Chapter: 1

Introduction to Retail Industry
CHAPTER 1

INTRODUCTION TO RETAIL INDUSTRY

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1.1 Introduction:

Retailing as an activity can be traced back to the times when human beings stopped producing their all requirements by themselves and trading came into being. Communities such as porters, blacksmiths and fishmongers sold their products to households. Retailers now have become an integral part of the society.

The word retail is derived from the French word “retailer” meaning to cut a piece of or break a bulk. In simple terms, it implies a firsthand transaction with the customer. Thus retail trade is one that cuts off smaller portions from large lumps of goods. It is a process through which goods are transported to final customers. It consists of the all activities involved in selling, renting and providing goods and services to ultimate customers for personal, family and household use.

Retailing is an important marketing activity. Not only the producers and consumers meet through retailing actions, but retailing also creates customer value and has a significant impact on the economy. To consumer, the value of retailing is in form of utilities provided. Retailing’s economic value is represented by the people employed in retailing as well as by the total amount of money exchanged in retail sales.

Retailing includes all the activities involved in selling goods or services directly to final customers for personal, non business use. A retailer or retail store is any business enterprise whose sales volume comes primarily from retailing. Any organization selling to final consumers- weather it is a manufacturer; wholesaler or retailer- is doing retailing. It does not matter how the goods or services are sold or where they are sold. It involves the activity of shopping, purchasing by means of Internet and dealing with financial services or even visiting a local fast food outlet or hairdresser.

The retail sector in India is witnessing a huge revamping exercise as traditional markets make way for new formats such as departmental stores, hypermarkets, supermarkets and specialty stores. Western-style malls have begun appearing in
metros and second-rung cities alike introducing the Indian consumer to a shopping experience like never before.

The past 6-7 years have been especially exciting for the Indian retail industry. Sweeping changes have affected both the supply and the demand fronts in the market. On the demand front, customer spending has been on the rise and brand consciousness has also increased substantially. Consumers have started demanding a better shopping experience as global media exposes them to different lifestyles.

The past decade has witnessed a tremendous revolution in the Indian retail scenario. Market liberalization and an increasingly assertive consumer population is now sowing the seeds of a retail transformation that has started bringing in bigger Indian and multinational operators on to the scene. With the advent of these players, the Indian consumer is on his way to becoming the king in the market place as what his counterparts in the more developed countries of the world have been for decades.

In India, after agriculture the retail is the second largest sector that provides enough employment to India workforce. Many people believe that Retail expansion in the coming five years would be stronger as the change in GDP growth, changing lifestyles and by income growth which in turn will be supported by favorable demographic segment. Today, a vast majority of Indian young population favors branded goods. With the spread of satellite televisions and visual media, urban lifestyle trends have spread in the rural areas also. According to AT Kearney's report the total organized retailing sales is expected to grow to 20-25% ¹ in India. One of the principal reasons behind the explosion of retail and its fragmented nature in the economy is that the retail provides employment opportunities at the mass scale.

Growth in Indian retail has been driven by the country's economic fundamentals over the past few years, including an increase in the proportion of upper income households, rising consumption/expenditure and greater use of credit cards. Consumers are showing a growing preference for organized retail, resulting in

¹ www.fibre2fashion.com
increased penetration, from around 1% of total retail consumption in 1999 to nearly 3% in 2004 (or some INR280billion) to 8% in 2008.

Organized retail continues to be focused on food & groceries and apparel. Key players have continued to customize their formats to better service their target markets. For example, the hypermarket format has rapidly gained popularity and is likely to expand the fastest, albeit largely confined to India's bigger cities. Competition in the supermarkets segment is likely to intensify, squeezing margins. Gaining critical mass and promoting private labels will be critical to profitability. The department store format is likely to show strong growth, again largely restricted to the larger cities. Specialty retail is also evolving in categories such as durables and jewellery, but remains in its infancy.

The financial flexibility of larger retailers has improved significantly over the past two years with new financing sources becoming available. The industry is thus, gaining acceptance within the investor community. However, the pace of expansion has resulted in negative free cash flows for most retailers as internal accruals have proved insufficient to meet expansion plans.

Sector growth prospects are likely to be limited by factors such as restrictions on FDI (foreign direct investment), the lack of a uniform tax structure, increasing pressure on infrastructure in key to consumer markets and a shortage of quality real estate. However, the government has attempted to alleviate these issues, proposing various regulatory changes (e.g. VAT legislation and FDI specifically for construction), which should prove beneficial in the medium to long term.

1.2 Meaning of retail, retailer and retailing

To better understand the role of retail format in an economy and its significance it is important to understand what retail is. The actual term “retailing” is thought to be derived from the old French word “retailer” which means ‘a pieces of ‘or ‘to cut off. Retailing involves the sale of merchandise from a fixed location, such as store,
for direct consumption by the customer. It can be defined as an activity that ensures that customers derive maximum value from the buying process. It involves activities and steps need to place the merchandise made elsewhere to the hands of customers or to provide services to the customers. These values are created continuously through a combination of service, price, accessibility and experience.

Some definition can be given to clearly explain the meaning of retail retailer and retailing.

- **Retail:** "Sale of goods to the public in small quantities." - Oxford Dictionary

- **Retailer:** Business whose sales come primarily from retailing – Philip Kotler and Armstrong

- **Retailing:** Retailing includes all activities incident to selling to the ultimate consumers.” – American Definition Committee.

- **Retailing:** “Retailing is selling final customers products to households” - McCarty

Thus that retailing consists of selling merchandise from a permanent location (a retail store) in small quantities directly to the consumers. These consumers can be individual buyers or corporate. Retail shops may be located in residential areas, colony streets, shopping centers and modern shopping malls. A retail format is a blend of product range, pricing, marketing and the way the items are displayed.

### 1.3 The Evolution of the Indian Retail Industry

The Indian retail industry is evolving in line with changing customer aspirations across product groups, with modern formats of retailing emerging. This is in line with what has been observed in other developed markets. Retailing as an occupation came into existence when farmers started producing more food than they required. Trading was an important part of daily life in the ancient world. Different people had different

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skill sets, and people who had a surplus of one good desired the goods they did not have or could not be produced.\(^6\)

Organized retailing in most economies has typically passed through four distinct phases in its evolution cycle. In the first phase, new entrants create awareness of modern formats and raise consumer expectations. In the second phase, consumers demand modern formats as the market develops — thereby leading to strong growth. For Indian retailing, things started to change slowly in the 1980s, when it entered the first phase of the Retail evolution when India began opening its economy. The textiles sector (in companies like Bombay Dyeing, Raymond's, S Kumar's and Grasim) was the first to see the emergence of retail chains. Later on, Titan, maker of premium watches, successfully created an organized retailing concept in India by establishing a series of elegant showrooms. The beginning of retail business in India can be tracked back to the emergence of Weekly Bazaars and Rural Fairs (Melas)

Both urban and rural people were attracted to this retail business as their day to day activities was associated with that.

India is currently in the second phase of this evolution, with Indian customers becoming more demanding with their rising standard of living and changing lifestyles. Change in customers focus from just buying to shopping (buying, entertainment and experience) has led to a pickup in momentum in organized formats of retailing.

As the sector enters the third phase of evolution, supply chain management will attain top priority. Fierce competition will force retailers to quickly respond to changes in the market — bringing forth the importance of supply chain management in managing stock availability, supplier relationships, new value added services and cost cutting.

India has sometimes been called a nation of shopkeepers. This label has its roots in the huge number of retail enterprises in India, which totaled over 12 million in 2003 and is estimated to being close to 15 million in 2010.\(^8\) This is one of the highest retail

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\(^7\) T.Sishu Kumar, “ The Desi Touch” Retail Biz, December 2004, pp No 22-24

\(^8\) www.ibef.org
densities in the world. In terms of the structure, the industry is fragmented and predominantly consists of independent, owner-managed shops.

The retail businesses include a variety of traditional retail formats, such as kirana stores which stock basic household necessities (including food products), street markets—regular markets held at fixed centers retailing food and general merchandise items, street vendors - mobile retailers essentially selling perishable food items-fruits, vegetables etc and small non specialized retailers.

Table: 1.1

<table>
<thead>
<tr>
<th>Retail Stores in India (2008-09)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Retail Stores in India</td>
</tr>
<tr>
<td>Hawkers</td>
</tr>
<tr>
<td>Total Grocery outlets</td>
</tr>
<tr>
<td>Grocery outlets in urban areas</td>
</tr>
</tbody>
</table>

(Source: CII Conference on Retailing (2008))

Figure: 1.1 Penetration of organized retail: Country wise

{Source: Ernst & Young}
1.4 Developments in retailing

The changes that have occurred in recent years may be reviewed in recent times and it shows that in 1950s and in early 1960s, the emphasis was more on expansion and so there was major multiple developments in both fast moving and durable consumer goods markets. Retailers began to grow and achieve dominance in retail markets.

The 1960s demonstrated the power of retailer. By expanding rapidly, the retail markets became concentrated and owned brands were developed during the late 1950s and were the only means of beating the pricing regulations.

Then retail brands were moved to low price/low quality alternatives to become a means of retail identity reinforced. As a result the quality differentials diminished as the multiple retailers began to use quality/price as major characteristic of their respective offers.

One major influence operating in the 1960s which was fuelled by both consumer change and economic change was the growth in apparel markets. The impact of technology on retailing has been considerable. The technological impact was seen by internal and external benefits. The internal benefit was accompanied by EFTPOS (electronic point of sale) are well documented. The benefits of lower costs and information were observed in the supply chain and with that packaging and raw materials suppliers were benefited.

The increasing professionalism of retailing was timely, because by the end of the 1980s it was clear that Western economies were entering recession. The boom of the mid 1980s which was almost explosive with durables and apparel retails. The apparel industry had adjusted the merchandise offers and now the emphasis is now moving towards more classical styling and an increase in quality which will build a strong customer franchise.

1.5 Industry Overview

"Retail sales in India amounted to about Rs.7400 billion in 2002, expanded at an average annual rate of 7% during 1999-2002. With the upturn in economic growth during 2003, retail sales are also expected to expand at a higher pace of nearly 10%."

9 Article “The Indian service sector- the growth Drivers” – The Analyst, January 2007
Modernization of the Indian retail sector will be reflected in rapid growth in sales of supermarkets, departmental stores and hyper marts.

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 worldwide. 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.

Retail has played a major role worldwide 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.

Historically, the Indian retail sector has been dominated by small independent players such as the local kirana stores (traditional, small-format, neighbourhood grocery stores) and "mom and pop" outlets. During the 1990s, organized retail gained increased acceptance, which has since accelerated.

Over the past few years, the Indian retail sector has been characterized by:

• Larger store formats;

• Rapid expansion across formats by existing players; and

• More players with a variety of formats.

In India, the retail sector is the second largest employer after agriculture. The retailing sector in India is highly fragmented and consists of small, independent and owner managed shops. There are some 12 million retail outlets in India. Besides, the

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10 http://retailindustry.about.com/cs/a.htm
country is also dotted with low cost kiosks and pushcarts. There has been boom in the retail trade in India and owing to a gradual increase.

Today in some developed countries, retail business houses has almost 40% share of the market\textsuperscript{14}. The significance of the retail business has increased with the fast growth of the service sector. While agriculture continues to be main springboard for the economy. The manufacturing sector has slumped due to demand recession and liberalized imports. Much of the rapid growth in organized retail business in the developing countries is due to the entry of global retailers.

A strong trend in favour of organized retail format is being witnessed in both food and non food sectors as people are showing preference for one stop shops. Customers are also looking for ambience and convenience in shopping. This would continue more strongly in the next couple of years. In future, with more dual income families, the customer’s ability to spend will increase, but at the same time predicted that the time available for shopping will go down. In such a scenario, the retailers will have to take steps to develop shopping as an experience, though the more successful retailers will be those that will provide faster services.

According to a leading retail magazine, \textit{Images} India is likely to have over 220 shopping malls\textsuperscript{15} and the national capital region will account for over 40% of the 26.2 million square feet of the total mall space expected to come up in six metros and seven metros buy 2010.

Cities like Jaipur, Chandigrah and Ludhiana are also attracting attention from developers and retailers. Ahmedabad and Lucknow would also expect to have over one million square feet of mall space by 2010\textsuperscript{16}.

\textsuperscript{14} Ibid, pg no 8
\textsuperscript{15} Jagnnathan, V 2003, “Retail reality tales”, www.domain-b.com, January 11
\textsuperscript{16} www.retailyatra.com
1.6 Functions of a Retailer

Retailing is the last stage of channel of distribution, which consists of all the trades and people involved in the physical movement and transfer of ownership of goods and services from manufacturer to ultimate customer as shown in the figure:

Figure: 1.2 FUNCTIONS OF A RETAILER

If the analysis of distribution process is done it is seen that the retailer plays a key role in the contact between manufacturers, wholesalers and the ultimate customers. Retailers are people who connect the members of the sales distribution process on the other hand wholesaling is an intermediate stage in the distribution channel during which merchandise are sold to business customers are not to ultimate customers.

17 Ibid, pg no 12
Business customers here are wholesalers, exporters and retailers who buy for resale or
to run their business.

With the growing liberalization, privatization, globalization and the borderless
economies the distance between the manufacturer and its ultimate consumer has
increased. Retailers buy the merchandise from more than one wholesaler in bulk and
offer in small quantities to consumers. The benefit of sorting process is that according
to the variety of merchandise and business complexity, it can change according to
different shapes, more effectively and ultimately customers find this comfortable and
convenient as they get different goods and services under one roof and in as much
quantity as they need.

Retailers are the last and vital members in the channel of distribution. The retailer
serves the manufacturer by providing his goods and services to the consumers and
creates a channel of information which is shared with the manufacturer.

The objective of any retailing functions are:—18

1. **Identifying consumer demands:** The first task that a retailer would perform is
to identify the consumer needs and wants. The retailer also gathers
information like consumer’s liking, disliking, tastes and preferences.

2. **Management of merchandise:** The second task that a retailer performs is the
management of merchandise and is provided when required by the customer.

3. **Convenience of timing:** - The retailer creates time utility by keeping the store
ready according to consumer’s convenience.

Retailers play a significant role as a intermediary between manufacturer, wholesalers,
suppliers and consumers19. The various functions of retailers are

a. **Sorting:** - Manufacturers usually make one or a variety of products and would
like to sell their entire inventory to a few buyers to reduce the costs. Retailers

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18 Dr.Harjit Singh, “Retail management”- A Global persepcetive, S.Chand, pp no 7-9.
19 Chetan Bajaj, Rajnish Tuli, Nidhi Srivastava , “Retail Management”, Oxford Higher Education,
functions of retailing, pp no 14-16
are able to balance the demands of both the sides, by collecting an assortment of goods from different sources. This process is referred as sorting process.

b. **Breaking bulk:** - Breaking bulk is another function of retailing. To reduce transportation costs, manufacturers and wholesalers typically which are tailored by the retailers into smaller quantities to meet the individual consumption needs.

c. **Holding stock:** - Retailers also offer the service of holding stock for manufacturers. They maintain an inventory that allows for instant availability of the product to the consumers. It helps to keep the prices stable and enables the manufacturer to regulate production.

d. **Additional services:** - Retailers ease the change in ownership of merchandise by providing services that make it convenient to buy and use products. Retailers also offer credit and hire purchase facilities to the customers to enable them to buy the product and pay later.

e. **Channel of communication:** - Retailers also act as the channel of communication and information between the wholesalers or suppliers and the consumers.

f. **Transport and advertising functions:** - Small manufacturers can use retailers to provide assistance with transport, storage, advertising and pre payment of merchandise.

1.7 Ways to Categorize Retailers

There are many ways retailers can be categorized depending on the characteristics being evaluated\(^\text{20}\). Retailers can be categorized based on six factors directly related to major marketing decisions:

- Target Markets Served
- Product Offerings
- Pricing Structure

\(^{20}\) Ibid.pg no 12
Promotional Emphasis

Distribution Method

Service Level

They can also be categorized based on operational factor: ownership. However, these groups are not meant to be mutually exclusive. In fact, it can be seen in some way all retailers can be placed into each category.

On the Basis of Target Markets Served

The first classification looks at the type of markets a retailer intends to target these categories are identical

Mass Market Retailers- Mass market retailers appeal to the largest market possible by selling products of interest to nearly all consumers. With such a large market from which to draw customers, the competition among these retailers is often fierce.

Specialty Market Retailers — Retailers categorized as servicing the specialty market are likely to target buyers looking for products having certain features that go beyond mass marketed products, such as customers who require more advanced product options or higher level of customer service. While not as large as the mass market, the target market serviced by specialty retailers can be sizeable.

Exclusive Market Retailers — Appealing to this market means appealing to discriminating customers who are often willing to pay a premium for features found in very few products and for highly personalized services

On the Basis of Products Carried

Under this classification retailers are divided based on the width (i.e., number of different product lines) and depth (i.e., number of different products within a product line) of the products they carry.
General Merchandisers — These retailers carry a wide range of product categories though the number of different items within a particular product line is generally limited (i.e., shallow depth).

Multiple Lines Specialty Merchandisers — Retailers classified in this category stock a limited number of product lines (i.e., narrow) but within the categories they handle they often offer a greater selection (i.e., deep) than are offered by general merchandisers. For example, a consumer electronics retailer would fall into this category.

Single Line Specialty Merchandisers — Some retailers limit their offerings to just one product line, and sometimes only one product. This can be seen online where a relatively small website may sell a single product such as computer gaming software. Another example may be a small jewellery store that only handles watches.

- On the Basis of Pricing Strategy

Retailers can be classified based on their general pricing strategy\textsuperscript{21}. Retailers must decide whether their approach is to use price as a competitive advantage or to seek competitive advantage in non-price ways.

Discount Pricing — Discount retailers are best known for selling low priced products that have a low profit margin (i.e., price minus cost). To make profits these retailers try to sell in high volumes. Typically discount retailers operate with low overhead costs by vigorously controlling operational spending on such things as real estate, design issues (e.g., store layout, website presentation) and by offering fewer services to their customers.

Competitive Pricing — The objective of some retailers is not to compete on price at the same time not to be seen as charging the highest price. These retailers, who often operate in specialty markets, aggressively monitor the market to insure their pricing is competitive but do not desire to get into price wars with discount retailers.

**Full Price Pricing** — Retailers targeting exclusive markets find such markets are less price sensitive than mass or specialty markets. In these cases the additional value added through increased operational spending (e.g., expensive locations, more attractive design, more services) justify higher retail prices. While these retailers are likely to sell in lower volume than discount or competitive pricing retailers, the profit margins for each of the product is much higher.

- **On the Basis of Promotional Focus**

Retailers generate customer interest using a variety of promotional techniques, yet some retailers rely on certain methods.

*Advertising* — Many retailers find traditional mass promotional methods of advertising, such as newspapers or television, that continue to be their best means for creating customer interest.

*Direct Mail* — A particular form of advertising that many retailers use for the bulk of their promotion is direct mail — advertising through postal mail. Using direct mail for promotion is the primary way catalogue retailers distribute their materials and is often utilized by smaller local companies who promote using postcard mailings.

*Personal Selling* — Retailers selling expensive or high-end products find that a considerable amount of their promotional effort is spent in person-to-person contact with customers. While many of these retailers use other promotional methods, in particular advertising, the consumer-salesperson relationship is the key to persuading consumers to make purchase decisions.

- **On the Basis of Distribution Method**

Retailers sell in many different formats with some requiring consumers visit a physical location while others sell to customers in a virtual space. It should be noted that many retailers are not tied to a single distribution method but operate using multiple methods.

1. **Store-Based Sellers** — By far the predominant method consumers use to obtain products is to acquire these by physically visiting retail outlets (aka
brick-and-mortar). Store outlets can be further divided into several categories. One key characteristic that distinguishes categories is whether retail outlets are physically connected to one or more others stores:

2. **Stand-Alone** - These are retail outlets that do not have other retail outlets connected.

3. **Strip-Shopping Centre** - A retail arrangement with two or more outlets physically connected or that share physical resources (e.g., share parking lot).

4. **Shopping Area** - A local centre of retail operations containing many retail outlets that may or may not be physically connected but are in close proximity to each other such as in a city or shopping district.

5. **Regional Shopping Mall** - Consists of a large self-contained shopping area with many connected outlets.

6. **Non-Store Sellers** — A fast growing method used by retailers to sell products is through methods that do not have customers physically visiting a retail outlet. In fact, in many cases customers make their purchases from their own homes.

7. **Online Sellers** — The fastest growing retail distribution method allows consumers to purchase products via the Internet. In most cases delivery is then handled by a third-party shipping service.

8. **Direct Marketers** — Retailers that are principally selling via direct methods may have a primary location that receives orders but does not host shopping visits. Rather, orders are received via mail or phone.

9. **Vending** — While purchasing through vending machines does require the consumer to physically visit a location, this type of retailing is considered as non-store retailing as the vending operations are not located at the vending company's place of business.
• **On the Basis of Service Level**
  Retailers attract customers not only with desirable products and affordable prices, but also by offering services that enhance the purchase experience. There are at least three levels of retail service.

**On the Basis of Ownership Structure**
- **Individually Owned and Operated** — Under this ownership structure an individual or corporate entity owns and operates one or a very small number of outlets. Single ownership of retail outlets most frequently occurs with small retail stores, though there are some cases, for instance in the automotive or furniture industries, where single ownership involves very large outlets.
- **Corporate Structure** — This classification covers large retailers predominantly operating in the non-store retail arena such as online, catalogue and vending.

### 1.8 Current Market Scenario
Indian retail market was estimated at INR 10,000 billion in the year 2005. Based on ownership and management style, the industry can be classified into two categories

**Unorganized Retail and Organized Retail**
Organized sector contributed 3.5% value of INR 350 billion and the contribution of unorganized sector is a massive 96.5%

![Graph -1.1: Indian Retail Market Distributions](image)

**(Source: CII Conference on Retail)**

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22 Indian Retail Report 2008, "Growth of Indian and Organised Retail", research conducted by F& R
Unorganized Retail

Counter stores, kiosks, street markets and vendors, where the ownership and management rest with one person are classified as traditional or unorganized retail outlets. These formats typically require employees with low skills and account for 96.5% of the sector's output.

These are highly competitive outlets, with

- Minimal rental costs (unregistered kiosks or traditional property),
- Cheap labour (or family members working)
- Negligible overheads and taxes. However, unorganized retailers suffer due to
- Their inability to offer a wide range of products
- Poor shopping experience and
- Their inability to offer overall more value to their consumers due to lack of sourcing capabilities.

The modern consumer is seeking increasingly more value, offered by way of wider assortment, improved availability, pleasant shopping environment, reliability of quality, financing options, trial rooms for clothing products, return and exchange policies besides competitive prices. This has created a rapidly growing opportunity for organized, modern retail formats to emerge in recent years and grow at a fast pace.

Inefficiency in the existing supply chains present further opportunity for organized players to draw on this large market even as lack of consumer culture and low purchasing power have, in the past, restricted the development of modern formats.

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23 www.researchandmarkets.com
Organized Retail

Share of organized retail in the total retail sector in India was less than 4% in FY 2005, and is expected to increase in line with the experiences of other developing nations such as China and Poland.

The transformation of the retail sector from unorganized to organized across the world is in a different pattern.

1.9 Transformation of the Retail Sector across the world (other countries)

Graph - 1.2: Transformation of the Retail Sector across the world (other countries)

<table>
<thead>
<tr>
<th>Country</th>
<th>Current share of Supermarkets</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>4</td>
</tr>
<tr>
<td>Poland</td>
<td>3</td>
</tr>
<tr>
<td>Brazil</td>
<td>2</td>
</tr>
<tr>
<td>Thailand</td>
<td>1</td>
</tr>
</tbody>
</table>

(Source: CIIMcKinsey Report titled "Retailing in India, the Emerging Revolution")

Current status of organized retail

A break-up of sales in organized retail shows Lifestyle (clothing and textile, footwear, home, watches and Jewellery and health and beauty) as the largest segment accounting for terms. This is followed by food and grocery accounting for 14% of the organized retail value.

24 Economic times Retail knowledge series
That can be seen that currently the fashion sector in India commands a lion's share in the country's organized 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.

**Graph : 1.3 Percent Contribution of different categories to organized retail**

(Source: - AT Kearney’s Retail Report 2008, India)
Table: 1.2 - Percentage contribution in sales

<table>
<thead>
<tr>
<th>Category</th>
<th>% Contribution in sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clothing, Textiles &amp; Fashion accessories</td>
<td>36</td>
</tr>
<tr>
<td>Jewellery &amp; watches</td>
<td>17</td>
</tr>
<tr>
<td>Food &amp; Grocery</td>
<td>14</td>
</tr>
<tr>
<td>Footwear</td>
<td>13</td>
</tr>
<tr>
<td>Durables</td>
<td>10</td>
</tr>
<tr>
<td>Books, Music &amp; Gifts</td>
<td>3</td>
</tr>
<tr>
<td>Home</td>
<td>3</td>
</tr>
<tr>
<td>Pharma</td>
<td>2</td>
</tr>
<tr>
<td>Health &amp; Beauty</td>
<td>1</td>
</tr>
<tr>
<td>Entertainment</td>
<td>1</td>
</tr>
</tbody>
</table>

(Source:- Crisil Research)

Future growth in organized Retail in India is expected to reach 10% to 12% of the total retail market by 2010 with sales of Rs. 1400 - 1500 billion, aided by improved retail real estate infrastructure and easier access to capital.\(^{26}\)

\(^{26}\) Economic times article “Retail Knowledge Series” March 2001
Table: 1.3

Comparative Table showing growth of organized retail from the year 2005 to 2010

<table>
<thead>
<tr>
<th>Rs in billion</th>
<th>2005</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated size of retail in India</td>
<td>10,000</td>
<td>14,000</td>
</tr>
<tr>
<td>Share of organized retail in India (%)</td>
<td>3.5</td>
<td>10-13</td>
</tr>
<tr>
<td>Size of organized retail in India</td>
<td>350</td>
<td>1400-1500</td>
</tr>
</tbody>
</table>

(Source: KSA Technopak, Images Retail)

1.10 Drivers of Growth

Indian retailing is not waiting for the size of business. The challenge lies in identifying the key drivers that steer the Indian consumer’s perception and shopping behavior. The Reality is that every retailer has to understand the customers more than ever before and make strategic choices to pursue the right target customers. The Key drivers of retail growth are:-

- **Media Proliferation**

Another factor that accelerated the concept of organized retail is media proliferation. The resultant exposure to advertisements and brand promotions across product categories has led to a growing consumer spending across a wide range of product categories.

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28 Banerjee, Arindam and Bibek Banerjee 2000, "Effective Retail Promotion Management", Use of Point of sales Information, Vikalpa, Vol No 25, No 4, October-December, pp no 51-59
Availability of quality real estate & Mall Management practices

Availability of quality real estate has been one of the main constraints for development of organized retail in India. In the past, negative yield on leased property, lack of bank funding and the unorganized property market resulted in dearth of quality retail space in the country. The spread between yield on property and the financing cost has turned positive with the fall in interest rates. Attractive yields on investments have resulted in sharp increase in property development.

Based on a complete list of shopping centre developments taking place across the country, the projection for listed developments by 2007 end is 358 shopping centres with a total built up area of 87.8 million square feet, growing at the rate of over 60% per annum29.

<table>
<thead>
<tr>
<th>Tier 1 Cities</th>
<th>Malls under development</th>
<th>Tier 2 cities</th>
<th>Malls development</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delhi</td>
<td>52</td>
<td>Pune</td>
<td>23</td>
</tr>
<tr>
<td>Mumbai*</td>
<td>71</td>
<td>Ahmedabad</td>
<td>08</td>
</tr>
<tr>
<td>Kolkata</td>
<td>20</td>
<td>Ghaziabad</td>
<td>13</td>
</tr>
<tr>
<td>Chennai</td>
<td>6</td>
<td>Faridabad</td>
<td>06</td>
</tr>
<tr>
<td>Bangalore</td>
<td>20</td>
<td>Hyderabad</td>
<td>16</td>
</tr>
<tr>
<td>Total</td>
<td>169</td>
<td>Gurgaon</td>
<td>34</td>
</tr>
<tr>
<td>Total No. of Malls expected to be listed by 2007 = 358</td>
<td>Noida</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td></td>
<td>West - other centres</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td></td>
<td>West - other centres</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td></td>
<td>South - other centres</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Northern - other centres</td>
<td>52</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>189</td>
<td></td>
</tr>
</tbody>
</table>

{Source: imagesretail.com}

Enhanced Funding Options

Supply side changes such as consumer finance help in shaping a markets buying power. Consumer credit, especially through credit cards, has been growing healthily year on year.

• **Implementation of VAT to reduce cost and complexity**

A differential sales tax rate across states and the incidence of multi point local levies added to costs and complexity, and have hampered aggregation of sourcing. The implementation of Value Added Tax (VAT) is also expected to narrow down the cost advantage that unorganized retailers enjoy over the organized ones.

• **Changing Demographic profile**

The composition of the Indian population is shifting towards a larger composition of people in the age group 20-49 i.e. the working population with purchasing power. This shift is expected to be a major driver of consumption.

• **Changing lifestyles**

Nuclear family structure, a growing number of educated and employed women (which translates into increasing disposable incomes), media proliferation and growing consumerism have all contributed to the growth of organized retail.

• **Domestic outbound tourists-raised aspirations**

Over 2,00,000 Indians are currently engaged overseas in “white collar” employment position in various sectors such as IT, Banking & Financial Services, and Management & Project Consulting. This international exposure is facilitating creation of awareness of modern shopping formats and also leading to a change in consumer expectations from the providers of shopping options in India.

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31 KSA Technopak:– Retail Report 2007
• **Impact of globalization**

Globalization has removed trade barriers and promoted consumerism. Over the last decade, there has been an increase in branded goods — both domestic and international — in the Indian market across product categories. Both width and depth of product offering to the Indian consumers is increasing.

• **Inbound tourists, shopping**

There is a large Non Resident Indian (NRI) population. Given that international lifestyle brands are readily available in their country of migration, this population shops for similar quality merchandise at lower prices in India on their visits here.

• **Rapid expansion and format migration**

After making years of investments in customer acquisition, setting up of systems/processes and consequent operational losses, many leading retailers have passed their "learning" phase and are getting into the consolidation/aggressive rollout phase. Today, few of them are making good money out of the business. This provides confidence to the investors to infuse much needed capital in the business, and will lead to further expansion, innovation and format migration.

For example, leading retailers such as Trent (Westside) and Landmark Group (Lifestyle) are also considering new formats in home improvement and hypermarkets. Some examples of migration of formats are cited in Table

**Table: 1.4**

**Formats Adopted By Key Players.**

<table>
<thead>
<tr>
<th>Retailer</th>
<th>Original Formats</th>
<th>Later adopted Formats</th>
</tr>
</thead>
<tbody>
<tr>
<td>RPG Retail</td>
<td>Supermarket (Food world)</td>
<td>Hypermart(Spencer’s)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Specialty Store (Health &amp; Glow)</td>
</tr>
</tbody>
</table>

26
<table>
<thead>
<tr>
<th>Piramal’s</th>
<th>Department Store (Pyramid Megastore)</th>
<th>Discount Store (TruMart)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pantaloons Retail</td>
<td>Small format outlets (Shoppe)</td>
<td>Supermarket (food Bazaar)</td>
</tr>
<tr>
<td></td>
<td>Department Store (Pantaloons)</td>
<td>Hypermarket (Big Bazaar)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mall (Central)</td>
</tr>
<tr>
<td>K.Raheja Group</td>
<td>Department Store (Shopper’s Stop)</td>
<td>Supermarket (TBA)</td>
</tr>
<tr>
<td></td>
<td>Specialty Store (Crossword)</td>
<td>Hypermarket (TBA)</td>
</tr>
<tr>
<td>Tata/ Trent</td>
<td>Department Store (Westside)</td>
<td>Hypermarket (Star India Bazaar)</td>
</tr>
<tr>
<td>Landmark Group</td>
<td>Department Store (Lifestyle)</td>
<td>Hypermarket (TBA)</td>
</tr>
</tbody>
</table>

(Source: Dutt, D 2004, “An outlook for retailing in India, Vision 2005(from a presentation technopak at MDI Gurgaon in January and February)

In other expansion moves, the department store chains like Shoppers Stop, Pyramid and Pantaloons launched their Initial Public Offering (IPO) and are using all the funds raised, for rapid expansion in existing format and roll-out of grocery stores.

• **Experimentation with New Formats**

Currently new formats are also being tested; some of these are listed in table below.

• **Experimentation with New Formats**

Currently new formats are also being tested; some of these are listed in table below.
Table 1.5

<table>
<thead>
<tr>
<th>Retailer</th>
<th>Current Formats</th>
<th>New format being experimented with</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shopper’s Stop</td>
<td>Department Store</td>
<td>Quasi-mall adding Food retail</td>
</tr>
<tr>
<td>Ebony</td>
<td>Department Store</td>
<td>Quasi-mall, smaller outlets, adding food retail</td>
</tr>
<tr>
<td>Crossword</td>
<td>Large Bookstore</td>
<td>Corner shops</td>
</tr>
<tr>
<td>Pyramid</td>
<td>Department Store</td>
<td>Quasi-mall, adding Food retail</td>
</tr>
<tr>
<td>Pantaloons</td>
<td>Own brand store</td>
<td>Hypermarket</td>
</tr>
<tr>
<td>Subhiksha</td>
<td>Supermarket</td>
<td>Considering moving to self service</td>
</tr>
<tr>
<td>Vishal</td>
<td>Supermarket</td>
<td>Suburban discount store</td>
</tr>
<tr>
<td>Foodworld</td>
<td>Food supermarket</td>
<td>Hypermarket, Foodworld express</td>
</tr>
<tr>
<td>Globus</td>
<td>Department store</td>
<td>Small fashion stores</td>
</tr>
</tbody>
</table>

(Source: Cygnus Research)

Retailers are also trying out smaller versions of their stores in an attempt to reach a maximum number of consumers. Crossword bookstore is experimenting with Crossword Corner, to increase reach and business from their stores. Food World is experimenting with a format of one-fourth the normal size called Food World Express.
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.

- 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. This young population, which is technology-savvy, watch more than 50 TV satellite channels, 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.
<table>
<thead>
<tr>
<th>Growth Drivers</th>
<th>Constraints</th>
</tr>
</thead>
</table>
| **Demand Side** | • Economic Growth  
                   • Favourable Demographics  
                   • Urbanization of (Tier II and Tier III cities) |
|                | • Diverse customers segment to cater and changing buying behaviour. |
| **Supply Side** | • Credit availability |
|                | • High real estate cost  
                   • Lack of human resources  
                   • Inefficient logistics  
                   • Space availability  
                   • Lack of proper infrastructure |

{Source:- KPMG report – Indian Retail on Fast Track}

1.11 **Scope of retailing**

Retailing activities are usually identified with certain kinds of shops selling different brands of merchandise. Also, physical distribution arrangements in an economy are thought of as applying primarily to items with tangible characteristic for final consumption. Three groups of retail transactions can be identified in retail:

1. Distribution and marketing activities and providing range of public enterprise.
2. Extra market or non market activities by individuals or households.
3. Pre owned goods transactions.

Changes in technology and tastes affect retail activities and provide alternative lifestyles and job opportunities. The retail services are of two types:

1. Associated services which may be either a complement or a substitute for other goods or services purchased by consumers.
2. Embodied services which are a part of bundle of characteristic sold to consumers.

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32 John Reilly “Retail:- Exploring concepts and models”, pp no 3-8
The direct contribution of retailing in the economy is usually calculated as the share of sector or its components in social accounting aggregates or other macroeconomic indicators. Retail markets, by reason of their various types of linkage with other areas of economic activity, also indirectly contribute towards many other functional, institutional and behavioral relationships.

Retailing in most economies has experienced numerous and profound changes in its strategic and operational activities during recent years. Although there are many changes for individual companies.

1.12 Retail Formats in India

Table: 1.7

<table>
<thead>
<tr>
<th>Format</th>
<th>Definition</th>
<th>Value proposition</th>
<th>Indian examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Counter stores</td>
<td>Food: Family run stores, selling essentially food items</td>
<td>High service, low price</td>
<td>Kirana stores</td>
</tr>
<tr>
<td>Kiosks</td>
<td>Pavement stalls selling limited variety of food and vegetables</td>
<td>High service</td>
<td>Paan shops</td>
</tr>
<tr>
<td>Street markets</td>
<td>Regular markets held at fixed centre retailing food and general merchandise items</td>
<td>Large selection, Low price</td>
<td>Village Haats</td>
</tr>
<tr>
<td>Street vendors</td>
<td>Mobile retailers essentially selling perishable food items such as fruits vegetables and eggs</td>
<td>High service</td>
<td>Vegetable vendors</td>
</tr>
</tbody>
</table>

(Source: “Retailing Management”, Levy & Weitz, p g no 38-39)
These are some insights into the smaller, semi and unorganized retailers

➢ Hawkers — 'mobile supermarkets'

The unorganized sector is characterized by the lari-galla vendors (also known as "mobile supermarket") seen in every Indian by lane and is, therefore, difficult to track, measure and analyze. But they do know their business; these lowest cost retailers can be found wherever more than 10 Indians collect — a rural post office, a dusty roadside bus stop or a village square.

As far as location is concerned, these retailers have succeeded beyond all doubts. They have neither village nor city-wide ambitions nor plans - their aim is simply a long walk down the end of the next lane. This mode of "mobile retailers" is neither scalable nor viable over the longer term, but is certainly replicable all over India. Most retailing of fresh foods in India occurs in mandis and roadside hawker parks, which are usually illegal and entrenched.

They are highly organized in their own way. Hawking of food products, cooked food and FMCG products is a very interesting model of retailing. Much has been heard about these roadside "malls" — from social security issues to their nuisance value. However, if you put these hawkers together, they are same to a large supermarket with little overheads and high degree of flexibility in merchandise, display, prices and turnover. While shopping ambience and the trust factor maybe missing, these hawkers sure have a system that works.

➢ Kirana/Grocers/ Provision Stores/Mom-and-Pop Stores

Semiorganised retailers like kirana (mom-and-pop stores), grocers and provision stores are characterized by the more systematic buying and selling. They purchase from the mandis or the farmers and sell from fixed structures.

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35 Chetan Bajaj, Nidhi Srivastav, Rajnish Tuli, “Retailing-role, relevance and trends”, Oxford Higher education, pp no 25-27
Economies of scale are not yet realized in this format, but the front end is already visibly changing with the times. These stores have presented Indian companies with the challenge of servicing them, giving rise to distribution and cash-flow cycles as never seen elsewhere in Asia. The model is an antithesis of modern retail in terms of the buyer (retailer)-seller (FMCG) equations.

It is not unknown for MNC leaders to link the supply of one line of products to another slower moving line of products. These retailers are not organized in the manner that they could challenge the power of the sellers; most protests have been in the form of boycotts, which really haven't hit any company permanently.

➢ Modern Retail Formats Existing In India

Department stores

These large stores retail primarily non-food items such as apparel, footwear, accessories, cosmetics and household products. They stock multiple brands across product categories, though some of them focus on their own store label (on the lines of Marks & Spencer's).

These stores are found on streets and as of Shopping malls. Several local department store chains have opened Shop in India in the past five years. It is a belief that the convenience factor has been grouped with the inspirational perception of shopping in a department store has contributed to their growth.

Table 1.8

Evolving Size of Different Retail Formats

<table>
<thead>
<tr>
<th>Format</th>
<th>Size in Square Feet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shopping Malls</td>
<td>&gt;=3,50,000</td>
</tr>
<tr>
<td>Hyper Markets</td>
<td>&gt;=70,000</td>
</tr>
<tr>
<td>Department Store</td>
<td>50,000-70,000</td>
</tr>
<tr>
<td>Discount Stores</td>
<td>30,000-50,000</td>
</tr>
</tbody>
</table>

These departmental stores are classified into:

- **Full-line Stores**: Stores that offer a broader variety of merchandise than specialty stores. Merchandise sales include apparel, electronics, music and food. Stores like Lifestyle, Westside and Shoppers Stop come under this category.

- **Specialty Stores**: Specialty stores, as the name suggests, are stores that specialize in a particular offering. A specialty store carries a deep assortment within a narrow line of goods. Furniture stores, florists, sporting-goods stores, and bookstores are all specialty stores. Examples of specialty stores in India would include Planet Sports, Planet M, Music World and Crossword.

**Supermarkets**

A supermarket is a store which is more of a large self-service grocery store selling groceries and dairy products and household goods that are consumed regularly. These are neighborhood stores offering home and personal care products and food products that a typical household consumes on a day-to-day basis.

These stores are often part of a chain that owns or controls (sometimes by franchise) other supermarkets located in the same or other towns; increasing the opportunities for economies of scale. These stores offer convenience of shopping by making available a large variety of products at one place.

Some of the well known supermarket chain includes Food Bazaar, Nilgiris, Food World, Apna Bazaar and Trinethra.

**Hypermarkets/Discount stores**

A hypermarket is a store which combines a supermarket and a department store. The result is a retail facility which carries an enormous range of products under one roof, including full lines of fresh groceries and apparel. It is a large format store that aims at retail consolidation by being a single point contact between the brand owners and customers.
Large varieties of products are available at reasonable prices with discounts built in for volume purchased. This is possible because of economies of large scale operations. Big Bazaar, Spencer's and Star India Bazaar are examples of hypermarket formats.

Table: 1.9

Modern Retail Formats in India –Summary Chart

<table>
<thead>
<tr>
<th>Format</th>
<th>Description</th>
<th>Value Proposition</th>
<th>Indian Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Branded Stores</td>
<td>Exclusive showrooms either owned or franchised out by a manufacturer</td>
<td>Complete range available for a given brand certified product quality</td>
<td>Adidas, Reebok company outlets</td>
</tr>
<tr>
<td>Specialty Stores</td>
<td>Focus on a specific consumer need; carry most of the brands available</td>
<td>Greater choice to the consumer; comparison between brands possible</td>
<td>Bata, Tanishq, Vijay sales, Nallis</td>
</tr>
<tr>
<td>Department Stores</td>
<td>Large stores having a wide variety of products, organized into different departments such as clothing, house wares, furniture, home appliances and toys</td>
<td>One stop shop caring to varied consumer needs.</td>
<td>Shoppers Stop, Lifestyle, Westside, Pantaloons</td>
</tr>
<tr>
<td>Supermarkets</td>
<td>Extremely large self-service retail outlets</td>
<td>One stop shop catering to varied consumer needs.</td>
<td>Nilgiris, Foodworld</td>
</tr>
<tr>
<td>Discount Stores</td>
<td>Stores offering discounts on the retail price by selling high volumes and reaping the economies of scale</td>
<td>Low prices</td>
<td>Giant, Big Bazaar</td>
</tr>
<tr>
<td>Hyper–mart</td>
<td>Larger than a supermarket, sometimes with a warehouse appearance, generally located in quieter parts of the city</td>
<td>Low price, vast choice available including services as cafeterias</td>
<td>Giant, Big Bazaar</td>
</tr>
<tr>
<td>Shopping Malls</td>
<td>An enclosure having different formats of in-store retailers, all under one roof.</td>
<td>Variety of shops available close to each other</td>
<td>In orbit Malls, Central</td>
</tr>
</tbody>
</table>

{Source: Ernst & Young, The Great Indian Retail Story 2006}
Seamless / Shopping Mall

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

Multi Brand Outlets

In this the retailer sells a number of brands under a single roof. This type of format is becoming very popular now-a-days among customers as they get large product variety to shop at one place.

Single Brand Outlet

These are typically company outlets selling the company brand. So, only one brand is available under one roof. E.g. Company Outlets like Adidas showroom, Reebok Showroom.

1.13 Issues Concerning Modern Formats/ Organized Retailers

In Indian retailing, convenience and merchandise appear to be the most important factors influencing store choice, although ambience and service are also becoming important in some contexts.

Modernization will have to address convenience issues while presenting strong alternatives to traditional formats in selection of merchandise available for sale.

Modern formats need not be expensive and can offer lower prices to consumers. Lower prices in turn will increase the attractiveness of modern formats and rapid growth in the preference for purchasing from new format stores.

Store ambience includes issues such as Lighting, cleanliness, store layout and space for movement. Modern stores can offer a far better ambience compared to traditional stores.

On the service front, traditional stores, especially kirana stores, offer credit and home delivery. These needs will have to be addressed by new formats. Experience shows that the combination of entertainment and shopping provided by some shopping centers is attractive to consumers.

Modern stores have also been affected by low conversion in relation to the number of footfalls. This means that although a large number of people visit the store, the number of buyers and the average bill amount is small. Due to low sales, the bargaining power of the retailers with suppliers and manufacturers is low and this restricts their average gross margin.

On the other hand, the expenses involved in setting up and maintaining a modern format store tend to be much higher than traditional store due to the additional expenses on larger size, better locations and superior ambience.

1.14 The Changing Face of Retailing

The current trends in retailing consist of two parts a) role of internet in retailing

b) Branding through retailing.

<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)

37
➤ **Role of the internet**

The internet has opened a new world of opportunities and it offers a way to grow an existing retail business and increase exposure in the marketplace\(^{37}\). The Internet has been used in main ways to facilitate retail marketing. Internet retailing is offered for a retail experience that is totally different from fixed location retailing. The retailers with a strong and established brand presence, effective physical distribution relationships and capital investment in traditional formats may be less inclined towards expansion into a non store, electronic format.\(^{38}\)

➤ **Lifestyle clustering**

The proliferation of choices available and the growth of personal style possibilities are creating a new kind of store that acts as a “choice editor” for shoppers. The trend is now to group products by lifestyle as opposite to the type of a product. Retailers create lifestyle clusters in one shelf only inside their stores like for eg: shampoos and all skin creams together.

➤ **Vertical retail concepts**

Alliances with specialists raise the levels of competences and customer frequency. Retailers and marketers are not just focusing on temporary price reductions, feature ads, and displays but are opting for strategies that are changing the face of retailing.

➤ **Consumption related mega trends**

There are certain trends in consumption behavior that has a direct and significant impact on the business strategy and profitability of retail business. There is an increase in consumer power both on individual and collective basis. Many retail

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outlets like Fab India, Khadi and Village Industries Commission are examples of latest mega trends\textsuperscript{39}.

1.15 Future outlook\textsuperscript{40}

Short Term (2007-2009)

Greater clarity is required in the Govt policy of FDI in retail. Without a proper regulatory mechanism, the entry of big foreign players will be hampered in the short run. However, they may tie up existing Indian players or form a JV like Wal-Mart to enter the Indian market. However domestic players like Reliance and Subhiksha are expected to aggressively follow their growth strategy to cement their place before foreign players are allowed. The Mom & Pop stores in the short run will be adversely affected in the urban areas but in the rural areas they will still be the dominant force.

Medium Term (2009-2011)

Big domestic players are expected to acquire smaller players like Trinethra, Adanis, Nilgiris etc and further consolidate their position. This will lead to further economies of scale and also bring about efficiencies in the supply chain and retail management areas. In the next phase of industry growth, the big players will start targeting the semi-urban and rural areas. The Mom & Pop stores will improve their supply chain efficiency to stay competitive.

Long Term (2011 onwards)

With increasing pressure from foreign governments, India ultimately will open up its retail sector for foreign investment. There will be a huge number of players entering the Indian retail market. Organized retail will increase. But since India is such a vast country with so many disparities, the Mom & Pop stores will survive and in the long run will become franchises for the big retailers.

\textsuperscript{39} \url{www.nacsonline.com} 2004, "Retailers of the future could become "Choice editors", Feb 23.
\textsuperscript{40} Agrawal Deepti, "Unshackling Retail Carvan " Pitch, Vol No 5", March 2008, pp no 19