Chapter 3

Overview of Retailing industry
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3.1 Introduction

The origin of retail as old as trade, the development of trading is intimately associated with the social developments over the ages. The whole sale business actually developed with the advent of the traveling salesman. The success of wholesales business led to the emergence of the department store.

Retail in 1916 evolved in many ways over the twentieth century. The concept of self service in shopping started. This concept of self service helped the retailer reduce costs, as fewer workers are required to service the customers.

Growth of large retailers was fuelled by the rapid spread of mass production to more and more product categories. Brisk industrialization ensured replication of large volume production techniques to innovative areas such as processed foods. Improving transport facilities enabled retailers to gun for volume-driven procurement. This set the ball roiling for organized retailing-targeting economies of scale through bulk purchase and advertising led growth.

Technology applications in long-distance transportation refrigerated vehicle transport spurred retailers to expand their operation and set up chain stores. Personal transport improvements for customer played down the distance actor for them while shopping. This phase resulted in heavy investment driven multiple store chains cropping up.
Size became a factor when competition impacted margin of retailers and they embrace high turnover, low margin growth strategy. Size became directly proportional to product categories, choice for shoppers and the need to build economies of scale through high volumes.

With the growth in size, competition, product choice and technology to procure and manage operations, retailing progressed continuously on the organized platform. Embracing effective corporate styles of functioning became a norm for heavy investment led retail chains.

It is quite evident that retailing is now getting more and more organized in India. Malls, supermarkets and discount stores have mushroomed in most of the major cities in last few years. The Indian retail market growth is estimated to be 15% per annum, right from food, apparel, durable goods and even in services, the merchandise mix and the way the shopper experience is designed has transformed the retail landscape.

The success of organized retailing entails, the professional management of retail outlets, store design, visual merchandising, supply chain management, category management, employee selection and training profitability, expansion, customer retention and creation of appealing, value propositions. In countries where organized retail industry is already big, consolidation and turnarounds are being accentuated by operational innovations. Strategies successful a decade ago being revamped, e-tailing, while adding a new distribution channel, also offered several lessons and forced brick-mortar retailers to have a fresh look at the very fundamentals of their business.
Retailing has evolved into a very specialized field within the market today; customer focus should drive all marketing efforts. This dictum becomes increasingly prominent as competition intensifies. Lured by the materialistic tendencies and conspicuous consumption patterns among customers, competitors had ventured into every retail format that is possible. Chains of supermarkets, hypermarkets and discount stores are operating and expanding their presence. The result: wider choice within a format for customers.

Customers now enjoying tremendous choice in not only select what to buy but also where to purchase. It is not uncommon to find competing departmental store and supermarkets located near each other. This increased competition forces the retailers to factor in customers perceptions, attitudes, preferences and lifestyles. Ease of shopping, location and size of store, return policy, service experience, quality, pricing policies, discounts, display layout and entertainment option – all contributes to the value of propositions.

The emergence of the super markets at the end of World War II reordered the retail scene, the retail boom continued. Theses stores appeared to meet the needs of the blue collar workers. The new formats gave the customers the choice of picking a product, of comparing it with others and taking a decision on buying. This required that the products were displayed and packed attractively. It is also required to provide all the information with respect to the price date of manufacture and expiry, weight and content. On the product itself, to aid decision making. The mass merchandisers worked on three principles of modern selling;
> They fixed product prices before sale, and the customers brought at the set prices.
> The prices were determined on the basis of the stock turns and the amount of profit that would be generated from the product.
> They departmentalize the products, accounting systems were devised to determine the contribution of various departments and enabled them to drop unprofitable goods.

As the need of consumers grew and changed, this leads to the emergence of commodity specialized mass merchandisers, this also witness the use of technology in the retail sector. Shopping malls were created to provide for all of a consumer’s needs in a single, self contained shopping area. A large branch of a well known retail chain usually serves as a mall’s retail flagship, which is the primary attraction for customers.

### 3.2 Retailing Formats

The retail business operates in a dynamic environment. The changing customer demands, opening up of markets, technological developments and ever increasing competition, all affect the retail business. New retail formats are constantly evolving.

#### 3.2.1 Evolution of Retail Formats:

The origins of retail are as old as trade itself. Barter was the oldest form of trade. For centuries, most merchandise was sold in market places or by peddlers. Medieval markets were dependent on local sources for supplies of perishable foods because journeys were far too slow to allow
for long distance transportation. However, customers did travel considerable distance for specialty items.

3.2.2 Social Development and their Impact:

The development of trading is intimately associated with the social developments over the ages. Two important developments of the eighteenth century—the development of railroads and that of telegraphs—largely affected the growth of the retail trade. Orders could be placed and confirmed by telegraph and the goods arrived by train. The wholesale business actually developed with the advent of the traveling salesman. The success of the wholesale business led to the emergence of the department store.

3.2.3 Industrial Revolution:

The industrial revolution necessitated dramatic changes on the retail front. The increase in urbanization meant that consumers were now clustered in smaller geographic areas. Firstly, this led to the emergence of shops, to serve the needs of the locals. The middle-income consumers increased, and mass transportation became a way of life. Secondly, mass manufacturing made it possible to manufacture goods in very large quantities. This meant that a manufacturer could rarely sell the produce directly to the consumers. Since quantities were high, the number of customers required was also large. Thus, longer distribution channels evolved, as did mass merchandisers.

The importance of food to the working class customers and the difficulties faced by them in procuring the food products led to the emergence of co-operative societies in the United Kingdom. By the year
1990, these societies had achieved six to seven percent of the retail sales the country.

3.2.4 Emergence of Self-service:

Retail evolved in many ways over the twentieth century. Self-service as a concept started in 1916. The concept of self-service helped the retailer reduce costs, as fewer workers were required to service the customers.

3.2.5 Supermarkets:

The 1930s saw the emergence of the supermarkets. The end of World War II reordered the retail scene—though the retail boom continued. It also saw the emergence of discount stores. These stores appeared to meet the needs of the blue-collar workers. The first hypermarket that was developed was Carrefour in France, in 1963. The new formats gave the customer the choice of picking up a product, of comparing it with others and then taking decision on buying. This required that the products were displayed and packaged attractively. It also became necessary to provide all the information with respect to the price, date of manufacture, and expiry weight etc. on the product itself, to aid decision making. The mass merchandisers worked on three principles, which have now become the fundamental principles of modern selling:

- They fixed product prices before sale, and the customers bought at the set prices.
- The prices were determined on the basis of stock turns and the amount of profit that would be generated from the product.
• They departmentalized the products. Accounting systems were devised to determine the contribution of various departments and this enabled them to drop unprofitable goods.

3.2.6 Specialty Stores, Malls and Other Formats:

As the needs of the consumers grew and changed, one saw the emergence of commodity specialized mass merchandisers in the 1970s, The seventies also were witness to the use of technology in the retail sector with the introduction of the ‘barcode’. Especially chains developed in the 80s, as did the large shopping malls.

Shopping malls, a late 20th-century development, were created to provide for all of a consumer’s needs in a single, self-contained shopping area. Although they were first created for the convenience of suburban populations, they are now found in many main city thoroughfares. A large branch of a well-known retail chain usually serves as a mall’s retail flagship, which is the primary attraction for customers.

In Asian countries, many malls house swimming pools, arcades and amusement parks. Hong Kong’s City Plaza shopping mall includes one of the territory’s two ice rinks. The Mall of America, which opened in 1992, employs more than 12 thousand people and is over 98% leased. Visitors spend an average of three hours in the Mall, which is three times the national average for shopping malls. The Mall of America is one of the most visited destinations in the United States, attracting more visitors annually, than Disney World, Grace land and the Grand Canyon combined. Malls have also become a rage in Asia and The Times Square, Kuala Lumpur, with a built-up area of 7.5 million sq.ft.(697,000 sq.m.), is
the world’s largest integrated complex built in a single phase. It’s also the biggest shopping mall in Asia.

3.2.7 Rise of the Web:

The world of retail changed yet again in 1995, Amazon.com opened its doors to a world-wide market on the web. With the growth of the World Wide Web, both retailers and consumers can find suppliers and products from anywhere in the world.

Thus, the evolution of retail formats worldwide has been largely influenced by a constantly changing social and economic landscape. One of the main reasons for new formats emerging is the consumer himself. Today’s consumer, when compared to the consumer of the earlier generation, is definitely more demanding and is focused on what he wants. Consumer demand is the prime reason for the emergence of various formats.

The retailer, on the other hand, has been influenced by factors like the availability of real estate, and the increase in its prices. He is faced with the challenge of adding on new services and the need for differentiation. This has led to specialisation and the emergence of specialists. Supply chain complexities and the increasing pressure on margins have also forced the retailers to look at new formats.

3.2.8 Phases of Growth of Retail Markets:

Retail markets also pass through a life cycle and distinct phases of growth. Development of organised retail started in the western markets much before it did in the rest of the world. These markets are characterised by the existence of definite formats. The retailers have a
national and many a times, an international presence. However, expansion in the domestic market has started declining and customer loyalty is a key issue.

Markets of South Asia like Singapore, Malaysia, Thailand and Bangkok, have reached a stage of maturity. The stage can last from five to ten years. It is characterised by a large number of formats and a shift towards specialisation. Retailers have a national and at times, an international presence. In this stage, it becomes imperative to control the supply chain costs. Private label merchandise is very important as it contributes significantly to the profitability. Customers are demanding and expenditure incurred in servicing the customers increases.

The Indian market has just entered the stage of growth. The Growth Stage can last from 15 to 25 years. During this phase, various retail formats start emerging. Many retailers move from a local to a national presence. The concept of the retailer's private label starts emerging. Expansion and growth is rapid. Integration of processes through the use of information technology becomes necessary.

The rapid stage in the evolution of markets is the stage of Inception. Most retailers in such markets have a local or regional presence. Availability of retail space is limited and the cost of acquiring the same is fairly high. In this stage, retailers face high logistics costs and investments in the use of technology are low. The cost of acquiring finance for retail is also high. Traditional formats of retail are predominant and creating customer loyalty is an issue.
3.2.9 Classification of Retail Stores:

Retailing has changed dramatically from the day of general store. Retailers range in size from small, independent, owner-operated shops like the local florist, dry cleaners, or barber, to national and international giant category killers. As the Indian retail market is just beginning to evolve, one again needs to look at the formats which have evolved over a period of time in the west. The basic classification done is store-based retailers and non-store retailers. The store-based retailers can be further classified on the basis of the merchandise that they offer, or by the manner of ownership. Some of the prominent retail formats are classified as under;

![Classification of Retail Stores](image)

**Fig. 3.1 Classification of Retail stores**

3.2.9.1 Classification on the Basis of Ownership:

On the basis of ownership, a retail store can be an independent retailer, a chain retailer or a corporate retail chain, a franchise or a consumer co-operative.
An independent retailer:

An independent retailer is one who owns and operates only one retail outlet. Such an outlet essentially features the owner & proprietor and a few other local hands or family members working as assistants in the shop. Many independent stores tend to be passed on from generation to generation.

In India a large number of retailers are independent retailers. Stores like the local baniya/kirana stores and panwala, are examples of independent retailers. The ease of an entry into the retail market is one of the biggest advantages available to an independent retailer. Depending on the location and product mix that he chooses to offer, he can determine the retail strategy. The independent retailer often has the advantage of having a one to one rapport with most of his customers. However, on the flip side, the advantages of economics of scale and the bargaining power with the suppliers is limited.

A Chain Retailer or a corporate retail chain:

When two or more outlets are under a common ownership, it is called a retail chain. These stores are characterised by the similarity in merchandise offered to the consumer, the ambience, the advertising and the promotions. Examples in India include Wills Sports (ITC), Louis Phillipe, Van Heusen (Mudra Garments), Arrow (Arvind Mills), and department stores like Globus, Westside and Shopper’s Stop, Food World, Music World, Planet M, etc. are also examples of chain retailers.

The biggest advantage that a chain retailer has is the bargaining power that the retailer can have with the suppliers. Cost effectiveness is also possible in advertising and promotions. Since chains expand across
cities and regions, it may not always be possible to take into account the regional, or rural and urban preferences. The ability to give attention to each of the stores becomes fairly restricted.

Franchising:

A franchise is a contractual agreement between the franchiser and the franchisee, which allows the franchisee to conduct a business under an established name, as per a particular business format, in return for a fee or compensation. Franchising may be for the following:

❖ A product or a trade mark franchise – where the franchisee sells the products of the franchiser and / or operates under the franchiser’s name. Archie’s stores, which have come up all across India, are an example of product franchising.

❖ A business format franchise – McDonald’s is perhaps one of the best examples of business format franchising.

Under both the above mentioned methods of franchising, the franchise may be for a single store, a multiple number of stores for a region or country. Companies like Arvind Mills, Madura Garments, and Benetton have expanded in India by opening franchise outlets for their brands. International fast food retailers like franchising.

Leased Departments:

These are also termed as shop-in-shops. When a section of a department in a retail store is leased or rented to an outside party, it is termed as a leased department. A leased department within a store is good method available to the retailer, for expanding his product offering to the
customer. In India, many large department stores operate their perfumes and cosmetics counters in this manner. A new trend emerging in Indian retail is that of larger retail chains setting up smaller retail outlets or counters in high traffic areas like malls, department stores multiplexes and public places like airports and railway stations. These stores display only a fraction of the merchandise/products sold in the anchor stores. Their main aim is to be available to the consumer near his place of work or home.

**Consumer Co-operatives:**

A consumer co-operative is a retail institution owned by its member customers. A consumer co-operative may arise because of the unsatisfied consumers, whose needs are not fulfilled by the existing retailers. As the members of the co-operative largely run these co-operatives, there is a limitation on its growth opportunities. Examples of co-operatives in India are the Sahakari Bhandars and Apna Bazaar shops in Mumbai and the Super Bazaar in Delhi.

**3.2.10 Classification on the Basis of the Merchandise Offered:**

If retailers are to be classified on the basis of the merchandise mix that they offer to their customers, they may be very broadly classified as the food oriented and the general merchandise retailers. Within this classification, we can further classify them on the basis of the target market that they cater to. Speciality stores, department stores and convenience stores cater to a very specific target market. They are hence, many times referred to as product/service retailers. In contrast, the supermarkets, discount stores, hypermarkets and off price retailers cater to a mass market and are often called traditional product retailers.
Convenience Stores:

These are relatively small stores, located near residential areas. They are open for long hours, seven days a week and offer a limited line of convenience products like eggs, bread, milk, etc. The store size ranges from 3,000 to 8,000 sq.ft. and they are targeted at customers who want to make their purchases quickly. Though convenience stores per se, do not exist in India, the retail stores which have started coming up at petrol pumps in major Indian cities, like the HP Speed Mart and In & Out can be termed as convenience stores.

Supermarkets:

These are large, low cost, low margin, high volume, self-service operations, designed to meet the needs for food, groceries & other non-food items. This format was at the forefront of the grocery revolution, and today, controls more than 30 percent of the grocery market in many countries. Internationally, the size of these stores varies from 8,000 to 20,000 sq.ft. ASDA, Safeway, Kroger, and Tesco are some of the large international players. The concept of Every Day Low Pricing (EDLP) is followed by some retailers. Under this, the prices charged by the retailers are lower than those charged by other grocery retailers in the area.

While there is no standardisation on the parameters of what makes a supermarket in India, it is one of the fastest growing segments. Many traditional retailers are refurbishing their stores and christening themselves as supermarkets. However, some of the well-established ones are Nilgiri’s, Food world, Subhiksha and Vitan.
Hypermarkets:

These are huge retail stores occupying an area which ranges anywhere between 80,000 to 2,20,000 sq.ft. They offer both food and non food items like clothes, jewellery, hardware, sports equipment, cycles, motor accessories, books, CDs, DVDs, videos, TVs, electrical equipment and computers, and combine the supermarket, discount & warehouse retailing principles.

The hypermarket concept was pioneered by Carrefour in France. A distinguishing feature of hypermarkets is their large size. The cheapest prices will normally be found in these stores. Across the world, hypermarkets are usually part of a retail park with other shops, cafeterias and restaurants. They almost always have their own petrol station on the site. Other facilities on the site include banks with cash machines, photo processing shops and pharmacies. Internationally, hypermarkets are located at the outside of major towns and cities.

Specialty Stores:

These are characterised by a narrow product line, with a deep assortments in that product line. Specially stores usually concentrate on apparel, jewellery, fabrics, sporting goods, furniture, etc. They have a very clearly defined target market and their success lies in serving their needs. Personal attention, store ambience and customer service are of prime importance to these retailers.

Internationally, most specialty retailers operate in an area that is under 8,000 sq.ft. Examples of international retail chains, which are specialty retailers, include The Gap, Ikea, High & Mighty, Big & Tall, etc. In India speciality stores is one of the fastest emerging formats.
Examples of speciality stores in India include retail chains like Proline fitness station, Gautier furniture, etc.

A new type of a speciality retailer has emerged in the West – this is the category killer. A category killer is a speciality retailer, which offers a very large selection in the chosen product category, and economical prices. Category killers are successful because they focus on only one category. They stock deep (e.g. Toys R Us has 10,000 toy items in a store, as compared to 3,000 in a department store), they buy and sell cheap and finally, they dominate the category. Toys R Us is a good example of an international category killer. Nalli’s in Chennai can be termed as a category killer in sarees, as also the Chandana Bros saree chain in Andhra Pradesh and Toys Kemp in Bangalore. Mumbai has one such category killer – The Loft, a 15,000 sq.ft. store catering to footwear alone.

Department stores:

Department stores, as retail format, originated in the middle of nineteenth century. This format of retailing is popular in many parts of the world. In broad terms, a department store is a large-scale retail outlet, often multi-levelled, whose merchandise offer spans a number of different product categories. The merchandise of various departments is displayed separately in the store. Apparel and furnishing are two of the most common product categories in most department stores. Some of the well-known international players in this format are Marks & Spencer, Sears, J.C.Penny, Harrods, Selfridges, etc.

While department stores have been around in India for a long time, this format of retailing has seen a fair amount of action over the past few
years. The size of an average Indian department store varies from 20,000 to 40,000 sq.ft. and stocks anywhere between 50,000 to 1,00,000 SKUs. Some of the national players are Shopper's Stop, Globus, Westside and Lifestyle, while others like Akbarally’s, The Bombay Store, Benzer in Mumbai, Ebony in Delhi and Chermas and Meena Bazaar in Hyderabad, are the prominent local players.

**Off Price Retailers:**

Off-price retailers sell merchandise at less than the retail prices. Off-price retailers buy manufacturers, seconds, overruns and/or off seasons, at a deep discount. The merchandise may be in odd sizes, unpopular colours or with minor defects. Off price retail stores may be manufacturer owned or may be owned by a specially or departmental store. These outlets are usually seen by the parent company as a means of increasing the business. Factory outlets, if owned by the manufacturer, may stock only the company’s merchandise. Examples include the Pantaloon factory outlets, the Levi’s factory outlets, etc. On the other hand, off price retailers owned by a specially or departmental store, may sell merchandise acquired from other retailers. This format largely depends on the volume of sales to make money.

**Catalogue Showrooms:**

Catalogue retailers usually specialise in hard goods, such as houseware, jewellery, consumer electronics. A customer walks into this retail showroom and goes through the catalogue of the products that he would like to purchase. Some stores require the customer to write out the product code number and hand it over to the clerk, who then arranges for the product to be brought out from the warehouse for inspection and
purchase. Some of the popular catalogue showroom retailers in the world include Argos, Service Merchandise and Best Products.

3.2.11 Non-Store Retailing:

The ultimate form of retailing directly to the consumer is the non-store retail venture. It may be broadly classified into direct response marketing. While direct selling involves a direct, personal contact, in direct response marketing, the customer becomes aware of the products/services offered through a non personal medium like mail, catalogue, phone, television or the internet.

Direct Selling:

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

The direct selling industry, which started out in India in the mid-1990s, went through a bad phase before attaining a significant worth of Rs 1,500 crore today, and it continues to record a 25-30 percent growth.

The Indian Direct Sellers Association (IDSA) has compiled a comprehensive report on domestic and international patterns followed by the direct selling industry. According to the survey, the global turnover of the direct selling industry has more than doubled over the last 10 years, from US $33.32 millions in India, has been witnessing a 60-65 per cent growth in the sales turnover over the past few years. The total sales have grown from Rs.588 crore in 1998-99, to Rs.714 crore in 1999-2000.
As far as the profile of the products purchased from direct selling companies is concerned, 68.9 percent are household goods, while 12.4 percent are personal care products. Family products (including educational material, leisure products) account for 14.4 percent, business aids and others (mainly promotional material) account for 3.59 percent, and food products (like dietary supplements) account for 0.71 percent of all the products purchased. In world markets, household goods account for 39.5 percent of all products purchased, while personal care products account for 30.4 percent.

An interesting aspect of direct selling in India is that women comprise up to 70 percent of all sales people in India, couples account for 20 percent and males account for 10 percent. The number of men is expected to go up because companies like Modicare, Amway and Herbalife have been encouraging men to join their sales force.

Direct selling may follow the party plan or the multi level network. In a party plan, the host invites friends and neighbours for a party. The merchandise is displayed and demonstrated in a party like atmosphere and buying and selling takes place.

In a multilevel network, customers act as 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.

**Direct Response Marketing:**

Direct response marketing involves various non-personal methods of communication with the consumer and these include:
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 catalogues that appeal to narrow target markets. The basic characteristic of this form of retailing is convenience.

Television Shopping:

Asian Sky Shop was among the first retailers who introduced television shopping in India. In this form of retailing, the product is advertised on television, details about the product features, price and other 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:

This format allows the customer to evaluate and purchase products from the comfort of their homes. The success of this form of retailing largely depends on the products that are offered and the ability of the retail organisation to deliver the products on time to the customer. Strong supply chains and delivery mechanisms need to be in place for it to be success. Many retailers are opting for click and mortar, where, while having a brick and mortar retail store, they also sell some of their products or ranges on the internet. Though most of the large retail organisations in the world have already adopted this model, it is yet to catch on in India.
Information kiosks have emerged in the western markets as a new type of electronic retailing. These kiosks, comprising of computer terminals housed inside and touch screen on the outside, provide customers with product and company information and may actually aid the customer in making a purchase. A large number of international cosmetic companies have used this technology to their advantage. The terminals also serve as a market research tool for the retailers. A large amount of information about the people who have interacted with the system can be collected and programs and products developed accordingly.

3.2.12 Emerging Trends:

Automated Vending:

This is another impersonal form of retailing. However, it provides convenience to the customers, as they have access to the products round the clock. It is a popular form of retailing abroad and is used to sell routinely purchased items like soft drinks, candy, cigarettes and newspapers. While tea and coffee vending machines are a popular sight at the airports in India, the Automated Teller Machines operated by banks are perhaps the most successful examples of automated vending in India. The tea and coffee machines are rarely completely automated and unattended as in India, the cost of labour is still cheap. However, in urban India, vending machines are becoming popular.

Airport Retailing:

Retail is becoming increasingly important for airport operations. It is time to redefine airports. Gone is the age where airports were passenger processors, the time when travelling was just a hassle, with passengers
moaning and complaining about long waits and dull surroundings. We are
now in an era airports are focusing on retail and food and beverage
strategies upfront, so as to reshape airports into exciting, energised
business and retail / entertainment centres – as well as transportation
hubs.

Airports in many cities of the western world, the Far East and the
Middle East serve as mini shopping plazas for the traveller. In India, this
trend is yet to catch on. Only one retail organisation has actually ventured
into opening a retail store at an airport in India.

The “Cash & Carry” Outlets:

The term “Cash & Carry” means that customers do their own order
picking, pay in cash and carry the merchandise away. Cash and carry is a
wholesale format that aids small retailers and businessmen. The
advantages that this format has over the traditional wholesale operations
are:

- It offers a wide assortment of goods, food and non-food items, thus
  providing for one stop shopping and allowing the customers to
  save time.
- Given the permanent availability of goods in the store, the
  customer can always purchase the goods he needs and is able to
  store and finance them in the short term. Thus, despite the principle
  of cash payment, cash & carry largely takes over the function of
  financing and stock holding on behalf of its customers.
- Longer business hours per week enables the customer to do his
  shopping at a convenient time, seven days a week.
This format has been featured in this section as two of the largest groups, which operate under the cash and carry format, viz. Metro AG, Germany and Shoprite of South Africa, have recently started their operations in India.

3.3 Global retailing scenario

The latter half of the 20th Century, in both Europe and North America, has seen the emergence of the supermarket as the dominant grocery retail form. The reasons why supermarkets have come to dominate food retailing are not hard to find. The search for convenience in food shopping and consumption, coupled to car ownership, led to the birth of the supermarket. As incomes rose and shoppers sought both convenience and new tastes and stimulation, supermarkets were able to expand the products offered. The invention of the bar code allowed a store to manage thousands of items and their prices and led to 'just-in-time' store replenishment and the ability to carry tens of thousands of individual items. Computer-operated depots and logistical systems integrated store replenishment with consumer demand in a single electronic system. The superstore was born.

On the Global Retail Stage, little has remained the same over the last decade. One of the few similarities with today is that Wal-Mart was ranked the top retailer in the world then and it still holds that distinction. Other than Wal-Mart's dominance, there's little about today's environment that looks like the mid-1990s. The global economy has changed, consumer demand has shifted, and retailers' operating systems today are infused with far more technology than was the case six years ago.
Saturated home markets, fierce competition and restrictive legislation have relentlessly pushed major food retailers into the globalization mode. Since the mid-1990s, numerous governments have opened up their economies as well, to the free markets and foreign investment that has been a plus for many a retailer. However, a more near-term concern, has been the global economic slowdown that has resulted from dramatic cutback in corporate IT and other types of capital spending. Consumers themselves have become much more price sensitive and conservative in their buying, particularly in the more advanced economies.

From an operational point of view, active practitioners have voiced their opinion that retailer concerns in 2003 have turned to deflation, lack of pricing power, global over-capacity, low interest rates, economic stagnation, slump in world tourism and declining consumer confidence. But, even before the global economic slowdown that forced retailers into monitoring costs more effectively, technological advances were a way of life in retail organizations. Technology has become the real enabler for retailers over the last six years. Supply chain innovations for retailers were particularly strong in the second half of the 1990s and have continued into today. With all the emphasis on technology and cost-cutting, a major thrust of retailers continues to be demand-based.

Four years ago, more than half of the top 200 retailers (53%) operated in only one country. Today, only 44 per cent remain single-country merchants. This globalization trend can only intensify in the years ahead. The benefits of increased sales and greater economies of scale are too large to be ignored.
The global retail industry has traveled a long way from a small beginning to an industry where the world wide retail sales alone is valued at $7 trillion⁶. The top 200 retailers alone account for 30% of worldwide demand. Retail sales being generally driven by people’s ability (disposable income) and willingness (consumer confidence) to buy, compliments the fact that the money spent on household consumption worldwide increased 68% between 1980 and 2003. The leader has indisputably been the USA where some two-thirds or $ 6.6 trillions out of the $ 10 trillions American economy is consumer spending. About 40% of that ($ 3 trillions) is spending on discretionary products and services. Retail turnover in the EU is approximately Euros 2000 billion and the sector average growth looks to be following an upward pattern. The Asian economies (excluding Japan) are expected to grow at 6% consistently till 2005-06. Positive forces at work in retail consumer markets today include high rates of personal expenditures, low interest rates, low unemployment and very low inflation. Negative factors that hold retail sales back involve weakening consumer confidence.

The Food Retail Industry in the Far East has evolved into what could be called ‘the breeding ground’ for emerging models with countries like Singapore being the home to some of the big players in the industry in these parts of the world. The presence of all the major players of the retailing industry is found in Singapore. Singapore has 2 hypermarkets, one run by Carrefour and the other by Giant Hypermarket, part of Dairy Farm International. According to the government, there are slightly more than 11,000 market stalls operating in 150 markets located all across Singapore Island. The markets further spread to China, Thailand, and Malaysia thanks to the major support that the local governments provided in creating the necessary regulatory framework in establishing their
presence. Singapore, Malaysia and Thailand not only fueled the retail industry within the country, but also attracted hordes of tourists to experience the shopping “experiences” that they created in these islands. The markets are now saturated with no additional space for a new entrant and are expected to consolidate within the next few years.

Apart from Singapore, which is a more recent development, Japan enjoys an active spot on the retailers’ map. The retail industry is as huge as US$ 1088 Billion, with a split of US$ 594.8 Billion in the non-food segment and US$ 493.2 Billion in the food-retailing sector. The leaders in sales are Ito-Yokado, Aeon, Daiei, Takashimaya, and Uny, in that order. Several retailers, however, have made recent improvements in their warehousing and distribution technologies to make their presence felt in the Japanese market. Convenience stores, which are small and suitable in a country where land is very expensive, continue to do well. Food, in fact, has been one of the few sectors that have experienced growth over the last several years. A period of shake up in the industry is likely now that Wal-Mart has entered Japan. Numerous smaller, less efficient retailers may become takeover targets. The entire Japanese retail sector will likely undergo some form of restructuring over the next decade as a result of overcapacity, dismal profits and the Wal-Mart factor. In Mainland China, the retail markets have mushroomed over the years of intense economic development to a very considerable size. The total volume of retail sales for consumer goods and food increased by 10.6 percent in China over the last couple of years which shows tremendous growth. Consumer spending has held strong. A decade ago, the top five retail enterprises in China were all traditional merchandise companies, but now the top five are mainly supermarkets and chain stores. The world is enamored with China’s potential and opportunities.
But in medium-sized and small cities and rural areas, traditional retailing methods, such as department stores and local retailing networks, will be sufficient, as consumption is lower.

Though with a population of a billion and a middle class population of over 300 millions organized retailing (in the form of food retail chains) is still in its infancy in the Country. India has been rather slow in joining the Organized Retail Revolution that was rapidly transforming the economies in the other Asian Tigers. This was largely due to the excellent food retailing system that was established by the kirana (mom-and-pop) stores that continue meet with all the requirements of retail requirements albeit without the convenience of the shopping as provided by the retail chains; and also due to the highly fragmented food supply chain that is cloaked with several intermediaries (from farm-processor-distributor-retailer) resulting in huge value loss and high costs. This supplemented with lack of developed food processing industry kept the organized chains out of the market place. The correction process is underway and the systems are being established for effective Business-to-Business (farmer-processor, processor-retailer) solutions thereby leveraging the core competence of each player in the supply chain.

3.4 Major retailers and their activities

With the world wide estimated that $ 8 trillion of retail sales happened during 2005-06 of which 14 percent of the total sales is dominated by top 15 retailer in the world. Wall mart remains the undisputed leader in the world of retail. The majority of the retailers remain involved in the food sector. More than half of the 200 largest retailers have super markets, ware houses, hyper markets cash and carry outlets or some combination of these. The U.S. companies dominates the
top 200 major retailers, 74 American companies were in the list while Japan with 30 companies shares the second place. Wall-mart of US dominates with 9.2% of the total global retailers.

The latter half of the 20th Century, in both Europe and North America, has seen the emergence of the supermarket as the dominant grocery retail form. The reasons why supermarkets have come to dominate food retailing are not hard to find. The search for convenience in food shopping and consumption, coupled to car ownership, led to the birth of the supermarket. As incomes rose and shoppers sought both convenience and new tastes and stimulation, supermarkets were able to expand the products offered. The invention of the bar code allowed a store to manage thousands of items and their prices and led to 'just-in-time' store replenishment and the ability to carry tens of thousands of individual items. Computer-operated depots and logistical systems integrated store replenishment with consumer demand in a single electronic system. The superstore was born.

On the Global Retail Stage, little has remained the same over the last decade. One of the few similarities with today is that Wal-Mart was ranked the top retailer in the world then and it still holds that distinction. Other than Wal-Mart’s dominance, there’s little about today’s environment that looks like the mid-1990s. The global economy has changed, consumer demand has shifted, and retailers’ operating systems today are infused with far more technology than was the case six years ago.

Saturated home markets, fierce competition and restrictive legislation have relentlessly pushed major food retailers into the
globalization mode. Since the mid-1990s, numerous governments have opened up their economies as well, to the free markets and foreign investment that has been a plus for many a retailer. However, a more near-term concern, has been the global economic slowdown that has resulted from dramatic cutback in corporate IT and other types of capital spending. Consumers themselves have become much more price sensitive and conservative in their buying, particularly in the more advanced economies.

From an operational point of view, active practitioners have voiced their opinion that retailer concerns in 2003 have turned to deflation, lack of pricing power, global over-capacity, low interest rates, economic stagnation, slump in world tourism and declining consumer confidence. But, even before the global economic slowdown that forced retailers into monitoring costs more effectively, technological advances were a way of life in retail organizations. Technology has become the real enabler for retailers over the last six years. Supply chain innovations for retailers were particularly strong in the second half of the 1990s and have continued into today. With all the emphasis on technology and cost-cutting, a major thrust of retailers continues to be demand-based: finding new markets through globalization efforts. Four years ago, more than half of the top 200 retailers (53 per cent) operated in only one country. Today, only 44 per cent remain single-country merchants. This globalization trend can only intensify in the years ahead. The benefits of increased sales and greater economies of scale are too large to be ignored.

The global retail industry has traveled a long way from a small beginning to an industry where the world wide retail sale alone is valued at $7 trillion. The top 200 retailers alone account for 30% of worldwide
Retail sales being generally driven by people’s ability (disposable income) and willingness (consumer confidence) to buy, compliments the fact that the money spent on household consumption worldwide increased 68% between 1980 and 2003. The leader has indisputably been the USA where some two-thirds or $6.6 trillions out of the $10 trillions American economy is consumer spending. About 40% of that ($3 trillions) is spending on discretionary products and services. Retail turnover in the EU is approximately Euros 2000 billion and the sector average growth looks to be following an upward pattern. The Asian economies (excluding Japan) are expected to grow at 6% consistently till 2005-06. Positive forces at work in retail consumer markets today include high rates of personal expenditures, low interest rates, low unemployment and very low inflation. Negative factors that hold retail sales back involve weakening consumer confidence.

Following table provides the top 15 global retailers in the world.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Name of the Retailer</th>
<th>Country of origin</th>
<th>Retail Format</th>
<th>Countries of operation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Wal-Mart.</td>
<td>U.S</td>
<td>Discount, Warehouse</td>
<td>Argentina, Brazil, China, Germany, South Korea, Mexico, Puerto Rico, U.K., U.S.</td>
</tr>
<tr>
<td>2</td>
<td>Carrefour</td>
<td>France</td>
<td>Cash and Carry, Convenience, Discount, hyper market, Supermarket</td>
<td>Argentina, Belgium, Brazil, Chile, China, Columbia, Czech Rep, France, Dominican Repub, Greece, Indonesia, Italy, Japan, Madagascar, Malaysia, Mauritius, Mexico, Morocco, Oman, Poland, Portugal, Qatar, Romania, Singapore, Slovakia, Spain, South Korea, Switzerland, Taiwan, Thailand, Turkey, UAE.</td>
</tr>
<tr>
<td>3</td>
<td>Royal Ahold</td>
<td>Netherlands</td>
<td>Cash &amp; Carry, Discount, Drug, Convenience, Hypermarket, Specialty, Supermarket</td>
<td>Argentina, Brazil, Chile, Costa Rica, Czech Rep Denmark, Equador, El Salvador, Estonia, Guatemala, Honduras, Indonesia, Latvia,</td>
</tr>
<tr>
<td></td>
<td>Company</td>
<td>Country/Region</td>
<td>Operations</td>
<td>Countries</td>
</tr>
<tr>
<td>---</td>
<td>--------------------------</td>
<td>----------------</td>
<td>-----------------------------------</td>
<td>------------------------------------------------</td>
</tr>
<tr>
<td>4</td>
<td>Home Depot</td>
<td>US</td>
<td>DIY, Specialty</td>
<td>Canada, Mexico, Puerto Rico, US</td>
</tr>
<tr>
<td>5</td>
<td>Kroger</td>
<td>US</td>
<td>Convenience, Discount, Speciality, Supermarket, Warehouse</td>
<td>US</td>
</tr>
<tr>
<td>6</td>
<td>Metro AG</td>
<td>Germany</td>
<td>Cash&amp;Carry, Department, DIY, Hypermarket, Specialty, Superstore</td>
<td>Austria, Belgium, Bulgaria, China, Croatia, Czech Rep, Denmark, France, Germany, Greece, Hungary, India, Italy, Japan, Luxembourg, Morocco, Netherlands, Poland, Portugal, Romania, Russia, Slovakia, Spain, Switzerland, Turkey, UK, Ukraine, Vietnam</td>
</tr>
<tr>
<td>7</td>
<td>Target</td>
<td>US</td>
<td>Department, Discount</td>
<td>US</td>
</tr>
<tr>
<td>8</td>
<td>Albertson's</td>
<td>US</td>
<td>Drug, Supermarket, Warehouse</td>
<td>US</td>
</tr>
<tr>
<td>9</td>
<td>Kmart</td>
<td>US</td>
<td>Discount, Superstore</td>
<td>US</td>
</tr>
<tr>
<td>10</td>
<td>Sears</td>
<td>US</td>
<td>Department, Mail Order, Specialty</td>
<td>Canada, Puerto Rico, US</td>
</tr>
<tr>
<td>11</td>
<td>Safeway</td>
<td>UK</td>
<td>Supermarket</td>
<td>UK, US, Canada</td>
</tr>
<tr>
<td>12</td>
<td>Costco</td>
<td>US</td>
<td>Warehouse</td>
<td>Canada, Japan, Mexico, Puerto Rico, S.Korea, Taiwan, UK, US</td>
</tr>
<tr>
<td>13</td>
<td>Tesco</td>
<td>UK</td>
<td>Convenience, Department, Hypermarket, Supermarket, Specialty</td>
<td>Czech Rep, Hungary, Malaysia, Poland, Rep.of.Ireland, Thailand, S.Korea, Slovakia Taiwan, Thailand, UK, US</td>
</tr>
<tr>
<td>14</td>
<td>JCPenney</td>
<td>US</td>
<td>Department, Drug, Mail Order</td>
<td>Brazil, Mexico, Puerto Rico, US</td>
</tr>
<tr>
<td>15</td>
<td>Aldi Einkauf</td>
<td>Germany</td>
<td>Discount</td>
<td>Austria, Australia, Belgium, Denmark, France, Germany, Luxembourg, Netherlands, Rep.of.Ireland, Spain, UK, US</td>
</tr>
</tbody>
</table>

Source: 2003 Global Retail Report, Deloitte Touche Tohmatsu

Table 3.1 Top 15 global retailers in the world
3.5 Problems of Indian Retailers

Indian has been called as a nation of dukaandars (Shop keepers) due to the huge number of its retail enterprises, which totaled over 12 millions in 2005. About 78 percent of these are small family business utilizing only household labour, bulk of them too using less than three workers.

Retailing in India is thoroughly unorganized. There is no supply chain management perspective. According to a survey an overhelming portion of the Rs.400,000 crore retail market is unorganized. About 96 percent of the five million-plus outlets are smaller than 500 square feet in area. This means that India per capital retailing is about 2 square feet, currently this will be lowest in the world.

A tremendous opportunity exists in the Indian market and organized retail will have prevailed as other parts of the world. Since it is only matter of time, this will be right time to invest and reap profit in around 5-7 years7.

Organized retail is transforming the neighborhood grocery store (Commonly known as kirana stores) the actualization of the buying power is in the hands of consumer.

Modern retailing in India has been characterized by the shift from traditional channel to new retailing formats such as, super markets, departmental stores, hyper markets, convenience stores and specialty stores also modern retailing formats with sprawling shopping centers, multi storied malls offering shopping, entertainment and food under one big comfortable roof have mushroomed in metros and mini metros. In last
few years, modern retail have also established its presence in the second rung cities thus exposing the residents of these cities to shopping option like they have never experienced before. It has been forecasted that the share of retail will increased to 15-20 percent from existing 2 percent of organized retailing.

Retailing in India is in the process of getting more organised and professional. Large retail formats -- hypermarkets, warehouse clubs, and discount superstores -- are set to take over the retail scene. Medium-scale retail formats such as department stores and supermarket chains have already made an appearance and are slowly changing the face of retailing in the country.

The urban Indian retail sector has traditionally been structured around three small retail entities -- the grocer, the general store and the chemist. The grocer stocks non-packaged, unbranded commodities such as rice, flour, and pulses, as well as branded fast-moving consumer goods (FMCGs); the general store stocks only branded, packaged FMCGs. The chemist, apart from dispensing pharmaceutical products, sells branded FMCGs such as personal care products, and health foods. Alongside the three retail outfits, exists a large segment of smaller, unorganised players -- paan-beeda stores (or cigarette kiosks) which stock products in sachets, batteries, confectionery and soaps; bakeries and confectioners; fruit juice/tea stalls; ice-cream parlours; electrical and hardware stores; and non-food boutiques. These retail outfits stock branded FMCGs that gel with their businesses. These apart, there are the hawkers, carts and stalls that dot sidewalks and street corners, and several door-to-door sellers such as vegetable vendors.
There are over five million such small retail outlets in India. They account for nearly 95 per cent of the total retail turnover in the country and their number continues to grow.

For the marketer, small retailers are becoming increasingly important in the retailing pyramid. This is primarily because of the increase in stock-keeping units (SKUs) over the past years. According to ORG's retail audit, in 1996, the number of packs more than doubled in the 57 core FMCG categories like white toothpaste, detergent powder and cold cream. That apart, there have been 19 new FMCG categories (between 1990-96) like branded atta, anti-aging creams and dishwashing pastes that have been introduced and they have additionally contributed 1378 brands and 2579 SKUs at the retail counter. This SKU proliferation has caused intense pressure on shelf space. Marketers, therefore, have been forced to seek width in distribution rather than depth. So, the small retailer is playing a significant role as a distribution channel for FMCGs in existing and new settlement areas in urban cities.

In India, the capital needed to set up a small and medium retail outlet is negligible, and the operating costs/overheads are low. Supply chain integration does not quite matter in the case of the small and medium retailer because of the small scale of operations. These small and medium retailers normally deal directly with wholesalers with whom small and medium retailers are able to negotiate rates. Retail consolidation (consolidation of buying power) among supermarket operators is unlikely to hurt small retailers simply because it will affect manufacturers directly, who will not want to compromise on the distribution reach to offer large volumes to a few big retailers. The small and medium retailers are the form an integral part of the wide distribution network set up by the large FMCG companies. Marketers have also found
that private/store brands from supermarkets can prove to be a threat to their own brands and hence, desist from encouraging retail consolidation.

The small and medium retailer will be around also because, by there very nature, they will be able to deal with several peculiarities in the Indian consumer psyche. For example, the small retailer is benefits from certain myths among middle-class customers are the target audience of supermarket operators. One such myth is that 'whatever is modern is expensive.' This keeps several potential middle-class shoppers from buying at supermarkets. Another myth is that fresh foods that are pre-packaged may not really be fresh (in the case of fruits and vegetables). Here, neighbourhood vendors have an edge since they replenish their stock on a daily basis and most of them offer the products at the doorstep.

However, the attitudes and practices are changing, especially among the upwardly-mobile, urban nuclear families. Disposable incomes among them are rising. There is a high degree of exposure to mass media, especially television and the World Wide Web. This segment of customers trusts brands and has no qualms about trying out processed/convenience foods. But the bad news is that they form a microscopic minority.

Supermarkets are yet to get The Great Indian Middle Class and Rural India in their fold. That may take a very long time to happen because it is extremely difficult to break cultural and demographic barriers. Until then, small retailers will be the most-sought-after retail entities, especially by those marketers who are keenly looking at penetrating semi-urban and rural areas.
The retailers have to strive hard to meet the tough expectations of today's super smart shoppers who constantly lap a good buy and dismiss a bad product. Today's consumer demand superior quality at an affordable price and they want it instantly. For retailers aiming to make big sale have to retain the customers happy over and keep them permanently happy, which is a tough ask in a restrictive Indian business environment that too lacking infrastructure.

3.6 Problems at a glance

The retail businesses in India are subject to many forces, many of them outside their control. The list below illustrates the complexity of these problems. A good revitalization program should be based on a thorough understanding of these problems and include strategies to minimize their impact.

❖ High rents squeeze out small businesses.
❖ Market inadequate to support businesses.
❖ Inadequate or poorly managed parking.
❖ Inadequate capital to start new businesses.
❖ Inadequate capital to expand existing businesses.
❖ Inadequate capital to provide needed public improvements.
❖ Negative image of area.
❖ Local government regulations inappropriate.
❖ Design of buildings poor.
❖ Large number of second story vacancies.
❖ Poor marketing of commercial district.
❖ Poor merchandising.
❖ Poor inventory control.
❖ Poor internal management of businesses.
❖ Little understanding of market by existing businesses.
❖ Poor mix of retail businesses in Area
❖ Inadequate organizational structure for small businesses to work together.
❖ No political clout.
❖ Inadequate numbers of skilled employees available to work in businesses in the district.
❖ Inadequate facilities or services to retain employees.

3.7 Retailing Scenario in Bangalore city

Bangalore, officially Bengaluru (Kannada: ಬೆಳಗುರು) is the capital of the Indian state of Karnataka. Located on the Deccan Plateau in the south-eastern part of Karnataka, Bangalore has an estimated metropolitan population of 65 lakh (6.5 million), making it India's third-most populous city and fifth-largest metropolitan area. Though historically attested at least since 900 CE, recorded history of the city starts from 1537, when Kempe Gowda-I, widely regarded as the founder of modern Bangalore, built a mud fort and established it as a province of the Vijayanagara Empire.
During the British Raj, Bangalore developed as a centre for colonial rule in South India. The establishment of the Bangalore Cantonment brought in large numbers of migrants from other parts of the country. Since independence in 1947, Bangalore has developed into one of India\'s major economic hubs and is today counted among the best places in the world to do business. It is home to several public sector heavy industries, software companies, aerospace, telecommunications, machine tools, heavy equipment, and defence establishments. Known for a long time as the 'Pensioner\'s paradise', Bangalore today is commonly referred to as the 'Silicon valley of India' due to its pre-eminent position as India\'s technology capital. Home to prestigious colleges and research institutions, the city has the second-highest literacy rate among the metropolitan cities in the nation.

Bangalore enjoys the distinction of being one of the fastest growing metropolises across the globe. Over the past decade, the garden city has recorded a growth rate of close to 30 per cent in its population. It ranks seventh amongst other Indian cities in terms of 'affluent' population. More than one-third of the households in Bangalore have an annual expenditure between Rs 50,000 and Rs 1,00,000, and a majority of residents fall in the age bracket of 15-45 years, the ideal target market for a new generation retailer. About 40 per cent of the city\'s population has annual incomes in the range of Rs 70,000-1,40,000.
Fig. 3.2 Bangalore city map
3.7.1 Retailing Scene of Bangalore city

The IT-led revolution in Bangalore has led to an immigration of people from across the country and even expatriates to the city. This new population is characterised by upper-class double income families with high purchasing power. Their discerning tastes and demands have opened avenues for new-age retailing in the city. Bangalore has traditionally been a leader in supermarkets which was initiated by the then RPG Group's Food World outlets. Also, the concept of large format, standalone retail stores like Big Bazaar, Globus, Westside, Shoppers Stop was made popular in the city. Of late Bangalore has seen a perceptible shift towards the establishment of large hypermarkets and urban malls. Encouraged by the success of the existing malls, many developers are going ahead with their plans of creating new mall space in the city. Bangalore is witnessing huge demand for space from a large range of retailers. To cash in from the existing catchment, retail activity is now spreading to new residential and office locations. Besides the established highstreet of
Brigade Road and Commercial Street, new locations like Lavelle Road and 100-ft Road, Indiranagar, are also emerging as important retail locations.

The central retail locations of Bangalore, i.e., M.G. Road, Lavelle Road, Brigade Road, Commercial Street, Richmond Road and Residency Road continue to witness high demand from major brands and retailers. This coupled with the lack of new retail space has pushed up the retail rentals by 20-30% over the last one year. The central locations have about seven organised retail formats that total to close to 1 mn.sq.ft. or 41% of the total retail space in Bangalore currently. Garuda Mall at Magrath Road is the latest addition to the Bangalore retail scene. This 400,000 sq.ft. development incorporates a Inox multiplex and houses one of the best retail and F&B brands in the city. With the renovation of Galaxy theater and completion of several other small format spaces, it is expected that about 0.4 mn.sq.ft. of new retail space will be available in this micro-market by 2008.

The movement of corporates to the suburban and peripheral locations has led to a spurt of residential development in locations like Whitefield, Koramangala and Sarjapur Road. Consequently, retail investment has become attractive in these locations. New retail developments are also coming up in Jayanagar, Bannerghatta Road and Hosur Road in south Bangalore. These locations offer the advantage of being close to major office locations and are amidst existing and upcoming residential pockets. Close to 4 mn.sq.ft. of organised mall space is coming up in the above mentioned locations. This totals to about 63% of the total new retail space supply coming up in the Bangalore market by 2008. Over the last one year, 100-ft Road, Indiranagar has
emerged as a prime retail location. Though this stretch lacks any large format retail development, residential bungalows have been broken down and converted into retail stores. High-end clothing brands like Nike, Reebok, Adidas and various restaurants and coffee joints have outlets on this road. It is also expected that, commercial growth in north Bangalore, specially on the Hebbal-Marathalli stretch of Ring Road would lead to major retail developments along that stretch in the near future. Already several organised retail formats are underway in north Bangalore residential locations of Malleshwaram and Rajajinagar.

The retail sector in Bangalore is moving in tandem with the development in the rest of the metros, albeit on a more gradual note. New retail development in Bangalore has been slow and at present, the city is facing an acute shortage of retail space since most of the malls are still under construction. As a result, many retailers have taken up spaces in individual buildings in the central locations of M.G. Road, Commercial Street, Brigade Road and Indiranagar. With the initial euphoria regarding mall development reaching a plateau, the retail sector in Bangalore is expected to accelerate 2007 onwards. Approximately, 0.5 mn.sq.ft. of the new retail space is expected to enter the market in 2006, while 2.03 mn.sq.ft. and 3.72 mn.sq.ft. is in the pipeline for 2007 and 2008 respectively.

Most of the new mall developments are coming up in suburbs of Jayanagar, Bannerghatta, Outer Ring Road and Sarjapur Road. This new development towards the suburbs not withstanding, prime retail pockets in the city will continue to witness retail activity. While the F&B and grocery segments are set to grow at the same pace that they have over the last couple of years, Bangalore will witness a significant rise in the
growth of apparel and department stores, specifically within the new malls. This indicates that new developments will be set up in a more organised and professional manner, with both retailers and developers working together to identify key catchment areas and to establish a balanced mix of supply. However, a major roadblock in the future development of Bangalore is the growing pressure on the city's infrastructure.

Organised retail activity in Bangalore is primarily driven by department stores, specifically the apparel sector. This is not surprising, considering that majority of India's apparel manufacturing units are concentrated in the south. Local giants such as Kemp Fort and national chains like Shoppers' Stop, Pantaloons and Lifestyle have been equally successful. Speciality apparel and accessory stores like Wills Lifestyle, Benetton and SF have also enjoyed considerable success.

Food & Beverages contributes to approximately 20 per cent of Bangalore's retail activity. Bangalore is home to several chains of fast food outlets and cafes, including Café Coffee Day, Barista, Pizza Hut and India's only KFC outlet. Pizza Hut and KFC have aggressive growth plans on the anvil. A significant driver of the F&B industry is the pub culture of Bangalore. There are about 25 Grade A pubs in all, operating in the city that spans across only 250 sq km, with Spin, Hypnos and F-Bar being the latest additions.

Bangalore has been a leader in supermarkets, which were made popular by the RPG Group's Food world outlets. Currently 17 in number, the chain is still expanding into residential pockets of the city. Food world was initially responsible for making the concept of grocery
store chains popular in Bangalore. Future group has its several super markets and malls, like *Esteem mall*, *Bigbazar*, Vishal’s *megamart*, Subhksha, also have several shops in Bangalore, *Heritage’s Fresh@* stores, and *Reliance fresh* opens many outlets in the city in several Several others that have followed suit include *Fab Mall* and *Monday 2 Sunday Stores*. Speciality retail outlets have started gaining significance in Bangalore. One such example is that of RPG’s Health and Glow which is a chain of healthcare stores with 9 fully functional outlets. Another case is that of Pill & Powder which operates a chain of pharmacies.

Multiplexes have only recently decided to make their foray into the Bangalore market. PVR will be managing the operations of the 11-screen multiplex in the Prestige Forum Mall that will be operational later this year. Three other much smaller multiplexes are also in the pipeline, including Fun Republic from ‘E-Citi’ which will start a 4-screen multiplex in the *Sigma Mall* on Cunningham Road also *Garuda mall* at several important areas of the city.

There are many small and medium retails shops operating in several areas of Bangalore city.
Fig 3.4 Garuda Mall in Koramangala, Bangalore city

The current stock of organised retail space in Bangalore is a little over 2 mn.sq.ft. With close to 20 malls in various stages of planning, it is estimated that the total retail stock in Bangalore will be approximately 8 mn.sq.ft. by end-2008.

Fig 3.5 Large Retailers in Bangalore

A) Sigma mall  
B) Foodworld

Fig 3.5 Large Retailers in Bangalore
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