markets are unorganised. In fact, only a Rs. 20,000 crore segment of the market is organised and as much as 96 percent of the 5 million-plus outlets are smaller than 500 square feet in area. This means that India per capita retailing space is about 2 square feet (compared to 16 square feet in the United States). India's per capita retailing space is thus the lowest in the world (Source: KSA Technopak).

Just over 8 per cent of India's population is engaged in retailing (compared to 20 per cent in the United States). There is no data on this sector's contribution to the GDP.

From a size of only Rs.20,000 crore, the organised retail industry will grow to Rs. 160,000 crore by 2007. The total retail market, however, as indicated above will grow 20 per cent annually from Rs. 400,000 crore in 2000 to Rs. 800,000 crore by 2007 (source: survey by AT Kearney)
Given the size, and the geographical, cultural and socio-economic diversity of India, there is no such role model for Indian suppliers and retailers to adapt or expand in the Indian context except some mega retailers like Pantaloons, Shoppers Stop etc.

The first challenge facing the organised retail industry in India is competition from the unorganised sector. Traditional retailing has established in India for some centuries. It is a low cost structure, mostly owner-operated, has negligible real estate and labour costs and little or no taxes to pay. Consumer familiarity that runs from generation to generation is one big advantage for the traditional retailing sector.

In contrast, players in the organised sector have big expenses to meet, and yet have to keep prices low enough to be able to compete with the traditional sector. High costs for the organised sector arises 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. Organised retailing also has to cope with the middle class psychology that the bigger and brighter sales outlet is, the more expensive it will be. The above should not be seen as a gloomy foreboding from global retail operators. International retail majors such as Benetton, Dairy Farm and Levis have already entered the market. Lifestyles in India are changing and the concept of "value for money" is picking up.

India's first true shopping mall – complete with food courts, recreation facilities and large car parking space – was inaugurated as lately as in 1999 in Mumbai. This mall is called "Crossroads".

Local companies and local-foreign joint ventures or franchisee agreements are expected to more advantageously position themselves than the purely foreign ones in the fledgling organised India's retailing industry.

These drawbacks present opportunity to international and / or professionally managed Indian corporations to pioneer a modern retailing industry in India and benefit from it.

The prospects are very encouraging. The first steps towards sophisticated retailing are being taken, and "Crossroads" is the best example of this awakening. More such malls have been planned in the other big cities of India and some of them have already started operating.

In an FDI Confidence Index survey done by AT Kearney, it was found out that retail industry is one of the most attractive sectors for FDI (foreign direct investment) in India and foreign retail chains would make an impact circa. India has registered a very impressive growth of its middle class – a class which was virtually non-existent in 1947 when India became a politically
sovereign nation. In 2005 the Indian government has already allowed retail FDI in India upto 51% in single brands.

At the start of 1999, the size of the middle class was unofficially estimated at 300 million people. The middle class comprises three sub-classes: the upper middle, middle middle and lower middle.

The upper middle class comprises an estimated 40 million people. They have annual incomes of US$600,000 each in terms of Purchasing Power Parity (PPP).

The middle middle class comprises an estimated 150 million people, each with PPP incomes of US$20,000 per year each.

The lower middle class comprises an estimated 110 million people. An estimate of their annual income is not available, but they are mostly the relatively affluent people in the rural areas of India.

The middle classes on the whole (i.e. the summation of upper middle, middle middle and lower middle classes) are expected to grow by 5 to 10 percent annually. (Source: NCAER Report)

Presently, the retailers are thinking of providing better range of products, a pleasant ambience, appropriate after sales services and other facilities to customers to refresh and recreate themselves through professional management. But still the main challenge for such professional retail stores is bringing in customer loyalty. Approximately 12 million stores in the unorganized sector are operating excellently in the country (Source: A handbook of Indian Cases: An Indian Perspective). The rapport these stores have with their customers is also tremendous and it is very difficult for any new entrant to break this nexus. These stores keep almost all the products in a comparatively small space, which hardly require a third of the space required for an organized supermarket. This naturally reduces investment of land and building and other furniture relevant for a supermarket type retail store. The retail consumers also prefer to go to these small shops as these are situated nearby and the shop owners and / or the employees know these customers and their tastes as well. In these contexts the estimate made by A.T.Kearney seems a long way off for the super market type retail stores. But the concept of the organized retail stores is well received in big cities like Kolkata, Chennai, Mumbai, Delhi etc. the metros and other cosmopolitan cities like Bangalore, Hyderabad, and Ahmedabad are the early targets to promote self servicing retail stores. But slowly this trend is conquering the comparative small cities also. Scores of established

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unorganized retail stores are redefining themselves as an organized retail stores and preparing themselves for a much bigger battle.

Thus the corner store – in its updated millennium version is becoming the latest happy hunting ground for jobs. Retail, far more than information technology or IT enabled services shall be the growth engine in the future. These of course, are not the simple mom and pop grocery store. In the west, that breed has practically died out and a similar fate may wait here also.

The numbers will give some idea of the potential. According to Business World, “In the 1990s organized retail in India added just one million square foot of space a year. The pace picked up from 2001 onwards. But estimates have it that in 2003 alone, a breath taking 10 million square feet was picked up by this industry”. In the next 2 to 3 years, some 40 million square feet of retail space is expected to be added.

But how does this translate into big employment number. According to Indian estimates every 150 square feet of retail area needs one additional employee to service. Back-of-the-envelope-calculation point to more than 250000 jobs being created by this sector (source: The Telegraph.).

Everybody is looking for a piece of action. Among the Indian players Pantaloon Retail and TRENT (Westside) both of which are scaling new peaks on this stock market and Shoppers Stop have already gone public to fund expansion plans. Along side scores of international majors has either taken the plunge or are busily evaluating entry strategies. A growing middle class and better ways to spend quality time mean that large format retail will be necessarily be a high growth area.

<table>
<thead>
<tr>
<th>Segment</th>
<th>Market Size (Rs. Cr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Textiles and Clothing</td>
<td>4050</td>
</tr>
<tr>
<td>Jewelry</td>
<td>2000 - 2500</td>
</tr>
<tr>
<td>Consumer Durables</td>
<td>1500</td>
</tr>
<tr>
<td>Footwear</td>
<td>1300 - 1500</td>
</tr>
<tr>
<td>Food and Personal Care</td>
<td>1000</td>
</tr>
<tr>
<td>Non – store Retail</td>
<td>900</td>
</tr>
<tr>
<td>Luggage, Watches and Tyre</td>
<td>500</td>
</tr>
<tr>
<td>Books and Music</td>
<td>390</td>
</tr>
</tbody>
</table>


Despite the presence of the basic ingredients required for growth of the retail industry in India, it still faces substantial hurdles that will retard and inhibit its growth in the future. One of the
key impediments is the lack of FDI status. This has largely limited capital investments in supply chain infrastructure, which is a key for development and growth of apparel retailing and has also constrained access to world-class retail practices. Multiplicity and complexity of taxes, lack of proper infrastructure and relatively high cost of real estate are the other impediments to the growth of retailing. While the industry and the government are trying to remove many of these hurdles, some of the roadblocks will remain and will continue to affect the smooth growth of this industry. Fitch believes that while the market share of organised retail will grow and become significant in the next decade, this growth would, however, not be at the same rapid pace as in other emerging markets. Organised retailing in India is gaining wider acceptance. The development of the organised retail sector, during the last decade, has begun to change the face of retailing, especially, in the major metros of the country. Experiences in the developed and developing countries prove that performance of organised retail is strongly linked to the performance of the economy as a whole. This is mainly on account of the reach and penetration of this business and its scientific approach in dealing with customers and their needs. In spite of the positive prospects of this industry, Indian retailing faces some major hurdles, which have stymied its growth. Early signs of organized retail were visible even in the 1970s when Nilgiris (food), Viveks (consumer durables) and Nallis (sarees) started their operations. However, as a result of the roadblocks, the industry remained in a rudimentary stage. While these retailers gave the necessary ambience to customers, little effort was made to introduce world-class customer care practices and improve operating efficiencies. Moreover, most of these modern developments were restricted to south India, which is still regarded as a ‘Mecca of Indian Retail’.

Thus in a nutshell we can conclude that the retailing industry in India is estimated at INR 930,000 crores (2003-04), which is expected to grow at 5% p.a. and the organized retailing is well on its way to become an INR. 350 billion market by 2005 according to India Retail Report 2005: An Images-KSA Technopak study. The size of the organized retailing market stood at Rs. 280 billion in 2004, thereby, making up a mere 3% of the total retailing market. Moving forward, organized retailing is projected to grow at the rate of 25%-30% p.a. and is estimated to reach an astounding INR 1000 billion by 2010. Further, its contribution to total retailing sales is likely to rise to 9% by the end of the decade.
Currently the fashion sector in India commands a lion's share in the country's organised retail pie. This is in line with the retail evolution in other parts of the world, where fashion led the retail development in the early stages of evolution and was followed by other categories like Food & Grocery, Durables etc.

Detailing reasons why Indian organized retail is at the brink of Revolution the IMAGES-KSA report says that the last few years have seen rapid transformation in many areas and setting scalable and profitable retail models across categories. Indian consumers are rapidly evolving and accepting modern formats overwhelmingly. Retail Space is no more a constraint for growth. India is on the radar of Global Retailers and suppliers / brands worldwide are willing to partner with retailers here. Further, large Indian corporate groups like Tata, Reliance, Raheja, ITC, Bombay Dyeing, Murugappa & Piramal Groups etc and also foreign investors and private equity players are firming up plans to identify investment opportunities in the Indian retail sector. The quantum of investments is likely to skyrocket as the inherent attractiveness of the segment lures more and more investors to earn large profits. Investments into the sector are estimated at over INR 200 billion by end of 2010.

Stocks in the retail sector are also becoming increasingly attractive from an investor's point of view. Successful development of value based concepts as well as development of retail space in smaller cities and towns shall drive the organized retail into the next levels of cities. Retailers have responded to this phenomenon by introducing contemporary retail formats such as hypermarkets and supermarkets in the new pockets of growth. Prominent 'Tier-II' cities and towns, which are witnessing a pick-up in activity, include Surat, Lucknow, Dehra Dun, Vijaywada, Bhopal, Indore, Vadodara, Coimbatore, Nasik, Bhubaneswar, Varanasi and Ludhiana among others.

With consumption in metros already being exploited, manufacturers and retailers of products such as personal computers, mobile phones, automobiles, consumer durables, financial
services etc are increasingly targeting consumers in Tier II cities and towns. In addition, petro-retailing efforts of petroleum giants scattered throughout the country’s landscape have also ensured that smaller towns are also exposed to modern retailing formats. So it can be predicted that like other industries apparel retail industry will also try to penetrate and exploit the same market in the coming years to have a better sustainability in terms of revenue.

On the supply side, mall development activity in the small towns is also picking up at a rapid pace, thereby, creating quality space for retailers to fulfill their aggressive expansion plans. Thus, the ‘retail boom’, 85% of which has so far been concentrated in the metros is beginning to percolate down to smaller cities and towns. The contribution of these Tier-II cities to total organized retailing sales is expected to grow to 20-25%. Favorable demographic and psychographic changes relating to India’s consumer class, international exposure, availability of increasing quality retail space, wider availability of products and brand communication are some of the factors that are driving the retail in India. Over the last few years, many international retailers have entered the Indian market on the strength of rising affluence levels of the young Indian population along with the heightened awareness of global brands and international shopping experiences and the increased availability of retail real estate pace.

Development of India as a sourcing hub shall further make India as an attractive retail opportunity for the global retailers. Retailers like Wal-Mart, GAP, Tesco, JC Penney, H&M, Karstadt-Quelle etc stepping up their sourcing requirements from India and moving from third-party buying offices to establishing their own wholly owned / wholly managed sourcing & buying offices shall further make India as an attractive retail opportunity for the global players. Buying volumes for many of these players are already in the range of INR 10-20 billion per year, with reported plans to step up to INR 100-150 billion with in the next 3-4 years.

Manufacturers in industries such as FMCG, consumer durables, paints etc are waking up to the growing clout of the retailers as a shift in bargaining power from the former to the latter becomes more discernible. Already, a number of manufacturers in India, in line with trends in developed markets, have set up dedicated units to service the retail channel. Also, instead of viewing retailers with suspicion, or as a ‘necessary evil’ as was the case earlier, manufacturers are beginning to acknowledge them as channel members to be partnered with for providing solutions to the end-consumer more effectively.

Though lucrative opportunities exist across product categories, food and grocery, never the less, presents the most significant potential in the Indian context, as consumer spending is
highest on food. Further, 'wet groceries' i.e. fresh fruits and vegetables is the most promising segment within food and grocery as very few organized retailers have tapped this opportunity inspite of wet groceries being the preferred choice of most Indian households.

The next level of opportunities in terms product retail expansion lies in categories such as apparel, jewellery and accessories, consumer durables, catering services and home improvement. These sectors have already witnessed the emergence of organized formats though more players are expected to join the bandwagon. Some of the niche categories like Books, Music and Gifts offer interesting opportunities for the retail players. The IMAGES-KSA projections indicate that by 2015, India will have over 550 million people under the age of 20 – reflecting the gargantuan opportunities possible in the kids and teens retailing segment.

Wholesale trading is another area, which has potential for rapid growth. German giant Metro AG and South African Shoprite Holdings have already made headway in this segment by setting up stores selling merchandise on a wholesale basis in Bangalore and Mumbai respectively and Future Group is already entering the wholesale market. These new-format cash-and-carry stores attract large volumes from a sizeable number of retailers who do not have to maintain relationships with multiple suppliers for all their needs.

<table>
<thead>
<tr>
<th>Retailer</th>
<th>Current Revenues (Rs. Millions)</th>
<th>Outlets</th>
<th>Projected outlets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pantaloon</td>
<td>7000</td>
<td>31</td>
<td>74 (by 2005)</td>
</tr>
<tr>
<td>RPG</td>
<td>5500</td>
<td>1</td>
<td>12 (by 2006)</td>
</tr>
<tr>
<td>Shoppers' Stop</td>
<td>4000</td>
<td>13</td>
<td>40 (by 2005)</td>
</tr>
<tr>
<td>Lifestyle</td>
<td>2300</td>
<td>7</td>
<td>15 (by 2005)</td>
</tr>
<tr>
<td>Westside</td>
<td>1200</td>
<td>13</td>
<td>21-23 (by 2005)</td>
</tr>
<tr>
<td>Ebony</td>
<td>850</td>
<td>8</td>
<td>14 (by 2005)</td>
</tr>
<tr>
<td>Piramyd</td>
<td>720</td>
<td>3</td>
<td>19 (next four years)</td>
</tr>
<tr>
<td>Globus</td>
<td>NA</td>
<td>7</td>
<td>15-17(by 2005)</td>
</tr>
</tbody>
</table>

*source: Business World*
<table>
<thead>
<tr>
<th>Format</th>
<th>Definition</th>
<th>Large selection</th>
<th>High service</th>
<th>Low price</th>
<th>Kirana stores</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country stores</td>
<td>Food: Family run stores, selling essentially food items</td>
<td>Y</td>
<td>Y</td>
<td></td>
<td>Kirana stores</td>
</tr>
<tr>
<td>- Rural</td>
<td>Non food: Retail multiple-often local brands</td>
<td></td>
<td></td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>Vendors</td>
<td>Pavement stalls selling limited variety of food and beverages</td>
<td>Y</td>
<td></td>
<td></td>
<td>Paan shops</td>
</tr>
<tr>
<td>Street markets</td>
<td>Regular markets held at fixed centres retailing farm and general merchandise items</td>
<td>Y</td>
<td>Y</td>
<td></td>
<td>Village haats</td>
</tr>
<tr>
<td>Street Vendors</td>
<td>Mobile retailers essentially selling perishable food items - fruits, vegetables, milk, eggs, etc</td>
<td>Y</td>
<td></td>
<td></td>
<td>Vegetable/Fruit vendors</td>
</tr>
</tbody>
</table>

**Prospects in Rural Retailing:**

Of late, India’s largely rural population has also caught the eye of retailers looking for new areas of growth. ITC launched the country’s first rural mall ‘Chaupal Sagar’, offering a diverse product range from FMCG to electronics appliance to automobiles, attempting to provide farmers a one-stop destination for all of their needs. There has been yet another initiative by the DCM Sriram Group called the ‘Hariyali Bazaar’ that has initially started off by providing farm related inputs and services but plans to introduce the complete shopping basket in due course. Other corporate bodies include Escorts, and Tata Chemicals (with Tata Kisan Sansar) setting up agri-stores to provide products and services targeted at the farmer in order to tap the vast rural market.

The Godrej Group had also launched the concept of agri-stores named ‘Adhaar’, which served as one-stop shops for farmers selling agricultural products such as fertilisers and animal feed and also providing farmers’ knowledge on how to effectively utilise these products. FDI could indeed do a lot in this sector as entry of international retailers would bring in the required expertise to set the supply chain in place which would result in elimination of wastage, better prices and quality for consumers and higher income for farmers besides of course farm produce retailing getting a facelift.
Tapping the fresh farm produce sector, the group plans to take its recently launched retail concept – Nature’s Basket – to newer cities steadily. Godrej Group’s Agro and Food division, Godrej Agrovet Ltd. (GAVL) operates the format, selling a variety of vegetables, fruits and herbs - both local and exotic thereby introducing the concept of ‘farm-to-plate’ to urbanites. Godrej plans to open four more Nature’s Basket stores in Mumbai before taking them national. Setting up cost of a store is about INR 5-10 million and per stores sales are expected in the range of INR 30- Rs 50 million a year.

Interestingly, the world’s largest corporation, Wal-Mart, also had its roots in rural America. Unlike many other retailers who started from urban centres and then trickled down to rural areas, Wal-Mart had started from rural areas and then came closer to cities over a period of time. Many more such concepts are likely to be tested in the future as marketers and retailers begin to acknowledge that the rural consumer is more than a ‘poor cousin’ of the urban counterpart. The Images KSA Report avers that these concepts are likely to go a long way in the fashion retail industry also which can bring a huge untapped population within the purview of organized retailing, thereby, increasing the size of the total market.

**There is a potential for all retail formats to thrive in India**

Most of the global powerhouses in the retailing sector such as Wal-Mart, Carrefour, and Tesco etc have adopted multi-format and multi-product strategies in order to customize their product offering for distinct target segments. Similar trends are likely to be exhibited in India as all formats present prospects for growth.

Further, with the emergence of larger store formats like superstores and hypermarkets in countries like UK, France, Germany, Spain since the 1980s and Eastern Europe more recently, traditional food retailers have been able to stock more extensive non-food ranges. In fact, Tesco, UK’s leading grocer, has become the number one apparel retailer in the Czech Republic and also a major player in Hungary apart from being one of the fastest growing clothing retailers in the UK. Together with its rival, Wal-Mart-owned ASDA, Tesco is one of the food sector’s most successful exponents of clothing in Europe.

To detail a wide variety of roadblocks that hamper the growth of otherwise upbeat scenario a few of them are regulatory barriers, fragmented suppliers, lack of skilled personnel, differential taxation system, labour legislation and lack of ‘industry’ status. Recounting some critical success factors in retail it can be emphasised that most of the solutions ought to be India-centric even as strategic and operational attributes like value proposition, service, experience,
efficiency, hygiene etc. must be benchmarked with global standards. It can also be suggested of adopting an effective private label strategy and the necessity to pass on operational gains achieved to end-consumers in order to offer a superior price-value equation, thereby, competing effectively with the unorganized segment.

On the vexed issue of Foreign Direct Investment (FDI) it has been noted that most players are cautious and have preferred to adopt a wait-and-watch attitude even as the government is expected to announce its stand on FDI in the retail sector soon. Some feel that India is still not ready to adapt to international standards and some feel that if the FDI is allowed it will be the death bell for small-unorganized retailers in the country. The opposite arguments are obviously large employment creation, greater customer choice, quality product at reasonable price, expansion of the market and so on.

The positive aspect is that retailing is well past the stage of infancy where only a handful of players like the German retailer Nanz bought international formats to virgin Indian territory, and that too, with limited scale and operations. During the late 1990s, Indian retailers underwent an experimentation phase when new formats (department stores like Shoppers' Stop & Pantaloon) and product categories (like consumer durables retailing, music retailing etc) were introduced. As the country marched into the new millennium, the organized retailing scenario began to stabilize, especially over the last 3-4 years when players like Big Bazaar, Barista, Pizza Hut, Shoppers' Stop etc became successful in establishing a national footprint. This was also the stage when international retailers like McDonald's, Subway etc adopted a mix of global and India-specific strategies in order to entice the local population.

India is now ready to leapfrog into the next stage of evolution where a large number of Indian and international retailers would build scalable models with a pan-India appeal with a view to be sustainable in the long term. Already, players are becoming profitable after having gone through their respective learning curves indicating the viability of organized retailing across formats. Opportunities are abundant, across formats and categories, as the new Indian consumer has clearly demonstrated a readiness for all organized retailing segments. Moreover, as has been the case in retail markets across the globe, the influx of foreign brands into India is expected to transform the retail landscape as domestic players grow bigger and become more innovative in the face of enhanced competitive pressures.

All this can only spell good news for the Indian consumers who will be inundated with a flurry of state-of-the-art products and services at reasonable prices – a state they have long craved.
for. India tomorrow is being set up to drive and manage growth rapidly and make use of customer insights and scenario planning to design future delivery formats and undertake planning and business reviews like Future Baazar.Com, on the other hand Reliance India Ltd has already forayed into the retail space with plans to launch 1500 outlets within this decade.

Factors for Development of Retail Sector in India

The factors responsible for the development of the retail sector in India can be broadly summarized as follows:

Rising incomes and improvements in infrastructure are enlarging consumer markets and accelerating the convergence of consumer tastes. Looking at income classification, the National Council of Applied Economic Research (NCAER) classified approximately 50% of the Indian population as low income in 1994-95; this is expected to decline to 17.8% by 2006-07. Liberalization of the Indian economy which has led to the opening up of the market for consumer goods has helped the MNC brands like Kellogs, Unilever, Nestle, etc. to make significant inroads into the vast consumer market by offering a wide range of choices to the Indian consumers.

Shift in consumer demand to foreign brands like McDonalds, Sony, Panasonic, etc. In the lifestyle industry also the demand for the foreign brands are rising and the general perception of the consumers in India is that the quality aspects of these foreign brands are better than the Indian brands.

The internet revolution is making the Indian consumer more accessible to the growing influences of domestic and foreign retail chains. Reach of satellite T.V. channels is helping in creating awareness about global products for local markets. About 47% of India's population is under the age of 20; and this will increase to 55% by 2015 (Source: NCAER Study). This young population, which is technology-savvy, watch more than 100 TV satellite channels, listen to satellite radio stations and display the highest propensity to spend, will immensely contribute to the growth of the retail sector in the country. As India continues to get strongly integrated with the world economy riding the waves of globalization, the retail sector is bound to take big leaps in the years to come.

India is the last large Asian economy to liberalize its retail sector. In Thailand, more than 40% of all consumer goods are sold through the super markets and departmental stores. A similar phenomenon has swept through all other Asian countries. Organised retailing in India has a huge scope because of the vast market and the growing consciousness of the consumer about
product quality and services. A study conducted by Fitch, expects the organized retail industry to continue to grow rapidly, especially through increased levels of penetration in larger towns and metros and also as it begins to spread to smaller cities and B class towns. Fuelling this growth is the growth in development of the retail-specific properties and malls.

**Challenges of Retailing in India:**
Retailing as an industry in India has still a long way to go. To become a truly flourishing industry, retailing needs to cross the following hurdles like automatic approval be allowed for foreign investment in retail, regulations restricting real estate purchases, and cumbersome local laws, taxation, which favours small retail businesses, absence of developed supply chain and integrated IT management, lack of trained work force, low skill level for retailing management, intrinsic complexity of retailing – rapid price changes, constant threat of product obsolescence and low margins.

**Large Format Retailing Strategies**
The era of large format retailing seems to have dawned in India, with the sector having entered the growth phase, with retail sales volume now in the multi-billion dollar level, and a 12% share in the overall domestic retail sales *(Source: AC Nielsen Report)*. In the study on retailers across various formats, it was found that the strategic considerations of large format retailers include, the store location, merchandise (its uniqueness more than anything else), customer base, volume expansion and market penetration. Allied to these are operational factors of leveraging assets focus on margins and turnover rates, store image and details of the store format with an expanding product portfolio.

There also seems to be a marked preference to evolve into formats approximating to the supermarkets or departmental stores, as reported in their self classification and also the assessment of their format, product category and merchandise diversification strategy. The implications of this strategic direction in the industry is such that the structure of the industry and therefore the supply chain of the stores would become more similar in their definition, as the industry grows in size and diversity would be in question.

It may lead the manufacturers slowly taking on certain dynamics of operations (more attuned towards certain cities) since the stores are focused on penetrating specific locations, such as the metros and the southern and western mini metros. The supply side will also face great challenges in meeting the far more stringent requirements of large customers who command significant percentages of their total production capacity. The challenges are not only likely to
be more towards meeting costs and efficiency parameters which are at an international level, but also in meeting merchandise differentiation requirements and that too simultaneously, as stores look for merchandise which lead to high-end or higher margin merchandise.

Other implications emerging from the study are that with the concentration of large format stores on the departmental and supermarket formats, the other store formats which are being experimented with at this stage such as theme-based mall stores, or specialty stores, may find the attraction of and risk involved, in both investments and footfall or traffic building, much more challenging. However, there are also signs of development in the scenario, with stores that have adopted vertical integration, new format experiments. Category specialists are visible now, and it is expected that these pioneers will lead to a broadening of available store formats. The other strategic area that has major economic implications is that these stores are also aware and adopting state-of-the-art strategies and technologies in logistics, HR and IT to gain competitive advantage. The implications for this on the supply side again are tremendous. The personnel required to man these stores will need to be much more sophisticated and trained. The need for IT solutions would be high. As a business, the strategy for growth is an overriding concern in most cases and over half the stores are looking at broadening their customer base by expanding to new customer segments. On the other hand, the type of location is seen as the most common strategy for competing. One way this can be interpreted is that the stores are opened with an eye towards mixed customer catchment giving large volumes within the same location, and which may be providing a larger catchment than a homogenous catchment in any given location.

This large size of customer base in a location provides for competitive edge since the largest chunk of costs involved in retailing will thus be invested in a far higher return scenario of large customer base across customer types. In any city, the right location will lead to greater footfalls, and its geographical proximity to the customers would be probably spread across several customer segments. The competitive aspect would then be customer base store investment, and growth would be through diversity of customers. Thus a store would focus on one segment initially, and then expand its selection and positioning to cater to additional segments, and with the same property and fixed costs, be able to cater to more customers, by going across segments.

Thus since stores have a mixed catchment of customer types potentially, the effort of the stores is towards using location as a competitive tool. But for growth, use of locations is more
in terms of utilising the high volume potential of a mixed customer base rather than new locations offering similar customer types. This explains why the competitive strategy of location is widespread but the growth strategy does not involve opening more stores to that extent and rather focuses on adding new customer segments. Thus most of the new retailers see new customer segments as the growth strategy, and see opening new stores as a strategy for growth.

Diversification and penetration are strategies seen as important by most of the retailers and fits in with the above strategy for growth, where penetration into a given market within a given segment and across segments is a driver for growth, and diversification of retail business, most probably across product and merchandise categories, more fitting for attracting new customers.

A large chunk of the retailers feels that the policy of diversification for growth, the use of new product categories to enhance sales, it may be seen in terms of additional sales to the same target segment. When diversification is more in terms of merchandise depth and width within the same product category, then it may be a “diversification” limited to positioning and merchandise mix, which attracts different customer segments for the same products. This has been seen as a practice in some retail set-ups which cater to diverse customer base, and look for volumes: the Big Bazaar, Foodworld, and other discounters and departmental stores in India have been seen to be following this policy. The response suggests that this is a rather more common practice than just with discounters or departmental stores.

Further those retailers who have reported the penetration strategy as important for their growth may be seen as driving more footfall and conversions within their chosen catchment area customer base, increasing the people who shop with them rather than their traditional options of shopping places. Corporate style promotions, schemes and offers, coupled with the service and store image management efforts, seem to be the chosen practices to enhance penetration.

Experimentation with new store formats or vertical integration is barely significant but visible. This is at both ends of the ownership profile spectrum, with a Shyam Garments into vertical integration as well as a Reliance getting onto forward integration and entering retailing gradually.
Retailers Communication Strategies

Retail majors are growing at a sturdy pace and even as key retail players are integrating forward into the domestic-end consumer markets, mass value retailers such as Big Bazaar and departmental stores such as Shoppers' Stop are revving up their advertising strategies. Big Bazaar has always been advertising in print and hoarding besides in-store promotions. However, it forayed into television advertising for the first time a couple of years ago. The retailer felt that besides conveying the rational benefits behind these insights, television commercial could also plant the emotional aspect of shopping to maximum number of people - the masses, reinforcing the retailer's positioning 'Isse Sasta Aur Accha Kahin Nahn'. The advertising company, Mudra and the marketing team of Pantaloons executed the television commercials. Unconventional media such as cinema theatres, audio-visual vans and in-store screen advertising were also used to attract eyeballs. Similarly, Shoppers' Stop painted some locations with its signature black and white in its recent advertising campaigns. The campaign was built around the proposition that here was a store that stocked everything you could want.

The departmental store, however, chose to invest in radio advertising. The campaign held on Radio Mirchi in Kolkata juxtaposed a variety of product categories against each other and establishes that a range of items is there for the picking at Shoppers' Stop. The ads depicted a shopper's train of thought from one item to another, be it ties or photo frames, toys or formal wear, mobile phones or lipstick. 'If it's on your mind it's on our shelves': that's the message and theme of this new campaign. Contract advertising agency had executed this particular commercial. The retail chain's 'innovative' programme with Radio Mirchi in Mumbai during Diwali also did a lot for brand building. The radio jockey was linked up to customers at the store who would be asked what was on their mind, which would be available on the shelves.

Even retail major LifeStyle has planned a television commercial reflecting the new brand identity that went on air across the country in the last week of November, 2006. 'Fashion is a mix of what you wear, what you do, and your attitude' is the underlying philosophy of the new television campaign. The new identity supported all its marketing activities and is centered at two elements of fashion and youth. Given the exponential growth of the retail industry, retailers believe that mainstream advertising gives them a strategic advantage in understanding the issues.
Conclusion:
Despite the presence of the basic ingredients required for growth of the retail industry in India, it still faces substantial hurdles that will retard and inhibit its growth in the future. One of the key impediments is the lack of FDI status (although single brand FDI is allowed upto 51% recently). This has largely limited capital investments in supply chain infrastructure, which is a key for development and growth of food retailing and has also constrained access to world-class retail practices. Multiplicity and complexity of taxes, lack of proper infrastructure and relatively high cost of real estate are the other impediments to the growth of retailing. While the industry and the government are trying to remove many of these hurdles, some of the roadblocks will remain and will continue to affect the smooth growth of this industry. Another very important negative aspect of the Indian Retail market is, still the Government of India has not granted it an industry status and it is not been guided by any stipulated rules and regulations. Fitch believes that while the market share of organised retail will grow and become significant in the next decade, this growth would, however, not be at the same rapid pace as in other emerging markets. Organised retailing in India is gaining wider acceptance. The development of the organised retail sector, during the last decade, has begun to change the face of retailing, especially, in the major metros of the country. Experiences in the developed and developing countries prove that performance of organised retail is strongly linked to the performance of the economy as a whole. This is mainly on account of the reach and penetration of this business and its scientific approach in dealing with customers and their needs.

RETAILING IN EASTERN INDIA
Organised retail in the eastern parts of the country is projected to cross Rs 10,000 crore by 2010, according to a CII and Images study on "East India Retail: 2010 & Beyond."
According to the study, Rs 4,500 crore will be invested in the region's retail sector over the next five years. This will help in the setting up of over 100 shopping and leisure centers offering 20 million sq. ft. of space for 10 hypermarkets, 75 department stores, 150 supermarkets and over 1,000 other new outlets.
In 2004-05, retailing in the region made up for Rs 2.2 lakh crore of total private consumption spending. In the last fiscal, the retail spends in Kolkata and its suburbs alone were around Rs 19,000 crore.
The study states that, over the last three to four years, organised retailing has picked up in the region with malls becoming operational not only in Kolkata but also in smaller cities such as Guwahati and Bhubaneswar.

Retail sales in the region during 2003-04 stood at Rs 1.99 lakh crore with a share of about 67 per cent of the region's total private consumption expenditure (PCE) that was about Rs 2.98 lakh crore. West Bengal accounted for about 38 per cent of the total PCE in the region followed by Bihar at 25 per cent and Orissa 13 per cent. Assam, Jharkhand and the North-Eastern States accounted for the remaining 24 per cent.

The study predicts that retail development will expand in the next five years to cover cities such as Jamshedpur, Cuttack, Durgapur, Puri, Asansol, Shillong, Jorhat and Dimapur. The food and grocery sector presented the most significant potential, accounting for 51 per cent of the total PCE in the region compared with 43 per cent for the country as a whole.

The next level of opportunities, in terms of product retail expansion, is seen in categories such as clothing and accessories, consumer durables, electronics and home improvement and healthcare products. Rural retailing also offered great potential in the long run in the Indian market. Still, organised retail in east India is at a nascent stage and will take at least three more years to grab a share of even one per cent, powered chiefly by Kolkata.

The East is fast emerging as a formidable retail market. The spread of retailing beyond Kolkata would create an integrated 'retail zone' which would change the way people in this part of India work and live.

RETAIL DEVELOPMENT IN KOLKATA MARKET:

Going by the 1991 census, Kolkata qualifies as the second largest metro market in India. On a comparative scale, nearly one out of every six shops located in the country's top 25 cities can be traced to Kolkata. Further the number of garment and cloth retail outlets in the city outstrips that of any other Indian metro. Research by the National Council of Applied Economic Research (NCAER) predicts that real spenders in India are likely to go up from a modest 28.6 million households to 90.9 million households by 2007. The decade gone by has already shown consumer spending in the economy accelerating at an average rate of 11.5% per annum. Organised retail is set to jump from 2% to 20% by the end of the decade and will claim about 30 million square feet of space across the country by 2007 the growth graph in the near future will be from Rs.5000crore to Rs.30000crore for the organised retail industry.
Kolkata being the principal retail-and-services market to a vast hinterland comprising of the eastern and the northeastern states of the country, the city also serves as a centre of trade and commerce for the region in proximity to Bangladesh, Nepal and Bhutan. The average Kolkatans spends Rs. 1000/- on a day out at the shopping mall while 12% splurge an upward of Rs.5000. according to a NCAER report and about 62% households in Kolkata had annual incomes of up to Rs.18000 in 1985-86 while just a decade later the figure had touched Rs. 25000 - 77000 for some 61% of the households. Kolkata in a way represents a metrozen's utopia as it has a delectable amalgam of the advantages of a metro city and the comparatively modest living costs of a non-metro town. As per the Report on Retail 2002 of Confederation of Indian Industries (CII) shopping trends in Kolkata have witnessed a radical shift and the future of retailing in the city lies in new-age shopping malls that provide variety, value, convenience and comfort.

In the readymade garment sector Kolkata offers a variety of retail formats to its citizens. This market can be classified as traditional markets, high street shopping, organised – small format and organised larger or medium format including exclusive business outlets. Kolkata has a large middle and upper-middle class population forming a huge pool of potential consumers. The key retail destinations are located in central Kolkata, in and around Maidan. A few of the prominent high street retail destinations include Park Street, Esplanade area, Camac Street, Shakespeare Sarani and Gariahat. The Eastern Metropolitan Bypass connecting North to South Kolkata and New Alipore has emerged as the city’s major growth corridors. The southern belt has, over time emerged as the city’s nerve centre, siring such prime developments as Hiland Park, Merlin Residency, Udayan and Golf Towers.

**Treasure Island**

Established in 1985, Treasure Island is situated in the heart of New Market in Esplanade region. The over 100-shop complex is one of the oldest retail market place in the city. The wares include apparels, jewellery and home durables catering mainly middle class markets. The market attracts a lot of repeat customers because of reasonable pricing, locational advantage and variation in products and have a large account of footfalls.

**AC Market**

AC Market is operating with a whiff of nostalgia for stirring sentiments for the last 30 years at Shakespeare Sarani. It offers all shorts of products ranging from shoes to apparels and accessories. The four-storey structure is the expression of a Russian architect’s design on an
expanse of 45000 square foot of land with total shop area of 80000 square foot, occupied by about 300 shops. On an average it is abuzz with a 1000 – 1200 customers from the upper middle class segment of society.

Vardaan Market
The three-storeyed shopping block has stood its 40000 square feet of ground on Camac Street for 20 years. The 325 odd shops lure with a bevy of offerings, from garments to consumer products. On an average some 5000 customers are estimated to show up on a daily basis. This market caters mainly to the upper middle class market and is located in the heart of the city.

New Market
New Market or SS Hogg Market on Lindsay Street is a line up of some 5000 shops, accessible through 30 gates, an average daily footfall of 40000 – 45000 and merchandise ranging from garments to flowers literally everything serving typically the middle class market.

Forum:
It is a two-lakh square feet mall, situated on Elgin Road, in South Kolkata with Shopper's Stop as anchor store. This shopping mall established by Sunsam properties within the Saraf Group was opened to the public in March 2003, with the launch of Shopper's Stop. Along with the retail brands having their outlets, the Forum also houses, a 300 capacity food court and a 4-auditorium multiplex called INOX. The multiplex, INOX has been the first of its kind in the city, having a sitting capacity for over 1000 viewers, and situated over 30000 square feet. Hence it can be really a great experience of shopping and movie going for the Kolkatans, who do not want to compromise on the quality aspect. The retail outlets at Forum have witnessed almost 30-35 % increase in sales after the opening up of the multiplex in 2003. Most retailers are extremely happy with the growth rate and expect their sales to increase further in the coming months. At INOX, ticket sales have been averaging at almost 90% of the theatre capacity – the highest box office sales amongst all the multiplexes in the country. Forum has truly changed the experience of Kolkatans with regard to shopping and entertainment in the city.

Christened Forum it was conceptualized and established by Sunsam Properties within the Saraf Group and was opened to the public in March 2003. Some statistics are as follows:
Other Facilities Available: Exhibition gallery, customer loyalty programme, automatic footfall counting machine, computer integrated management system, pub, bakery, tea lounge, food court, escalators etc.

<table>
<thead>
<tr>
<th>Level</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Shopping</td>
</tr>
<tr>
<td>2</td>
<td>Shopping</td>
</tr>
<tr>
<td>3</td>
<td>Shopping</td>
</tr>
<tr>
<td>4</td>
<td>Exhibition Gallery, fitness, entertainment, dining, pub, bakery, confectionery, tea lounge, ticket counter.</td>
</tr>
<tr>
<td>5</td>
<td>Food Court, crèche</td>
</tr>
<tr>
<td>6</td>
<td>Multiplex</td>
</tr>
<tr>
<td>Ground</td>
<td>Shopping</td>
</tr>
<tr>
<td>Lower Ground</td>
<td>Basement parking.</td>
</tr>
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</table>

Leading retail brands have found their way in the four storeyed complex and thereby into the city’s fashion-and-lifestyle lexicon. Among the first ones to claim space were Anokhi, Satya Paul, Bixarre, Cotton World, and Be:. Others that took up the lead include Nike, Benetton, Planet Sports etc. Shoppers’ Stop commands 55000 square feet in its capacity as the anchor store.

According to Retail Images the next few years will witness mall space in the city being augmented at an annual rate of about 0.4 to 0.5 million square foot before getting stabilized. So, Kolkata will be inundated with about 2 million square foot of mall space. Gujrat Ambuja’s City Centre saw Harshvardhan Neotia pulling as a winner. The South City mall on Prince Anwar Shah Road will beckon Kolkatans as a massive 5-6lacs square foot shopping cum entertainment centre. The super complex at 22 Camac Street stands Pantaloons’ second retail outlet as well as Westsides’ first venture of the city and caters to vast segment of kolkata’s middle and upper gentry and houses names such as Pizza Hut, Planet M, Grain of Salt and so
on. It has five key elements behind the success namely ample parking space, good location, larger footplates, a consumer friendly product mix and a restrained rent structure. Situated on the South-eastern flank of Gariahat crossing, Gariahat market has been the shopping idyll of the city’s middle and upper middle classes for over 66 years. Footfalls on weekdays range between 4000 and 5000 and can touch 7000 on a weekend. In terms of grandeur, the developers of Gariahat mall are leaving nothing to chance for shaping it as a dream destination for luxury, leisure shopping. The five-floor structure boast world-class facilities and ambience, an expensive atrium, high ceilings, capsule lifts and multi level access upto the top floor. The mall area approximates 80000 square foot and is accessible from every point in the southern belt of the city. So Kolkata now is reinforcing the need to align the business of retailing in the branded readymade garment sector with the demands of a changing and evolving customer base. It is a two way proposition that benefits both parties – the consumers, because he gets a wide range of products under one roof, is assured of high quality and gets the stuff at most attractive prices and the retailer, because he partakes of the overall mall experience, including the brand equity, reputation and customer traffic, besides standing to benefit from the umbrella promotional activities. A large part of the developers’ success story will depend on their ability to offer world class infrastructure at affordable rentals, backed by a professional team for mall management.
<table>
<thead>
<tr>
<th>Shop</th>
<th>Retail Brand Offering</th>
<th>Store Format</th>
<th>Opening Date</th>
<th>Showroom Area (sq.ft)</th>
<th>Level Ownership</th>
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<tbody>
<tr>
<td>Satya Paul Accessories</td>
<td>Ties/Men's</td>
<td>May, 2003</td>
<td>428</td>
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<tr>
<td>Adidas Sportswear</td>
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<td>Nike Sportswear</td>
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<td>United Colors Apparel Of Benetton</td>
<td></td>
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<td>----</td>
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<td>Men and women</td>
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<td>1737</td>
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<td>Dockers</td>
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<td>Cotton World Apparel</td>
<td></td>
<td>March, 2003</td>
<td>2250</td>
<td>3</td>
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<td>1408</td>
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<td></td>
<td>March, 2003</td>
<td>57578</td>
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<td>Pantaloons Stop</td>
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<td>Nov, 2001</td>
<td>60000</td>
<td>g,1,2</td>
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<tr>
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<td></td>
<td></td>
<td>38000</td>
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</tbody>
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Source: IMAGES Research.

Khadim’s

The company offers products like Premium shoes, Gents’ shoes, Ladies’ shoes, Kids’ shoes, and Leather Accessories. Khadim’s has become the destination for people from all walks of life, with a great range of footwear to choose from. The motto of the company is to provide good quality fashionable shoes at affordable prices. Khadim have also ventured into the lifestyle retail chain venture with the chain known as Egaro in Howrah and Bhawanipur. Their first venture was in Kanchrapara, a locality which lies in the outskirt of the city, naming Khadim Khazana in 2004, which became very successful.
Sree Leathers entered the Kolkata market in 1987 with its first outlet in the city at Lindsay Street, which became hugely successful. The company's second mega outlet at Free School Street, which has a floor area of more than 7500 sq. ft., provides a great shopping experience to its customers. Today the company has a number of outlets scattered over West Bengal, Orissa and Bihar, and has ventured into the international markets of the Middle East, Singapore, Maldives, USA, Denmark, Greece, Germany, Netherlands and Austria. Sree Leathers has started a new R&D section under the guidance of Italian and German experts, to enhance the comfort level of its products, and has plans of setting up a modern footwear factory at Kasba Industrial area in Kolkata.

The medium and large-format, branded and non-branded shopping complexes or malls, which have come up in Kolkata, and are operating successfully, are:

**22 Camac Street:**
This large format-shopping complex is located on Camac Street. The retail brands like Pantaloons, Westside, Pizza Hut, Planet M, Grain of Salt and Add Life, have already set up their outlets in the complex. It has four distinct blocks with a common atrium. The most advantageous aspect here is its huge parking space in the basement. It also houses smaller multi-branded outlets. The footfalls stay steady throughout the week and gets to an uncontrollable high over the weekend. Some of the outlets rank among the leading individual retail outlets of the country. The total floor area of the complex is 380,000 square feet, and has four restaurants and three banquet halls.

**Metro Plaza:**
Situated on Ho Chi Minh Sarani, this is basically large-scale retail cum office development area. The lower three floors with an area of 50,000-60,000 square feet is meant for retail business. Along with the retail units there is also a space for bowling, which is frequented by younger people.

**Emami No.1:**
This mall is located on Lord Sinha Road. Its close proximity to the Chowringhee-Park Street belt helps it to cater to a large section of quality conscious consumers. The usual facilities of power backup, vertical transportation and parking are available over here. The biggest disadvantage that it faces is its car parking area, which has a meager capacity of just 70 cars.
at a time. The biggest attraction here is its “Landmark bookstore” on the third floor, which has a wide range of books, music and stationary items.

City Centre:
The recently inaugurated ‘City Centre’ project adds another feather to the already vibrant retail business in the city. The project, promoted by industrialist Harshvardhan Neotia, and located at Salt Lake, has been designed by one of India’s best known architects, Charles Correa. ‘City Centre’ is a dynamic mix of shopping mall, Cineplex (INOX), entertainment area, food court, offices, and residences- nestling amidst open spaces, lush greens, and the contours of an ideal cityscape. Big brands like Shopper’s Stop and Adidas have set up their shops in the complex. There are several aspects to ‘City Centre’; with no boundaries to separate it from the street, it is open to everyone- all income and age groups. The Complex has a parking space for as many as 800 cars, 14 entry and exit points, and large spaces to amble around. The ‘City Centre’, which is the single-largest architectural endeavour in Kolkata in recent times, has truly changed the way the city looks, and complements the city’s artistic heritage. The location of the project makes Salt Lake the epicenter of not just its immediate population (nearly half a million), but also of the upcoming, adjoining township of Rajarhat (with an expected population of about 750,000).

Enclave:
Spread over 36,000 sq. ft., the Enclave, has come up at up-market Alipore, and has five shopping levels, and an open-to-sky atrium. The complex, promoted by the Calcutta Metropolitan Group, has fine restaurants including Food Bar, Red Bar, Cookee Bar, coffee shops, a childrens’ entertainment zone named ‘Kool Kids’, among other facilities. Another prominent supermarket, which offers a wide range of products, and provides customers with a great shopping experience, is C3- the Market Place. The shop commands over 6100 sq.ft. in the heart of Kolkata, at Lee Residency, 26, Lee Road. The approximately 25,000-strong product menu includes a wide range of products like fresh fruits and vegetables, rare herbs, groceries, ready-to-eat food, personal-care items, confectionaries, chocolates, home-care products, newspapers, magazines, and so on. A number of prominent projects in the retail sector are coming up in Kolkata. Some of these are:

South City:
The upcoming, 31-acre South City project promises of a lifestyle of international standards. The project will have four 35-storey residential towers, a sprawling club, a shopping mall with
entertainment zones, and a multiplex. Modern technology will ensure earthquake resistance, high-speed elevators, adequate firefighting and protection systems, internal security and traffic management, and all conceivable civic comforts. The in-complex South City Academy, spread over 3.5 acres, will be equipped with a learning resource center, gym, cafeteria, an auditorium for extracurricular activities like debates, dramatics, and sports, and a soccer field. The South City Club will have an air-conditioned sports center, guest rooms, banquet facilities, swimming pools, a dining restaurant, a pub lounge, a business center, and a health club, among other things. The mega complex will also have India’s largest shopping mall- the Junction, spread across an area of 700,000 sq.ft., which will have large anchor stores, a multiplex, a food court, a six-screen Cineplex, an entertainment zone, and parking space for nearly 800 cars. The team behind this big venture comprises a host of experienced architects and developers. Among them are: Dulal Mukherjee & Associates (the principal architects); Smallwood Reynolds Stewart Stewart & Associates Inc., the Atlanta-based international design consultants; Peridian Asia PTE Ltd., Singapore-based landscape architects; Meinhardt (Singapore) PTE Ltd., structural consultants; and MN Consultant, structural engineers.

**Mani Square:**
Mani Square, a real estate project on a 4-acre plot next to Apollo Gleneagles Hospital on E.M.Bypass, will have a 500,000 sq ft. space, which will include a technology park, a 6-screen multiplex, a food court, business club, a multilevel 1000-car parking area, a 40,000 sq ft. hypermart (“Giant”), as well as other direct retail stores. Designed and engineered by SAA Architects of Singapore and Meinhardt of Australia, and promoted by the Mani Group, Mani Square will be the single stop solution to all requirements of modern-day professionals and customers. The project will have ready-to-use centrally air-conditioned offices with 100% power back up, leaselines and round-the-clock support services, which will be extremely attractive for IT and ITeS companies. Retail giants like Lifestyle, Westside, Shoppers’ Stop and Cineplex majors like Shringar and PVR have already shown interest to set up units in the complex.

**Fort Knox:**
Fort Knox, a mega jewellery mall, owned and promoted by the Fort Group, is scheduled for a September 2004 inauguration. The project, a 9-storied complex, on an area of approximately 80,000 sq.ft., will have an estimated 37 showrooms, 40 offices, backed by 4 lifts, 8 escalators. The Fort Group is confident about eliciting a positive consumer response, and providing the
customer with a comfortable, secure, and refreshing shopping experience, by creating access to the best products, from the best jewelers, at the best prices. The project, which is coming up at Camac Street, will have a formidable line-up of security measures including alarm system with instant links to the police headquarters and fire services, 24-hour armed security guards, etc.

Gariahat Mall:
Gariahat Mall, which is coming up at an area between the Gariahat crossing, and the Rashbehari- EM Bypass Connector, will approximately be of 80,000 sq.ft., and will be accessible from every point in the southern belt of the city. The 5-floor structure will boast of world-class facilities and ambience, an expansive atrium, high ceilings, capsule lifts, and multi-level access up to the top floor. The scientific fusion of lofty ceilings, flat slabs, and a central atrium illuminated by natural light, is intended to evoke a sense of space, height, and depth. While an entire block has been earmarked for the anchor shop, the 3rd and the 4th floors are entirely reserved for jewellery outlets, and the 5th floor will house restaurants and eating-places. Toplight Commercials Ltd. (TCL), one of the prominent real-estate developers in Kolkata, and the promoter of the mall, expects to complete the project by December 2004.

Metropolis:
The 1,41,000 sq.ft. ‘Metropolis’ will be one of Kolkata’s newest retail-cum-entertainment addresses. The complex will have a 4-screen, 1000-seater Cineplex, a 6-outlet food court, a sports bar, a restaurant, and a 350-capacity car park. Being developed by the Calcutta Metropolitan Group (CMG), the ‘Metropolis’ is designed by the reputed architectural firm, Peddle Thorp International of Hong Kong, and will come up at an area adjacent to CMG’s prestigious existing residential complex, ‘Hiland Park’, which has about 900 apartments and 35 penthouses. ‘Metropolis’ will have the Hyatt Regency, ITC Sonar Bangla, Peerless Hospital, and Udayan Condoville among its distinguished neighbours.

Pam Shopping Centre:
The marvelous Pam Shopping Centre, promoted jointly by Pam Developers, and the Kolkata Municipal Corporation, is scheduled for an end-August (2004) inauguration. This 60,000 sq. ft. eye-catcher at Rashbehari Avenue, will boast of a unique reflective glass curtain, and an artistically landscaped entrance ramp, besides having five levels of shopping. The Complex will have shops selling a wide range of products including garments, and jewellery.
Homeland:
Homeland, a 1,00,000 sq. ft. exclusive shopping mall, promoted by the Merlin Group, is coming up in the heart of Central Kolkata, close to Chowringhee and Elgin Road crossing. The five-storied, centrally air-conditioned shopping center will have stylish spaces ranging from 300 sq. ft. to 2000 sq. ft., and spacious exhibition and product launch area. The mall will also have ATM centers at convenient points, internationally styled café and food stops, 24-hour power backup facility, and adequate car parking facilities.

Silver Springs:
'Silver Springs', a prestigious joint venture project between Bengal Silver Springs Projects Ltd. and the Kolkata Municipal Corporation, is due for a December, 2005 completion. Shapoorji Pallonji has done the piling of 'Silver Springs', and renowned architect J.P. Agarwal has designed the project. The project will have around 500 residential flats, 10 high-rises of 18 and 14 stories, a magnificent shopping mall named 'Silver Arcade', of 70,000 sq.ft. area, and a 'Spring Club' of an area of 70,000 sq.ft. The vendors at the shopping mall include Mainland China and a Hyundai dealer-showroom. 'Silver Arcade' will be a G+3 mall, with the 3rd floor being taken up by Mainland China for 3 speciality restaurants; while the 2nd floor will have a Food Court with 17 multi-cuisine food counters. The mall will be backed by a large parking space for 150 cars. 'Silver Springs' will boast of a modern, up-market residential complex, the shopping mall, 'Silver Arcade', a Montessori School, an AC Community Hall, among other new-age facilities.

The East is fast emerging as a formidable retail market. The spread of retailing beyond Kolkata would create an integrated 'retail zone' which would change the way people in this part of India.

Images Report 2005 on Shopping Centre Development in India:
The fast growing middle-class population and the rise in women workforce and consumerism over the decade are the major force in driving demand in the retail sector. To the present generation shopping means much more than a mere necessity and malls are now fast becoming image benchmarks for communities. The future of Indian malls is in the Hybrid format, the Discount malls and Gen X malls that have emerged as the hottest concepts in 2005.
1.4 SOME REPORTS:

Chesterton Meghraj findings:

Middle-class forms 20-25% of the total population (200-250 million), and is driving demand in the retail sector.

Increased spending by India's middle class is estimated to be over US$ 300 million.

Lifestyle orientation of people is changing: The super rich class of 17 million will increase to 35 million in 5 years.

Over 40 million in India have same purchasing power as Americans.

Overall consumer spending grew at a pace of 6% pa in last 10 yrs.

Around 75% of population in India is under 40 years of age.

Among factors that spurred the mall mania on: Dearth of organised retail for one and the demand to replicate the mall experience of shopping in foreign countries was the other reason.

Age of Gen X malls: Greater than 500,000 sq. ft. with large entertainment area, ample parking spaces.

Enter Discount malls: At least 5 outlets in each of the major cities this fiscal - to provide goods that are at least 25-50 per cent cheaper than the retail price, manufacturers can directly sell to the end-users.

Hotel shopping plazas gaining popularity:

Traditionally hotel retail was restricted to jewellery and handicraft items but post 2003 this is changing with various international retailers entering the market preferring the hotel environment more suitable to get a feel of the market. Assessing this demand, new upcoming
hotels are incorporating distinct retail areas in their plans on the lines of Grand Hyatt in Mumbai and Leela Galleria in Bangalore.

Jones Lang Lasalle findings:
Hotel shopping plazas, with sizes varying from 10,000-220,000 sq. ft. each will be coming up in large numbers in coming two to three years.
Existing hotels are making efforts to revamp and expand their existing retail spaces.
In 2004-2005 Oberoi Hotel Delhi, Taj Mahal, Mumbai, Imperial Hotel Delhi, Maurya Hotel, Delhi have seen prime retail space being increasingly leased to high-end retailers.
Apparel consumes more than 50% of this hotel retail space. These implies that in the coming years there will be a good augmentation of the “Tourist Shopping” in the city.
Acute shortages of anchor retailers are there in these hotel-shopping plazas.
One of the key challenges for a developer in India today is the lack of choice with respect to anchor retailers that is limited to a total of less than 15 as of now and clearly presents a demand-supply imbalance, especially with more than 300 shopping mall projects coming. For the developer, this means inability to create a distinctive positioning and character for the mall and also inability to replace a "not so well performing" retailer with a better performing one.

Price Waterhouse Coopers findings:
Majority of upcoming mall developments remain fragmented and sub-optimally planned.
In near future there is likelihood of a shakeout within shopping mall business.
Emergence of few large, dominant and relatively more professionally managed national or regional organisations and a host of specialty or niche local players are likely to come up within the next decade.
With globalisation of the real estate sector, shopping malls of international scale and quality would soon emerge.

With FDI, India can replicate the Chinese experience in retail growth: Food and apparel most happening sectors India is the most compelling opportunity for retailers in 2005 though “timing” is one of the most crucial decisions in retail, which if not tackled properly, can cause retailers to exit the market. Fierce domestic competitors and shaky infrastructure are among the major obstacles for international retailers, says A T Kearney report. The success story of China is a glaring example where the domestic retail industry is still thriving despite FDI. Food and apparel present the greatest opportunities for global retailers in the Indian retail market, the study says.
A T Kearney findings:
In 2005, India offers most compelling opportunity for retailers.
India’s retail industry (food and non-food) is the second largest employer after agriculture.
India’s retail industry is world’s second largest untapped market (after China).
Department of commerce has recently proposed that 100% FDI be allowed in retailing.
Benefits from FDI: A multiplier effect on the economy as a whole, manufacturing, and food processing, packaging & logistic services to gain.
FDI to bring significant increase in employment in front-end and supply chain streams.
FDI to lead to greater export opportunities for Indian suppliers, due to increased sourcing by major players.
Strong retailing sector will boost tourism as seen from the experience of Singapore and Dubai.
In China: FDI permitted in 1992; retail sales have grown at the rate of 15% CAGR year on year; initially FDI was restricted to 49% equity shareholding, restrictions have gradually been phased out.
Since 1992, foreign retailers have pumped USD 3 billion into China, have set up more than 2,200 branch stores, yet sales of foreign retailers make up less than 3.5% of all retail sales in China, indicating that the domestic retail industry is thriving.
Food and apparel present the greatest opportunities for global retailers in India - most of the growth over the next few years is expected to be in these two sectors.
REITs can provide better finance solutions for retail estate:
Financial structuring is among the most crucial aspects in mall development as the cost of a retail development is generally 40 per cent higher than any residential or commercial development and the mall takes 4 to 12 months post construction period operations to get fully occupied. REIT (Real Estate Investment Trusts) can provide a good alternate financing solution to retail real estate development as they bring in the flexibility to rope in retail investors and still maintain the overall control on the tenant mix and other aspects of the mall management, says the study by Cushman & Wakefield.
Cushman & Wakefield findings:
Cost of a retail development is generally 40% higher than residential or commercial developments and malls take 4-12 months post construction period to get fully occupied.
REITs can provide a good alternate financing solution to retail real estate development.
Ongoing mall projects estimated to require construction cost funding of approx INR 128 billion. In the next stage of large-scale stabilisation, more sophisticated funding mechanisms will emerge. The Indian retail real estate market is poised for an even greater revolution in the years ahead.

**Concept based positioning more important than design or looks.**

During the last ten years, four clear shopping center models have emerged and they are the Family Center, the Fashion Center, the Themed Mall experience as a leisure enhancement for tourists, and the Community based center where each types suggests quite different approaches to the interiors. Colour and materials are still important, but they're no longer the most important aspects. Facilities, number of outlets, type of merchandise etc have taken over the places. Modern retail practices and mall management call for expertise in various specialised fields and for sure the country is deficient in terms of trained professionals for these tasks, in retail as well as retail real estate - this is one major challenge that the industry will need to address in right earnest.