CHAPTER I: INTRODUCTION & AN OVERVIEW OF RETAILING

1.1 Background of the research:

- "Retail revolution picks up speed in India".
- "The Indian Retailing stands poised to take off into 21ST century".
- "A shift to a retailing dominated economy in India".
- "Hopes for retail mega bucks glimmer on horizon".
- "Retail and reap the rewards".
- "Organized Retailing is the hottest and happening sector".

These are the buzzwords among the Corporates, SME’s, and business communities in India. The retail industry, one of the fastest growing sectors in India catering to the world’s second largest consumer market, offers a trillion rupees opportunity for a variety of businesses, like F.M.C.G., real estate, store design and operation, supply chain management and packaging. The industry is in fact poised for a major break through in the wake of accelerated industrial and commercial activity in a liberalized environment.

The post liberalization era has been witnessing a resurgence of business in organized retailing. The brand manufacturers, Technology innovating organizations, world renowned products and services, global giants in consumer products – in fact the entire gamut of accepted brands in beauty and cosmetics, Internet and computers training, furniture and fittings, fast food chains and restaurants, household services, recreation and entertainment are vying with each other to make their presence felt in a highly charged consumer market in India.

1.1.1 Why Study Retailing

Before going deeper, let’s have a look at the latest facts about India and vast opportunities it is capable to provide in this field:

**INDIA – A Vibrant Economy & a Resplendent Market:**

- 4’th Largest economy in PPP(Purchasing power parity) terms after USA, China & Japan
- To be the 3 rd largest economy in terms of GDP in next 5 years.
- 2’nd fastest growing economy in the world.
- The US $ 580 billion economy grew 8.2 percent in the year 03-04
- Among top 10 FDI destinations.
- Stable Government with 2’nd stage reforms in place.
• Growing Corporate Ethics (Labor laws, Child Labor regulations, environmental protection lobby, intellectual and property rights, social responsibility).
• Major tax reforms including implementation of VAT.
• US $ 130 billion investment plans in infrastructure in next 5 years.
• 2'nd Second most attractive developing market, ahead of China.
• 5th among the 30 emerging markets for new retailers to enter.
• A country with the largest young population in the world - over 867 million people below 45 years of age!
• More English speaking people in India than of in the whole of Europe
• 300 million odd middle class - the Real consumers - is catching the attention of the world. With over 600 million effective consumers by 2010 India to emerge as one of the largest consumer markets of the world by 2010.

So far, it has been seen that retailing is a vital and involuntary action performed by the living structure of the market economy (as opposed to the case in a barter economy). In a barter economy, barter transactions take place between consumers themselves. Consumers interact directly whereas in a centralized market economy, transactions taking place at a larger scale (both in terms of volume and variety) necessitate an interface between the manufacturers and final consumers. Hence we reinforce the fact that retailing is not a new deal. This industry is extant as an interface between production and consumption, from times immemorial, benefitting us - consumers or producers in the various ways discussed above.

The study concentrates on Organized Retailing, which consists of shopping malls, super markets, chain stores, and like. In the last few years a shift has occurred in India from individual retail outlets owned separately and managed distinctively to professionally managed retailing. This is an industry, which has now started attracting better investments and talent. Things changed primarily because of the rising expectations of Indian consumers and the corporate responding quickly.

Today, the industry (in India) seems to be functioning somewhere between the accelerated development and maturity stages, with high growth rates, intense competition and moderate profitability. For reference, the table, depicting the various stages of the Retail Life cycle is given in annexure 6. In order to get an idea of the magnitude of the issue we are dealing with, we look at the
International scenario. During 1992, the largest 100 retailers in the world generated over $1.1 trillion in revenues.

Retailing is the second largest industry in the world, one of the largest employers of the world and an index of economic growth. In India there are about 12 million retail outlets varying in sizes and nomenclatures. India has the highest number of retail outlets per capita in the world but has the lowest retail space per capita in the world (2 ft / person). Out of these 12 million outlets 96% are smaller than 500 sq. ft. in area. There are about 3 million outlets in India's 3700 designated towns and more than 6,00,000 villages. About 350 million people live, within one-minute walk of these retail shops. According to retail census conducted by market researcher ORG-MARG, Rs.4,79,568 crore worth of products were sold through these 12 million retail outlets.

Manufacturers owned and retail chain store are springing up in urban areas to market consumer goods to the middle class in a much similar style as malls around the globe. At present about 8% of the Indian population is employed in the retailing industry as against 20% in USA. As India moves towards the service oriented economy, a rise in this percentage is expected. The number of the retail outlets is growing at about 8.5% annually in the urban areas and in towns with population between 1,00,000 to 1 million; the growth rate is about 4.5%.

According to Kurt Salmon Association, a global management consulting firm, the size of the organized retailing market stood at Rs. 280 billion in 2004, thereby, making up a mere 3% of the total retailing market. Moving forward, organized retailing is projected to grow at the rate of 25%-30% p.a. and is estimated to reach an astounding INR 1000 billion by 2010. Further, its contribution to total retailing sales is likely to rise to 9% by the end of the decade.

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

In India, organized retailing is catching up fast. Yet retailing is to be recognized as full-fledged industry in the India. Organized retailing is bound to grow tremendously provided the right marketing strategies are adopted. Even though the big retail chains are concentrating on the upper segment and selling products at higher prices like Crossroads, Akbarally's and Shopper's Stop, retail stores are sprouting that cater to the needs of the middle class. With a huge middle class
population, the retailers like RPG's Food World are tapping this market. The market is flooded with products - branded and unbranded. The customers are in a dilemma as to pick which one! The organized retail chains, display all the products and the most attractive product catches the customer attention. Gone are the days of customer loyalty with increasing number of products of similar quality hitting the market. Differentiation plays the lead role. According to Mr. Simon Bell of A.T.Kearney, there is a close relation between the growth of brands and the growth of the organized retailing. "Companies selling branded products prefer to have big and organized retail outlets such as supermarkets where there can be differentiated from unbranded products" he opines. India is going through that phase in retailing, which the US experienced in 80s and early 90s. From product based shopping, the importance has shifted to experience base shopping.

The customers of the 21st century would expect to pick his/her own products from an array of choices rather than asking the local kirana wallas to deliver a list of monthly groceries. Thus the way of distribution of products has gained importance in the past decade.

1.2 Introduction

Now, you don't need anyone to tell you how organized retail is booming across the country. Malls, supermarkets, discount stores, specialty stores, multiplexes and cafes have become as common a sight, across metros and small towns alike, as the ubiquitous kirana store or the dusty bazaars that still dot our urban landscape. And almost every marquee corporate name, from HLL, ITC, Reliance, RPG, Marico and Tata, has a foot inside the retail door.

According to the latest study by KSA Technopak-Consumer Outlook 2005 (a New Delhi-based retail consultancy firm), Organized retail is currently pegged at Rs 40,000 crore, employing around three lakh people. With estimated growth rate pegged at 25-30 per cent over the next decade; the market size is expected to touch Rs 1 lakh crore within the next five years; and job opportunities for more than 1.5 million people. This is without factoring in any Foreign Direct Investment (FDI) flows, currently barred, into the sector.

(Source: Business Today, 18 December 2005 Issue, p-145)

The rapid changes in retailing environment are quite evident at least in the metros. The Urban Indian Shopper is spending more on food, groceries and personal care than before. According to the 2005 ACNielsen Shopper Trends, The average monthly expenditure on these items grew by a robust 14% (USD 57 vs.
USD 50) over the previous year. Thus, the study was carried out, looking at the tremendous opportunities as well as the scope for the growth of the organized retailing in India.

It has explored primary as well secondary research to fulfill these Objectives:

- Identify the impact of liberalization on the retailing business.
- Changes in the Organized retailing environment.
- To identify the changes in consumer behavior.
- To assess the roles of the retailers in present context.
- To study the adaptations by the retailers.
- To identify the emerging trends.
- To identify the key success factors of successful retailers.

1.2.1 Statement Of The Problem

The retail industry, one of the fastest growing sectors in India catering to the world's second largest consumer market, offers a trillion rupees opportunity for a variety of businesses, like F.M.C.G., real estate, store design and operation, supply chain management and packaging. The industry is in fact poised for a major break through in the wake of accelerated industrial and commercial activity in a liberalized environment. The post liberalization era has been witnessing a resurgence of business in organized retailing. The brand manufacturers, Technology innovating organizations, world renowned products and services, global giants in consumer products – in fact the entire gamut of accepted brands in beauty and cosmetics, Internet and computers training, furniture and fittings, fast food chains and restaurants, household services, recreation and entertainment are vying with each other to make their presence felt in a highly charged consumer market in India.

1.2.2 Organized retailing at the cross roads

Retailing in India, needless to say retailing is scattered and disorganized. Organized retailing first came to the South and is now spreading all over India by the entry of a number of companies. Retail industry experts say that in 2001, retailing entered a new phase in India. Established retailers are now experimenting with new formats in infrastructure, pricing and customer-care. The biggest change in 2001, therefore, was on the price front. Discount stores are slowly arriving in India and industry insiders feel they will spearhead a revolution in Organized retailing. Another change was experimentation with format-
Hypermarket. Hypermarkets are designed to generate higher revenues and delivery gains in terms of branding, merchandising, display, variety and choice for partners, consumers, retailers and the government alike. For example GIANT of RPG group, Big Bazaar by the Pantaloon group, set up in Hyderabad, Kolkata and Bangalore. New Delhi-based retail chains and Ansal Housing and Construction decided to jointly set up six hypermarkets in New Delhi.

The retail chains include Home Store (India), a retailer of home products and accessories, and Life spring, owner of a chain of health and beauty product stores in Delhi. The three will invest more than Rs 50 Crore to set up six hypermarkets across Delhi by year 2003. To be called Metro Sabka Bazaar (Everybody’s Market). Hypermarkets, thus, are clearly a volume game and in India, with its value-for-money conscious public, if managed well they could change the retail scene for good. Total retail space under the organized players is expected to go up to 90 million square feet by 2007 from around 30 million at present. This would involve an investment of nearly Rs.40, 000 crore as the retail chains expand to smaller cities across the country. Total revenues for the industry, including the unorganized sector, are projected at a staggering $250 billion or around Rs.10 lakh crore per annum by the year 2010. The organized sector would account for only about 10 per cent of the total or $25 billion in annual revenues by then. In other words, the unorganized sector would more than triple its revenues to $225 billion in another five years. Thus at the crossroad of the sunrise Industry; Indian retail companies are drawing up ambitious plans to expand their reach across the country.

1.3 Problems of Retailing—What’s eating Indian retailing?

More and more Corporates are jumping onto the retail bandwagon. Indian retail is booming. A number of large corporate houses — Tata’s, Raheja’s, Piramals’s, Goenka’s — have already made their foray into this arena, with beauty and health stores, supermarkets, self-service music stores, new-age book stores, every-day-low-price stores, computers and peripherals stores, office equipment stores, home/building construction stores, etc. Let’s take a snapshot at the problems festering the Indian retail industry. The list is as follows:

1 **Lack of store differentiation:**
   All stores offer common brands, similar ambience, and a commitment to improved service. With the growth, the stores are bound to feel the strain.

2 **Merchandising muddle:**
   With the permutations and combinations of seasons, fashions and regional preferences, merchandising is at the best of times a complex task. There
are very few experienced merchandisers. While technology is no doubt an enabler, there can be little substitute for experience.

3 **Lack of labels/suppliers:**
The search for suppliers invariably throws up talent that does not have the financial backing or the production infrastructure. Those who do have the muscle do not necessarily have the acumen. Those that have both lack the discipline. Therein begin the compromises that merchandisers feel forced to make to meet purchase budgets — which lead to stock pile ups and reduced profitability.

4 **Discounting:**
With promotions becoming the order of the day, price wars cannot be far behind. Retailers have to be constantly alert and responsive to maintain their relevance.

5 **Limited margins and high real estate costs:**
India works on low margins compared to its counterparts in the developed world. Take from it sales tax, cost of freight, allowance for dead stock and the retailer is not left with much scope for error.

6 **Cost of land is prohibitive.**
A number of the new chains have therefore preferred to spread in smaller metros, hoping to offset lower revenue potential with lower real estate costs.

7 Perhaps biggest problem is the lack of trained men power.

1.4 **Rationale for the Study**

**Need of the study:**
It is quite clear from the data that organized retailing in India is a sector with tremendous opportunities. It is rightly called as the sunrise industry. But it is plagued with above problems. So a systematic study to deal with Liberalized environment, to assess the impact of it on this sector was needed. The implications for the retailers, what should be their business strategies to be adapted, what technologies to go for, how are consumers changing are all areas unexplored till date. Thus there was a dire need for organized research work to be undertaken.

1.5 **Key issues of organized retailing:** They are as follows:
- The impact of liberalization on the retailing business.
- Changes in the Organized retailing business environment.
• Changing C.B. with respect to newer life styles, service expectations etc.
• The role of retailers in the present context, consumer context, services context and business strategies context.
• Adaptations by the retailers to meet all above are to be examined.
• What factors are responsible for successful retailers

1.6 Future areas of study: They are as follows:
• What will be the future of the mushrooming shopping cum Entertainment complexes?
• Western Type of Shopping Malls are arriving. What could be the possible business models of them?
• Does the Organized Industry have trained manpower? Are there any Institutes to cater to these needs?
• Will the Private labels from store compete with National brands?
• What will be the Industry structure In case of total Organized retailing?

1.7 Objectives of the study:
(I) To study the impact of liberalization on the retailing business.
(II) To identify the changes in the retailing environment.
(III) To study the services expected by the consumers.
(IV) To assess the roles of the retailers in present context.
(V) To study the adaptations by the retailers as well as the consumers.
(VI) To identify the key success factors of successful retailers.
(VII) To identify the emerging trends.

1.8 Hypotheses to be tested:
(I) Organized retailing is going to dominate the Indian economy.
(II) Organized retailing will be a major employment provider.
(III) Intense competition has forced Retail Chains to adopt newer strategies to attract and retain the consumers.
(IV) Discount stores will be the most successful retailers in India.
(V) The major retail sales are from food sector.

1.9 The Research Methodology:
The approach:
Information was required for the study of Organized Retailing in various areas like the impact of liberalization on organized retailing, emergence of Organized
Retailing, the problems being faced by the retail trade and emergence of newer types of store formats. Some other important aspects affecting the retail trade such as changing life styles, consumer behavior, and changing service expectations were also covered in the study. Changing role of the retailers in the present context, newer business models, adaptations by the retailers, what makes them successful etc. were also studied in detail. The data and information in this regard were collected and analyzed for meaningful outcomes. The descriptive research was therefore best suited for this type of the study.

**Research Plan**

**Data sources:** Primary and secondary data.

**Secondary data:** Was collected from various books, magazines, newspapers, national and international journals and websites.

**Primary data:** Was collected by survey of retailers as well as the consumers. The survey was conducted by conducting face-to-face interviews with the respondents by using pretested structured questionnaires.

**Research Instrument:** Structured close ended questionnaires.

**Sampling Plan:** As data was to be collected from retailers as well as household consumers. Two different sampling approaches were used for the purpose.

**Universe:** Retailers and household consumers of the below mentioned formats from across Gujarat’s four Metro cities- Baroda, Ahmedabad, Surat, & Rajkot

**Sampling method:**

(a) **Retailer survey:** For collecting data from retail outlets Area sampling was used to eliminate the bias and also to give proper representation to the retail outlets located in different areas of the cites.

(b) **Consumer Survey:**

Households were selected from the same localities where the retail shops are listed for survey. The households were selected on an Area-sampling basis.

**Sample size:**

*Total 117 (Large, medium, and small) retailers.

*Total 500 household consumers of these formats.

**Sampling Unit:**

<table>
<thead>
<tr>
<th>Retail Format Specifications</th>
<th>Area Sq.ft.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small: Online Shop</td>
<td>50</td>
</tr>
</tbody>
</table>
Sizing of Stores

- Neighborhood Store 100-500
- High Street Store 1000-1500

- Medium: Speciality Store 5000-10,000
- Departmental Store 10,000-15,000

- Large: Super Market 20,000-30,000
- Hyper Market 50,000-75,000

- Mega: Mall 1,00,000-1,50,000

Methods of analysis

The data analysis was done using various statistical tools, & computerized software like SPSS etc., to arrive at meaningful conclusions.

1.10 RETAILING AN OVERVIEW

1.10.1 Definitions: What Is Retailing?

"Retailing consists of those business activities, which are involved, in the sale of goods or services to consumers for their personal, family or household use." It is the final stage in the distribution process for goods and services from manufacturers to final consumers.

Organized Retailers: Defined as those companies engaged in retailing which have a network of retail outlets, compared to the stand alone format characterized by the traditional sector, and those who adopt professional management for day to day operations.

A Typical Distribution Chain

(Source: -Ron Hasty, James Reardon - Retail Management)

Retailing involves:

- Interpreting needs of the consumers.
- Developing good assortments of merchandise.
- Presenting them in an effective manner so that consumers find it easy and attractive to buy.

Retailing differs from marketing in the sense that it refers to only those activities, which are related to marketing goods and/or services to final consumers for personal, family or household use. Whereas marketing, according to American Marketing Association, refers to "the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that Satisfy individual and organizational objectives."

Organizational buyers purchase in order to perform a task or sell a product effectively, efficiently and at a profit. They could be industrial buyers or inter-
mediary buyers. Industrial buyers are those who purchase goods and services to be used in or to aid manufacturing process. Intermediary buyers are those (i.e. wholesalers and retailers) who buy merchandise for resale. Retailers include street vendors, local supermarkets, department stores, restaurants, hotels, barbershops, airlines and even bike and car showrooms. Still retailing may or may not involve the use of a physical location. Mail and telephone orders, direct selling to consumers in their homes and offices and vending machines - all fall within the purview of retailing. In addition to it, retailing may or may not involve a "retailer." Manufacturers, importers, non-profit firms and wholesalers are acting as retailers when they sell goods and/or services to final consumers.

Whatever the form of retailing, a retail marketing strategy defines the execution of the marketing process and facilitation of customer satisfaction. This retail marketing strategy involves selecting a retail target market (i.e. the carefully/exactly identified group of final consumers that a retailer seeks to satisfy) and then implementing the corresponding retail marketing mix (i.e. a combination of product, price, promotion and distribution strategies that will satisfy the retail target market). The elements of the marketing mix encompass the facets shown in the table below. The table depicts consumer service as the crux of the whole activity.

1.10.2 Retail Marketing Mix

<table>
<thead>
<tr>
<th>Product</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Branding</td>
<td>cost of Goods</td>
</tr>
<tr>
<td>Packaging</td>
<td>Business expenses</td>
</tr>
<tr>
<td>Product design</td>
<td>Gross Margin</td>
</tr>
<tr>
<td>Assortment</td>
<td>Profit</td>
</tr>
<tr>
<td>Services</td>
<td></td>
</tr>
<tr>
<td>Promotion</td>
<td>Place</td>
</tr>
<tr>
<td>Advertising</td>
<td>Logistics</td>
</tr>
<tr>
<td>Personal selling</td>
<td>Store Location</td>
</tr>
<tr>
<td>Sales Promotion</td>
<td>Site Evaluation</td>
</tr>
<tr>
<td>Public relations</td>
<td>Transportation</td>
</tr>
<tr>
<td>Visual Merchandising</td>
<td>Storage of Goods</td>
</tr>
</tbody>
</table>

(Source: -Ron Hasty, James Reardon - Retail Management)

The implementation of such a retail strategy mix benefits consumers and producers and yields economic utility. The same has been explained in detail in the next topic.
1.10.3 Benefits of Retailing
The implementation of such a retail marketing strategy yields benefits for consumers, manufacturers and wholesalers and creates economic utility as described by the following figure:

![Retailing benefits diagram]

(Source: -Ron Hasty, James Reardon - Retail Management)

The first point under retailing benefits for customers, bulk breaking refers to the act of retailers of buying goods in large quantities and then breaking them into smaller sizes for their individual customers. As a result purchases become convenient for customers - in terms of quantity bought as well as expenditures made. The assorting function is nothing but evaluating all the different products available and offering to the target the optimum array of products from which to choose. The storing function performed by the retailers relieves customers of the task of anticipating their desires too far in advance of their needs as the retailers keep goods in inventory until customers are willing to buy and use them.

Further, retailers help manufacturers smoothen the production cycle by placing orders for peak demands well in advance and by managing inventory even on behalf of the manufacturer. They create economic utility for consumers by providing the products in the form and at the place and time desired by the customer.

1.10.4 Principal retailing functions are:
   i) Physical movement of goods
   ii) Availability of a range of goods
   iii) Change of ownership
   iv) Advice to potential customers
v) Other services to customers

1.10.4.1 (I) Physical movement of goods/logistics

One of the most obvious functions of distribution is the physical movement of goods from the place of Production to a point where consumers are willing to buy them. Where a retailer offers a home delivery service this function may involve moving goods from the place of production to that of final consumption. Only from carrying out this distributive function can production on any scale be converted into value. One of the reasons for the increased importance of retailing and distribution function is the production of goods is increasingly carried out in specialized, large scale, geographically concentrated factories. Such production conditions lead to the achievement of many economies of scale, but they impose a corresponding burden upon the distributive process in terms of the physical movement of goods.

1.10.4.2 (II) Range of goods

Although there may be held to be different policies which retailers can adopt with regard to product range, shops do not generally stock only one narrow type of a commodity or the goods of one producer only. Shopper’s time and effort is saved and a service is provided through retailers offering a range of goods within one category (groceries) by providing an opportunity to do a variety of shopping under one roof (in a departmental store) or offering a wide selection of narrower class of items (greeting cards). In the case of on-line retailing the range of goods is brought virtually to the shopper’s home through internet connected PC and when ordered the chosen item themselves are sent to the customers. These are merely some of the ways in which the retailer serves the consumer. In addition to the issue of the range of goods, the distributor in providing for an uncertain incidence of consumer purchases; has to hold a certain level of stock of items. While being out of stock of a requested item may result in a customer. The retailer, while keeping his stock holding to a reasonable minimum, hopes to reorder efficiently so as to meet demands made up on him by his customers. This is possible adopting efficient supply chain Management (SCM).

1.10.4.3 (III) Change of ownership at the discretion of the customer

Other than in cases of hiring or hire purchase, a fundamental characteristic of retailing is the change of ownership of goods from the distribution to the purchaser and the corresponding exchange of value from the buyer. The need to carry out this function in respect of thousands of transaction and with a high degree of accuracy (involving accurate pricing of items weighing of goods,
avoiding pilferage, proper handling of currency for case transactions and administration of any credit given) account for a significant part of the cost of retailing.

Furthermore, the display of goods by a shopkeeper is merely an 'invitation to treat', and the commercial initiation to the transaction is with the buyer. Without advance notice the purchaser can at any time during time during shopping hours choose what to buy and in what quantity at any one time. There may be exceptions to this randomness, as when retailer officer a special incentive by way of a price reduction to buy at one particular season or in larger quantities, or when a customer places a regular order (usually accompanied by home delivery as in the case of groceries). By and large, however, the retailer is subject to the inefficiently and irregularly received instruction of the shopper in these matters which add further to the costs of retailing.

1.10.4.4 Retailer Advice

Not all of this advice may be strictly required in a retail transaction, and some is simply part of the salesmanship of the shop keeper. But when asked which household medicine is best for a child's cough, how to remove stain from one's shirt, or how long it will take to defrost a particular size of frozen meat, the retailer is assisting in the use of the product by the customer.

1.10.4.5 (V) Other Services

This category of distributor functions also embraces a range of services some of which are simply of the marketing activities of the retailer.

- Generous lighting, background music of spacious 'galleries' are optional extract designed to entire customers.
- Large car parks on the other hand are a necessity for bulk shopping complexes / malls and departmental stores.
- Credit / acceptance of bank credit card is a facility which has ebbed and flowed in its importance in retailing.

Separate function enlarged and more specialists, that a separate activity or retailing emerged. This separate retailing function has come as a condition to retailing manufacturers have altered and in response to changing demands by the shoppers. These demands place upon retailers by the manufacturers and particularly by shoppers create the special management issues of retailing. Physical distribution of management for retailers is a subject in its own right. The provision of range of goods in response to relatively unpredictable demand from shoppers who must be drawn to the retail outlet, and a fairly low value of each sales transaction require management decisions on merchandise
range and stock holding levels, employment, store location and financial investment. Equally there are rewards to be gained by the retailer who manages physical distribution efficiently, who marks strategically correct decisions regarding merchandise and store location and who controls labor, stock and other financial costs. It is by providing appropriate distributive services efficiently that one class or type of retailer assumes greater or lesser importance in the sector, and within any one type of retailer (for example multiple grocery stores) the recognition of the need for a particular service and the ability to provide this efficiently will determine the survival, profitability and growth of individual retailing enterprises.

1.10.5 Historic progressive stages of civilised societies and Organisations:

The worlds as well as organisations have witnessed the following stages in their evolution: 1 Agrarianism 2 Industrialisation 3 Urbanisation. Urbanisation led to retailing; and with regard to retailing following evolved:

1 Competition 2 Sophistication 3 Maturity.

The year wise evolution in various areas of world is depicted as follows:

- Asia pacific
- North America
- Europe

1850 1900 1955 2000

In India; many of the retail outlets act merely as subsistence providers for their owners and survive on a cost structure where labor and land / building is assumed to be fee taxes nil. Compare this with the global retail industry, which is at the cutting edge of technology and which leverages scale and scope to offer value added services to its customers. However, there is change in Indian retail too. The liberalization of the consumer goods industry, initiated in the mid'80s and accelerated through the '90s has begun to impact the structure and conduct of the retail industry. Combine this with the liberalization in mindsets driven by media, new opportunities and increasing wealth, and India have the foundations of organized retail.

India has 12 million retail outlets for 1000 million people, twelve shops for every 1000 persons, the highest in the world. At the same time economics of scale are rare. The Indian retail landscape is dominated by small independent outlets, which are less than 500 Sq.ft. The retail space available precipitate currently stands at approximately 2 sq.ft. And is significantly lower than developed
markets, for example in USA; retail space available per capita is about 19 sq.ft. In
developed economics organized retailing already has a 40% share of the market
compared to India's current level of 2%.

1.10.6 Evolution Of Retailing In India

Deep roots of Indian Retailing:
- "Vaisya" the community identified in "Veda" : focused on Business & Trading
- Indus Valley Civilization: Early examples of Indian Retailing of Services?
- Daily, Weekly & Special Bazaars: Shopping Malls?
- Mela's: Retailing of entertainment?

All these make Indian retailing as one of the oldest cultures in the universe and
amongst the oldest country in the business of retailing. Just visualize the vast
variety present here.

1.10.7 A land of multiple retail formats

* Paan shops: 3 million plus outlets nationally. The Indian version of
  Convenience Stores (Besides the Ubiquitous Kirana Store). Largest selling
  format for a few consumer products and beverages.
* Weekly Bazaars/Haats/Peths.
* Strip Malls of India: Destination for textile, apparel, household, food &
grocery for semi-urban Indians

To illustrate: FMCG Outlets in Chennai

<table>
<thead>
<tr>
<th>Shop Type</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grocers</td>
<td>13,691</td>
</tr>
<tr>
<td>General Stores</td>
<td>1,911</td>
</tr>
<tr>
<td>Chemists/Druggists</td>
<td>2,170</td>
</tr>
<tr>
<td>Pan/Bidi / Cigarette Shops</td>
<td>7,396</td>
</tr>
<tr>
<td>Private Departmental Stores</td>
<td>174</td>
</tr>
<tr>
<td>Hardware Stores</td>
<td>935</td>
</tr>
<tr>
<td>Co-Op Departmental Stores</td>
<td>86</td>
</tr>
<tr>
<td>Others</td>
<td>5,672</td>
</tr>
</tbody>
</table>

So many channels even in the city where the share of organized trade is the
highest in the country

1.10.8 Some unique features of Indian Retailing

1 Geographically distributed market
  - ideal for convenience format with smaller customer base
2 Manufacturing dominated economy
   • service sector coming of age only recently
3 Strong presence of unorganized / small scale sector even in manufacturing
   • large barrier for organized retailer to maintain consistency
4 Large communities made retailing their family profession for many generations.
   • excellent in service and customization
   • largest drawback is Consistency
5 Infrastructure for organized trade poor
   • business constraints...cold storage, power deficits
   • consumer constraints...165 lt. Refrigerators, Hamare Bajaj’s and Maruti 800 cars!
6 Small size outlets (<500 sq. ft) contribute 96% of the total retail sales
7 Highest Number of outlets per person in the world: 5-10/1000 persons
8 Retail space per person (~ 2 sq.ft.) is significantly lower than developed markets (USA ~ 16 sq. ft.)

Changes led by manufacturer-retailers, to name a few:
- Raymond - Raymond Outlets - Grasim - Gwalior Showrooms
- BPL - The BPL Galleries - Ceat - The Ceat Shoppes
- Madura Garments - Allen Solly Stores - Arvind Garments
- Flying Machine & Arrow Outlets - Singer - Singer showrooms

New international brands giving a spurt to retailing
- Lacoste - The Lacoste Boutiques - Benetton - Benetton stores
- Samsung - Sony - Compaq - Compaq computer Stores
- The Samsung Brand Shops

And the new retailers joining the foray...
- Pantaloon - Wills Sport - Health & Glow - Food World - Radhe’s
- Margin Free - Vivek’s - Music World - Shoppers’ Stop - BigJo’s
- Westside - S. Kumars’ - Globus - Piramyd (Piramal) - Ebony
- Medicine Shoppe

Increasing Corporate Activity...

Food & Grocery:
- PG Group - 1996/1997 - Vam Organics

Departmental Stores
- Landmark (Dubai) – 1998 - Piramal Group – 1999
- Rajan Raheja Group – 1999
- S. Kumars - 2000

Clothing / Footwear
- Aditya Birla Group (1999)
- ITC Ltd. (2000)

Books / Music
- Apeejay Surrendra (2000)
- Bennett & Coleman (Times Group) - (1999)

Personal Care / Pharma
- Max India Group
- Jatia Group – 2000
- Beverages / Food Services
- Turner Morrison - 2000

New Formats Emerging...
The ‘Mailing’ of India has begun...Delhi, Chennai, Kolkata, Bombay, Coimbatore, Lucknow, Varansi

- 3.5- 4.0 mn sq. ft. of mall space planned/under development
- Additional opportunity for 7- 8 mn sq.ft. by 2005

To sum up, all these above facts make India a very unique country as far as retailing is considered.

Also Indian retailing is Mostly Under-Capitalized

- Not considered an industry yet
- No significant international know-how & best practices available as
  Negligible FDI in this sector
- This is one of the main Reasons why big box formats have not emerged

ORGANISED RETAILING

Developed Nations:

Organized

Indian Scenario:

Unorganized

Organized

In its nature, the Indian retail market is in sharp contract to the global situation. Like rest of the world, it is large with sales; however it is also exceptionally fragmented and undisguised. The Indian retail industry is only now beginning to evolve in line with the transformation that has swept other large economies. Fifty years of restricting the consumer goods industry, a national
mindset which favored denial over indulgence, and a fractural supply chain agriculture products have all contributed to prevent the development of modern format based on scale advantages and consumer preferences.

As India goes through this transformation, new business with sales of US $ 1 billion – 2 billion will be created in grocery and US $ 250 million – 500 million in appeared over the next ten years. Smaller, but still interesting opportunities will be created in other sector like, books, electronics, cosmetics and music’s. This is a transition which could take place within the next 10 years.

1.11 RETAILING IN INDIA

Organized retail is currently pegged at Rs 40,000 Crores, employing around three lakh people. With estimated growth rate pegged at 25-30 per cent over the next decade, the market size is expected to touch Rs 1 lakh crore within the next five years.

<table>
<thead>
<tr>
<th>Year</th>
<th>Organized Retail (in billion INR)</th>
<th>Total Retail (in billion INR)</th>
<th>% Share of Organized Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>7000</td>
<td>50</td>
<td>0.7%</td>
</tr>
<tr>
<td>2002</td>
<td>8250</td>
<td>150</td>
<td>1.8%</td>
</tr>
<tr>
<td>2005</td>
<td>10000</td>
<td>350</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

The retailing industry in India estimated at INR 930,000 Crores (2003-04) is expected to grow at 5% p.a. The Organized retailing has become an INR. 350 billion market by 2005 end & will cross INR 1000 billion mark by 2010. It is only 3 %, but growing at 30%.

1.11.1 RETAIL INDUSTRY STRUCTURE

Organized Retail (in billion INR) is pegged at around Rs. 10000 Crores and Total Retail at around 350 (in billion INR). There are about 12 million retail outlets in the country, which attained 21 times growth over 50 years since 1950, when the population in the country has only retailed. The rural India account for 10.2 million retail outlets and urban India has 1.8 million outlets. A mere 7% of retail outlets in urban areas have sales of over Rs. 8 Lakhs per annum.

Indian Retailing – Today

Rs. 650,000 Crores.

- Latest : size of Indian retail market is Rs. 13,13,900 Crores, Organized Retail Market is Rs. 15,200 Crores only )
- (US$ 140 Billion) industry, [US$ 2400 Billion in USA & US$ 330 Billion in China]
- 9% of GDP [10% in USA and 9% in China]
• Employing 20 Million (6% of total workforce), [21 Mn (17%) in USA and 40 Mn (6%) in China]
(Source: TOI, Ahmedabad, 27/2/2004)

A large sector comparable to global market in size, however clear difference in the chemistry with nascent organized sector.

• Conglomeration of many small un-organized independent stores
• Highest number of outlets in the World at 12 Million (0.9 Million in USA)
• Highest density of outlets per capita but one of the lowest in retail space per capita
• The largest private retail company (multiple formats) in India is about Rs 300 Crores (US$ 65 Million) only
• Largest company in USA is US$ 165 Billion (7% of industry), in UK US$ 25 Billion (7.5%)
• Organized sector share less than 1% compared to 80% in USA, 40% in Thailand, 20% in China

1.11.2 Current Retail Landscape

A change of guard...happening post liberalization

Pre liberalization:

-Bata
-Raymond
-Co-operative supermarkets

Post liberalization:

-Foodworld
-Subhiksha
-Westside
-Gautier
-Music World

-Singer
-Raymond
-Pantaloons
-Arcus
-Planet M

-Akbarally's
-Titan
-Margin Free
-Viveks
-Anchor
-Planet M

-Spencers
-Canteen Stores
-Shopper's Stop
-Bombay Store
-White City
-Tanishq

And the road ahead seems brighter

(Figures in Rs. Crores)

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2005 (Estimate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organized</td>
<td>5,500</td>
<td>35,000</td>
</tr>
<tr>
<td>Traditional</td>
<td>6,50,000</td>
<td>7,80,000</td>
</tr>
</tbody>
</table>

• Five fold increase in organized retailing by 2005
• (share increasing from 0.8% to 5%)
• 10-12 years for organized retailing to achieve 20% share

1.11.3 Reasons for low level of modernization in India retail

Economies of scale in operation of the retail units are rare, since most of the unorganized retail outlets are basic mom-and-pop or pop-and sons stores with basic offerings, fixed prices, zero usage of technology and little or no ambience.
There are multiple causes for this low level of modernization in India retail. Primary among them are:

- As citizens of the world's largest democracy, people were entrusted with the right to elect their Government but were denied as consumers, the right to choose their products.

- The stifling restriction on consumer goods and consumerism that existed till the 1990s.

- The consumer industry was suffocated by controls, production was paralyzed by a license system.

- Companies were either forbidden entry or denied manufacturing scale.

- Investment in product development withered from a lack of incentives while the import of foreign goods was throttled by tariffs that rose above 150 percent.

- The inability to offer a wide range of products was further worsened by the market's inability to create economics of scale in sourcing.

- The high fragmentation in suppliers and the supply chain, the restrictions on inter-state movement and stocking prevented development of scale.

- Further, the limited set of organized options prevented retailers from negotiating better terms with their suppliers.

- The lack of a customer culture, along with low, prevented the development of formats such as department stores that work on superior ambience and design to capture consumers.

- Limited products put consumers perpetually on the back foot. They were reduced to a state where they almost felt rewarded if they were allowed to buy a product.

- The high tax—regime and savings—biased government programmers stressed thrift and denial over indulgence.

- The country was effectively isolated from the through a tightly controlled television and radio media, and did not share in the growing consumer oriented culture sweeping the west and other parts of Asia.

- The lack of regard for retailers an industry, leading to there being virtually no access to capital, land or people available to aspirant. Very few banks were willing to invest in retail, while estate restriction made it well near to impossible to access land of reasonable size.

- The lack of retail oriented education courses made it different to get trained people.
• Constraints on foreign direct investment prevented the entry of most of the world’s leading retailers.
• Organized retailers were cost-disadvantages against their non-organized competition by the tax evasion by the unorganized sector.
• Interstate tax complexities, complex and inconsistent legislations prevented retailers from creating national sourcing scale.
• The consumption expenditure, which may be a yardstick to measure retail market, of Indian household in real terms has growth by an average 5.8% during the second half of the mine ties compared with 4% in the first half.

1.11.4 The consumption expenditure of Indian households.
The consumption expenditure of Indian households across major segments is as follows:

<table>
<thead>
<tr>
<th>Segments</th>
<th>Rs. In Crores</th>
<th>% Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food &amp; Beverages</td>
<td>385344</td>
<td>50.75</td>
</tr>
<tr>
<td>Clothing &amp; Footwear</td>
<td>42012</td>
<td>5.53</td>
</tr>
<tr>
<td>Furniture &amp; Appliances</td>
<td>25211</td>
<td>3.32</td>
</tr>
<tr>
<td>Personal Care</td>
<td>53365</td>
<td>7.02</td>
</tr>
<tr>
<td>Medical &amp; Health</td>
<td>32293</td>
<td>4.25</td>
</tr>
<tr>
<td>Recreation &amp; Education</td>
<td>27921</td>
<td>3.67</td>
</tr>
<tr>
<td>Rest, Fuel &amp; Power</td>
<td>83346</td>
<td>10.96</td>
</tr>
<tr>
<td>Transport &amp; Comm’n</td>
<td>110362</td>
<td>14.50</td>
</tr>
<tr>
<td>TOTAL</td>
<td>760354</td>
<td>100.00</td>
</tr>
</tbody>
</table>

The consumption expenditure pattern across segments is graphically depicted as follows:
The consumers pattern of Indian household indicate that food and beverages account for the larger part of the households final consumption expenditure. The percentage share across different products category is as follows:

<table>
<thead>
<tr>
<th>Product Category</th>
<th>% Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>90.02</td>
</tr>
<tr>
<td>Cereals &amp; Bread</td>
<td>22.45</td>
</tr>
<tr>
<td>Pulses</td>
<td>3.73</td>
</tr>
<tr>
<td>Sugar and Gur</td>
<td>7.20</td>
</tr>
<tr>
<td>Oil &amp; Oilseeds</td>
<td>8.50</td>
</tr>
<tr>
<td>Fruits and Vegetables</td>
<td>2.60</td>
</tr>
<tr>
<td>Potatoes and Other Tubers</td>
<td>2.19</td>
</tr>
<tr>
<td>Milk and Milk Products</td>
<td>7.93</td>
</tr>
<tr>
<td>Coffee, Tea and Cocoa</td>
<td>1.66</td>
</tr>
<tr>
<td>Spices</td>
<td>3.60</td>
</tr>
<tr>
<td>Other Foods</td>
<td>1.45</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Product Category</th>
<th>% Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beverages</td>
<td>0.67</td>
</tr>
<tr>
<td>Pan</td>
<td>0.91</td>
</tr>
<tr>
<td>Tobacco Products</td>
<td>5.80</td>
</tr>
<tr>
<td>Hostels &amp; Restaurants</td>
<td>2.60</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

The Indian households have preferred to spend more money on clothing and footwear. The percentage share across these two product is as follows:

<table>
<thead>
<tr>
<th>Product</th>
<th>% share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clothing</td>
<td>88.58</td>
</tr>
<tr>
<td>Footwear</td>
<td>11.42</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>

Another significant segment in which the Indian households spend are furniture and appliances. The major products category in this segment and percentage share is as follows:

<table>
<thead>
<tr>
<th>Product Category</th>
<th>% Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture, Furnishings</td>
<td>7.96</td>
</tr>
<tr>
<td>Refrigerator, Cooking and Washing Application</td>
<td>8.38</td>
</tr>
<tr>
<td>Glassware, Tableware and utensils</td>
<td>46.38</td>
</tr>
<tr>
<td>Other goods</td>
<td>37.28</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.00</strong></td>
</tr>
</tbody>
</table>
The consumption expenditure on personal care products has increased from 6.32% to 7.02% over the last five years. Indian households appeared to have paid more attention to medical and health care. The share of medical and health care is 25%. The expenditure on education and recreation is 3.67% of the total consumption expenditure.

1.11.5 Rural Scenario

Rural market in India is amounting to over half of the total Indian market. An estimate shows that the rural FMCG market is worth Rs. 440 billion and has grown at an annual average rate of over 12 percent. However the rural demand will always be far more volatile than urbane demand, since the key driver of rural market is the performance of the agriculture sector. The rural market houses at least 25 percent of the GDP, while it is overwhelmingly poor in the percentage distribution terms, if there are 10 million high and upper middle income households in urban India, there are 7.6 million in rural India.

There are also more literates in rural India than in urban India, despite lower literacy rates. This is typical the 'Great Indian Rope trick of Numbers', a small percentage of a large base is as large as large percentage of a small base. The rural market in the country has been segmented into two as developed states and developing states, based on the host of indicators. Punjab, Haryana, Gujarat, Maharashtra, Goa, Karnataka and Tamilnadu are developed states.

A social class profile. Correlated with Income, based on education of the head of the household and the type of house lived in, is detailed as follows: (Unit in %)

<table>
<thead>
<tr>
<th>Social Class</th>
<th>All India Rural</th>
<th>Developed States</th>
<th>Developing States</th>
</tr>
</thead>
<tbody>
<tr>
<td>R1 (Highest)</td>
<td>2.2</td>
<td>2.5</td>
<td>2.0</td>
</tr>
<tr>
<td>R2</td>
<td>6.4</td>
<td>7.8</td>
<td>5.6</td>
</tr>
<tr>
<td>R3</td>
<td>31.0</td>
<td>44.8</td>
<td>23.9</td>
</tr>
<tr>
<td>R4</td>
<td>60.4</td>
<td>44.9</td>
<td>68.5</td>
</tr>
<tr>
<td>TV Reach</td>
<td>36</td>
<td>48</td>
<td>30</td>
</tr>
<tr>
<td>Press Reach</td>
<td>23</td>
<td>33</td>
<td>18</td>
</tr>
<tr>
<td>Satellite Reach</td>
<td>5</td>
<td>8</td>
<td>3</td>
</tr>
<tr>
<td>Total Households in Million</td>
<td>131.1</td>
<td>47.7</td>
<td>86.4</td>
</tr>
</tbody>
</table>
1.11.6 Rural versus urban product penetration.
The product penetration level in rural v/s urban is as follows: (Unit in %)

<table>
<thead>
<tr>
<th>Product</th>
<th>Developed States</th>
<th>Rural States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Necessity Product</td>
<td>90</td>
<td>94</td>
</tr>
<tr>
<td>Emerging</td>
<td>45</td>
<td>35</td>
</tr>
<tr>
<td>Lifestyle</td>
<td>12</td>
<td>08</td>
</tr>
</tbody>
</table>

The disproportionate penetration among developed and developing states in rural India points that it is important but it requires search for geographic/demographic oases, to squeeze out competition and to reap assured harvest.

1.12 Evolution Of various formats Of Retailing in India
There have been significant changes in the pattern of different forms of retailing namely:

1. Traditional stores
2. Department stores
3. Co-operative retail societies
4. Multi shop group / Chain store
5. The independent retailer
6. Franchising
7. Mail order / direct selling
8. E-tailing

1. Traditional Stores: Constitute mainly organized forms of retailing namely:
   - Provision store / General store
   - Ready-made shop
   - Restaurants
   - Vendors

These forms of retailing offer unbranded items in loose and branded items through across the counter sale.

2. Department store:
The concept of Department store thrived on rising standards of living among the urban middle classes and expenditure on clothing furnishings, grocery etc. The department store benefited from the furnishings Increasing proportion of consumer expenditure on non-food items and a great and a greater fashion consciousness among their customers. The department store from of retailing is in decline, particularly in Respect of independent outlets, as increasing population prefers a Combination of `up-market` chains together with fashion multiples.
3 The Co-operative Retail Societies:
It is result of Co-operative movement, whose distinguishing features are that its share capital is provided by a large number of individual consumers and was responsible for major innovations in retailing, the establishment of multiple branches and backward vertical integration. Again the co-operative movement led the way in the development of self-service and the establishment of supermarkets in grocery retailing. Co-operative societies displayed in some directions greater enterprise than their private competition such as traditional stores and department stores.

The retail co-operative movements is an example not of a retailing from or technique, such as department store, which has been overtaken by changes in retailing economies, consumer shopping habits or location, but of the relative failure from of business management. Reduced state of the co-operative societies is normally couched interims of their organizational structure and managerial policies.

At an overall strategic level it has been argued that the co-operative societies clung for too long to its 'basic' value of profit sharing, consumer service, fair price and equity and that this prevented the societies from responding to competitive its retailing formula appear to be phenomena more of yesterday than tomorrow.

4 Multiple Shop Group / Chain Stores:
In contrast to department stores the co-operative society movement multiple shop retailing (including variety chains) has advanced steadily over the period. Both cost and demand conditions have continued to favor large scale retail distributors in urban India. First pre packaging and branding of foods in even more sophisticated forms created a national product market. These ideas were also applied to many other goods and made possible national retailing.

Second, the size of the multiple-shop organizations, both at the business firm and individual outlet level, gave them access to significant economies of scale on their operations, to which be added the reduction in direct costs arising from enhanced power vis-à-vis suppliers. Third, the multiple shop organization have consolidated many of their cost advantages by continuing to rationalize their operations in terms of individual store numbers and size. On the demand side retail consumers across the country have in many sectors become more uniform in their tests, and this more homogeneous market has also been characterized by a steady increase in real incomes. As a result, multiple — shop group have not only been able to replicate their particular retailing formulae across the country, but have also moved up market in terms of the quality, style and price of their merchandise. As
part of this process multiple shop operation has spread to a number of sectors of the market where independent retailers once felt protected in providing a high level of Personal service or expertise, or in category for a particular level of consumer tastes. The inescapable conclusion is that for a number of reasons relating both to cost and demand factors, the multiple shop form of organization has come to dominate retailing.

These 'retail corporations' have capitalized upon their scale cost advantages (at both the outlet and organization level), have used this base to compete successfully against small retailers, and have so managed their merchandise policies as to take the multiple shop into almost every area of retailing while in many sectors the independent shop plays only a very modest role. It is, of course, the additional skills required to manage these retail corporations.

5. The Independent Retailer:
The role of independent retailer is very limited. There are certain factors that contribute to the feasibility of the smaller / independent retailer. Independent retailer from voluntary buying groups. Individual members agree to purchase a weekly or monthly minimum of goods from the group in order to qualify for price discount and other services provided by the group. Discounts are available because of the buying power of the retailer vis-à-vis manufacturers arising from the larger orders that it can place. This practice has most noticeably developed in food (agency) trades. As a further development in this area, independent retailers may take over some of their own wholesale functions by purchasing at trade cash-and-carry outlets. The retailer in this case is particularly saving his supplier the labor and transport costs involved in making small deliveries.

Finally with regard to patterns of demand or custom, two features may promote the continued survival of independent retailers. First, in those areas where the 'corner shop' offers a unique service by virtue of personal attention and hours of opening, shopper demand may be fairly inelastic in response to the higher prices charges to cover greeted unit costs. Such retailers may therefore expect to survive on the basis of both service and geographical monopoly.

Second, the independent retailers will survive, even in larger centers of population and in open competition with multiple-shop organizations, where a clearly differentiated product service combination is offered at a price that some proportion of the shopping public is willing and able to pay. These demands from the independent retailer; a high level of expertise in merchandise choice and retail
buying. Personal selling, and retail business management, including finance, all often on the part of one or two people in the organization.

6 Franchising

An increasingly popular form of retailing is the business format of franchising.

Franchising - derived from the French word "Affranchir", 'to free' - involves a relationship between a franchiser, who has developed a particular form of product or service and a small numbers of franchisees, who are independent businesses which play the franchiser for the right to conduct the franchise operation in a particular locality. Although franchises may take a number of forms, the most relevant to retailing are wholesaler - retailer franchises.

The advantages of the franchise format are that the franchiser gains rapid geographical expansion of the business without massive capital investment, and has a highly motivated self-employed 'work force' of franchisees often possessing useful local contacts and knowledge of the market. These Franchisees, on the same time benefiting from being able to develop an established product or service format, enjoying continued business support from their franchiser, and being protected by having exclusive rights to the franchise within a particular locality. Some retail organizations have expanded very successfully in niche markets, operating the franchise from with a blend of tight control over merchandise, display etc. combined with local entrepreneurship. Franchising - and retail business format franchises in particular - seems likely to increase in popularity, as a drive for self employment increases and attracts greater market support, as service industries come to predominate in the economy, and as the franchising concept itself becomes more acceptable and attracts support from financial institutions such as banks and other lenders. This form of retailing too is also likely to play a role in maintaining the 'independent' retailer in the face of competition from multiple shops.

7 Mail Order / Direct Selling / E-Tailing:

At the present time the mail order sector can be divided into two parts. The traditional agency mail order system, where the part/spare time agent sells usually to a close circle of friends from a catalogue, and direct mail order where customers order by telephone, mail, fax, e-mail etc.

The letter is the growing sector and likely to benefit from changes in marketing and technology. The attractions of traditional mail-order buying have been the convenience of shopping from home, taking one's time in making a choice at a convenient, the ability to order goods on approval and then return them if not
satisfied and convenience for free home involvement of the agents who earn a return for their work of encouraging sales in terms of commission, a discount off the catalogue price of merchandise, and the general social involvement is part of being a mail-order agent. The traditional form of mail-order retailing has declined in recent years as some of the loyalty of its customers has waned and as mail-order prices are not only perceived to be generally less competitive than those shops but also cannot quickly respond to store promotions. The mail order organization are reacting to this by using new technology (information technology in particular) to reduce their storage and handling costs, and presenting a more attractive image of mail-order or direct selling.

Many of the order companies, known as e-tailing companies, have invested in information technology not only as a means of reducing stock holding levels and improving warehouse, delivery, agency and credit management but also to improve marketing. Existing customers profiles can be built up and mail order firms can use these and other data to produce catalogues – sometimes known as special offers for particular customer segments. Further advanced In this field in the form of ordering from a TV / Cable TV channel catalogue, possibly by home computer with internet access, may lead to revival generally of non-stop retailing i.e. 24 hours a day and 7 days a week retailing.

1.13 Retailing In India Vs World.

1.13.1 Introduction:

Retail is the world's largest private industry with total sales of US $ 6.6 trillion, Followed by Financial Services and Engineering Industries.

<table>
<thead>
<tr>
<th>Retail</th>
<th>6.6 Trillion US $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance</td>
<td>5.1 Trillion US $</td>
</tr>
<tr>
<td>Engineering</td>
<td>3.2 Trillion US $</td>
</tr>
</tbody>
</table>

1.13.2 The top ten retailers in the world

Retailing is home to a number of the world's largest enterprises. Over 50 of the Fortune 500 companies and around 25 of the Asian Top 200 companies are retailers.

The following are the top ten retailers in the world.

<table>
<thead>
<tr>
<th>No.</th>
<th>Retailer</th>
<th>Country</th>
<th>Turnover Bln.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Wal-Mart</td>
<td>USA</td>
<td>$258.7</td>
</tr>
</tbody>
</table>
The top 10 retailers, according to the latest Retail Forward's analysis 2004, are the following:

1. Wal-Mart Stores Inc. (United States)
2. Carrefour Group (France)
3. The Home Depot Inc. (United States)
4. Metro AG (Germany)
5. Tesco PLC (United Kingdom)
6. Ito-Yokado Co. Ltd. (Japan)
7. The Kroger Co. (United States)
8. ITM Enterprises SA (France)
9. Costco Companies Inc. (United States)
10. Royal Ahold (Netherlands)

1.13.3 Percentage (%) Share of Retail in GDP.

Retail industry account for over 8% of the GDP in Western economies and 10% in Indian (US $ 200 billion)

<table>
<thead>
<tr>
<th>Country</th>
<th>% Share GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>9</td>
</tr>
<tr>
<td>Poland</td>
<td>11</td>
</tr>
<tr>
<td>China</td>
<td>8</td>
</tr>
<tr>
<td>Brazil</td>
<td>6</td>
</tr>
<tr>
<td>India</td>
<td>10</td>
</tr>
</tbody>
</table>

The graphical representation of the percentage share of retail in GDP across countries is given below.
1.13.4 Retailing industry is the largest employer of manpower

Retailing industry is the largest employer of manpower in the developed markets. Around 12 to 15% of employment in the developed world comes from the retailing industry. It is 6% in India.

<table>
<thead>
<tr>
<th>Country</th>
<th>% Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>17</td>
</tr>
<tr>
<td>Poland</td>
<td>15</td>
</tr>
<tr>
<td>China</td>
<td>2</td>
</tr>
<tr>
<td>Brazil</td>
<td>6</td>
</tr>
<tr>
<td>India</td>
<td>6</td>
</tr>
</tbody>
</table>

The graphical representation of the percentage share of retail in total employment across countries is given below:

1.14 Conclusion

This chapter has traced evolution and different forms of retailing. The force behind these charges has been economic, demographic, social and technical. Thus increased economic standards of living along with the growth of large centers of population contributed to the establishment of fixed shops and department stores. Advancing technology in manufacture, contraction and distribution permitted the building of retail emporia with plate glass windows and lifts, provided longer shelf-life products and frozen/convenience foods, charged in one form or another led to the establishment of the various retail co-operative movements, the multiple-shop grocery retailers and department stores, the movement of the former variety chain stores into clothing in the past decade the emergence of the 'life style' retailers.

Application of IT will lend finesses to retailing. And basic applications are bound to be lead to improvement in merchandise planning and forecasting, supply chain management etc. Both multi-product and single product retail outlets are bound to benefit from the multiplier effects of IT. Modernization is obviously the key factor blended with a strategic focus on competition. Modernization is obviously the key factor blended with a strategic focus to take on competition. It is all about appealing to the customer whether it is through specialist chain stores departmental store chain, hyper markets, big malls in methods and in towns all over the country.
The mechanics of retailing in traditional and in future is depicted as follows:

Traditional Chain-----------Future Chain

Manufacturing organization

<table>
<thead>
<tr>
<th>Wholesalers</th>
<th>Modem</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail outlet</td>
<td>PC</td>
</tr>
<tr>
<td>Modem</td>
<td>Virtual Store</td>
</tr>
<tr>
<td>Customer</td>
<td></td>
</tr>
</tbody>
</table>

Super Markets—Array of Brands and Products
Lifestyle Outlet—Caters to Micro Niche Clientele
General outlet—Choice of Merchandise
Speciality stores—Product/Brand specific
Exclusive stores—High end & Branded

Quality Merchandise

The future will be dictated by attracting the customer to any kind of retail outlet and helping him to make the right choice. In other words through customer captivation, build up the foundation or the superstructure towards customer loyalty. Today retailing is not just a means of transaction but has been redefined as a basic customer interface exercise. Driven by purchase simulators such as prompt service, subtle ambience, point-of-purchase discounts contests run by the outlets etc. Advertising has also played a key role in changing the positioning of a traditional retail store. The discerning customers today are not just looking at vocational convenience of the retail outlet but the value addition of choice that a retail outlet may offer. Retailers will continue to struggle with issues such as centralization versus decentralization, excessive non-functional product packaging, control versus motivation, effective use of capital and low to market strengths to a consumer flooded with information. Retailers must also learn how to network, use latest communication aids and technology and develop a term of people who are not intimidated by change. The winners will be who respond to customers growing demand for value-priced quality merchandiser and time saving convenience.

The End