CHAPTER-I

THE ROLE OF RETAIL INDUSTRY FOR THE DEVELOPMENT OF TRADE & COMMERCE
CHAPTER-1

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THE DEVELOPMENT OF TRADE & COMMERCE

1.1 INTRODUCTION :

The word 'retail' is, derived from the French word retaillier', which means to cut off a piece or to break bulk. A retailer may be defined as a dealer or trader who sells goods in small quantities or one who repeats or relates. Retailing can be considered as the last stage in the movement of goods and or services to the consumer. Put simply, any firm that sells products to the final consumer is performing the function of retailing. Thus, it consists of all activities involved in the marketing of goods and services directly to the consumers, for their personal, family or household use. In this chapter efforts are made to introduce the status of Retail industry along with its profile, trends and Prospects.

1.2 THE RETAIL INDUSTRY

Retail is the largest private industry in the world, with total sales of $6.6 trillion. This industry accounts for 8 per cent of the Gross Domestic Product in the western economies. Chinese retail IT Market in 2006 was US$ 1.13 billion and is expected to reach US$3.1 billion by the end of 2010. Statistically, the Global retail industry is witnessing a CAGR of 5.5% is slated to grow at the same rate till the end of 2010\(^1\). The largest

\(^1\) V. Ramesh "Not the end of the rack" Indian management, June 2009, Vol 48, Issue 6, Page 87 New Delhi edition.
A corporation in the world, Wal-Mart, is a retail chain, only confirms the significance of this industry. Wal-Mart was founded in 1962. A comparison of the contribution made by this sector vis-a-vis the other major sectors to the world economy is shown in below.

![Comparison of the contribution made by the major sectors to world economy.](image)

Source: Images, India retail report 2007, page No. 91

Retail is the second-largest industry in the United States both in number of establishments and number of employees. The U.S. retail industry generates $3.8 trillion in retail sales annually. Retailing is a US$7 trillion sector and employs more than 22 million Americans, approximately $11,993 per capita. Wal-Mart is the world's largest company with more than $312 billion (USD) in sales annually. Wal-Mart employs 1.3 million associates in the United States and more than 40,000 internationally.\(^2\) In the UK, 11% of all VAT-registered businesses are retailers; with the total number currently at 180,875. UK retail sales were 265 billion in 2007, which is much larger than the combined economies of Denmark and Portugal. The Retail sales of the country


\(^2\) Indian Retail Report, end Feb 20, 02, Page No. 21, New Delhi Edition
account for 1/5 of its total economy. The retail sector generates almost 8% of the Gross Domestic Product of the UK. Over 3.0 million people were employed by the retail industry by the end of December 2007 which is almost 11% of the total UK workforce.⁴

Forbes Annual List of Billionaires has the largest number (45 out of 497) from the retail business. Sales per hour of $22 million are incomparable to any Retailer in the world.⁵

1.3. RETAILING IN INDIA

India's retail industry is the largest in the world-accounts for 10 percent of the country's GDP and employs over 40 million people (about 7 per cent of total employment in the country). Now, a huge majority of the retail workforce is in Kiranas. The Indian retail market is the fifth largest retail destination globally. The current size of the Indian retail industry stands at $ 368 billion in size, and is expected to grow to $421 billion in 2010 and $637 billion on 2015, assuming an annual growth rate of 7%.⁶ According to market analysts 300 new malls, 1500 super markets and 325 departmental stores are going to come up in India in the near future. The share of organized market in the sector is 4.6%. The Indian retail sector is highly fragmented with 96 percent of its business being run by unorganized retailers like the traditional family run stores, and corner stores 4% organized trade comes from to 10 cities.⁷

⁶ Prof. Sudhanshu Sekhar Kar, Dr. Sarat Kumar Sahoo. Indian journal of marketing Vol XXXIX, No.11, November 2009, Page No.11, New Delhi Edition.
<table>
<thead>
<tr>
<th>Company, Country of Origin</th>
<th>2003 Retail Sales ($Billion)</th>
<th>Countries Present</th>
<th>Interest in India</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wal-Mart, US</td>
<td>256.33</td>
<td>Argentina, Brazil, Canada, Mexico, Puerto Rico, South Korea, US and UK</td>
<td>Very Keen to enter India; may bring its B2B format even before the FDI policy is announced</td>
</tr>
<tr>
<td>Carretour, France</td>
<td>79.80</td>
<td>Argentina, Belgium, Brazil, China, Colombia, Czech Rep., Dominican Rep., Egypt, France, Greece, Indonesia, Italy, Japan, Malaysia, Mexico, Oman, Poland, Portugal, Qatar, Romania, Singapore, Slovakia, Spain, South Korea, Switzerland, Taiwan, Thailand, Tunisia, Turkey, UAE</td>
<td>The most global retailer in the world; among the first to enter China; has entered even small countries like Oman. If should be interested in Idian.</td>
</tr>
<tr>
<td>Home Depot, US</td>
<td>64.82</td>
<td>Canada, Mexico, Puerto Rico, US</td>
<td>Has not ventured beyond the American Continents Yet; may not find immediate traction her</td>
</tr>
<tr>
<td>Metro, Germany</td>
<td>60.50</td>
<td>Austria, Belgium, Bulgaria, China, Croatia, Czech Rep., Denmark, France, Germany, Greece, Hungary, India, Italy, Japan, Luxembourg, Morocco, The Netherlands, Poland, Portugal, Romania, Russia, Slovakia, Spain, Switzerland, Turkey, UK, Ukraine, Vietnam</td>
<td>Czech Rep., Hungary, Japan, Rep. of Irland, Malaysia, Poland, South Korea, Slovakia, Taiwan, Thailand, Turkey, UK</td>
</tr>
<tr>
<td>Kroger, US</td>
<td>53.79</td>
<td>US</td>
<td>Present only in the US; India may not be on its radar</td>
</tr>
<tr>
<td>Tesco, UK</td>
<td>51.54</td>
<td>Czech Rep., Hungary, Japan, Rep. of Ireland, Malaysia, Poland, South Korea, Slovakia, Taiwan, Thailand, Turkey, Uk</td>
<td>Quite Keen on India; is in touch with the government</td>
</tr>
</tbody>
</table>
The Organized retailing industry is estimated to be at Rs. 350 billion, a little under 3% of the total retail sector in India. Retailing environment has evolved tremendously over the last 10 years. Indian retail network has grown through what are called "mom-and-pop" small grocery stores that are run by individuals or families and cater to their immediate neighborhood or locality. Like in most other countries, India's retail industry is slowly getting organized and corporatized and giant networks

<table>
<thead>
<tr>
<th>Company, Country of Orgin</th>
<th>2003 retail sales ($Billion)</th>
<th>Countries Present in India</th>
<th>Interest in India</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target, US</td>
<td>46.78</td>
<td>US</td>
<td>Present only in the US; India may not be on its radar</td>
</tr>
<tr>
<td>Ahold, The Netherlands</td>
<td>44.58</td>
<td>Argentina, Brazil, Costa Rica, Czech Rep., Denmark, El Salvador, Estonia, Guatemala, Honduras, Latvia, Lithuania, the Netherlands, Nicaragua, Norway, Poland, Portugal, Slovakia, Spain, Sweden, Thailand, US</td>
<td>Has some experience in Thailand; India may not be top priority</td>
</tr>
<tr>
<td>Costco, US</td>
<td>41.69</td>
<td>Canada, Jap, South Korea, Mexico, Puerto Rico, Taiwan, UK, US</td>
<td>is in touch with the government; very keen to enter</td>
</tr>
<tr>
<td>Aldi Einkaut, Germany</td>
<td>40.06</td>
<td>Australia, Sustria,Belgium, Denmark, France, Germany, Luxembourg, the Netherlands, Rep. of Ireland, Spain, UK, US</td>
<td>No Asian presence so far; India may not be priority</td>
</tr>
</tbody>
</table>

Source: 2005 Global Powers of Retailing, Prepared by Delloitte & Stores
of stores are spreading themselves across the Indian landscape, starting with the larger and more populated cities and towns.

The Indian Retail density in the world with 12 million retail outlets for a population over 1000 million, through 96% of these are smaller than 500sq ft. The Indian retail story of transformation began a few years ago and is rapidly spreading across the more densely populated cities and towns but it is still a small fraction of the total retail potential that exists. Indian retail industry is one of the fastest growing industries with revenue expected to amount US$ 320 billion in 2007 and is increasing at a rate of 5% yearly.9

Large expectations, a flurry of interest by Indian and International companies and a large activity in the development and operation of retail malls have driven India’s retail revolution. These malls anchored by large stores have become home to several large International and Indian brands that are using this channel to spread themselves out across Indian cities in high-profile exclusive brands. The Industrial houses like Reliance, Bharti, Aditya Birla and Tata's have planned huge investments in this sector.

Indian Retail has got airborne and the concept of organized retailing and better distribution and logistics has set in. Over the last 5 years organized retailing is presented to reach us $ 23 billion by 2010. 60% of retailers in India feel the multiple Approach. The Indian urban consumer

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is also now getting hooked to this new method of home purchases that also combine into family outings and entertainment. The mall infrastructure across cities and supply chain mechanisms across the country are getting into place. India Retail seems set to grow exponentially in the next few years and the global giants are waiting at the wings for entry.

The government regulation on ownership in retail is the only obstacle for international retailers. Global brands have however come in and set them selves up well. The Second annual Global Retail Theft Barometer 2008 Survey, covering 920 large retailers across 36 countries has rated India with the highest shrinkage rate at 3.10% this year, an increase of 6.9% over last year.  

India Inc has started quietly pushing for an Independent regulatory mechanism for the booming retail sector. Through industry associations, key players in the sector are also planning to seek nomination of the consumer affairs department as the nodal government agency for dealing with matters related to the retail sector. As of now, retail trade does not come under the preview of any single ministry or department. The commerce & industry, finance, and consumer affairs departments deal with various aspects of the booming sector. Players in the retail sector are keen to have a comprehensive legislation to cover various segments of this industry.

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1.4 INDIAN RETAIL EVOLUTION:

Retailing-no marks for guessing, this is the most active and attractive sector of the last decade while the retailing industry itself has been present through history in our country. It is only the recent past that has witnessed so much dynamism traditionally. Retailing in India can be traced to the following:-

a) The era of rural retail industry could be categorized into weekly markets and village fairs. Weekly markets catered to the daily necessities of villages. Village fairs provided goods from food, clothing to small consumer durables.

b) The traditional era saw the emergence of the neighbourhood kirana stores to cater to convenience of the Indian consumers. The era of government support saw indigenous franchise model of stores, chains run by khadi LH industries commission.

c) The Modern Era: Retailing is going through a transition phase in India. The corner grocery stores giving way to international formats of retailing.

The traditional food and grocery segment has seen the emergence of supermarkets/grocery chains (food word, Nilgiris, Apna Bazar) convenience stores (Convenio, Hp Speed Mart) and fast food chains (Mc Donals, Dominos).

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It is non food segment, however that foray has been made into a variety of new sectors these include lifestyle/fashion segments (Shoppers stop, lifestyle, Westside) apparel/accessories (Pantaloons/Levis/Reebok) books/music/gifts (archies, Music world) drugs and pharmacy (Health and glow).

<table>
<thead>
<tr>
<th>Historic/Traditional/Government</th>
<th>Modern Formats/International</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural Reach</td>
<td></td>
</tr>
<tr>
<td>Pervasive Reach</td>
<td></td>
</tr>
<tr>
<td>Supported</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Exclusive Brand Outlets</td>
</tr>
<tr>
<td></td>
<td>Hyper/Supermarkets</td>
</tr>
<tr>
<td></td>
<td>Department Stores</td>
</tr>
<tr>
<td></td>
<td>Shopping Malls</td>
</tr>
<tr>
<td></td>
<td>PDS Outlets</td>
</tr>
<tr>
<td></td>
<td>Khadi Stores</td>
</tr>
<tr>
<td></td>
<td>Cooperatives</td>
</tr>
<tr>
<td></td>
<td>Convenience Stores</td>
</tr>
<tr>
<td></td>
<td>Mom and Pop/Kiranas</td>
</tr>
<tr>
<td>Weekly Markets</td>
<td></td>
</tr>
<tr>
<td>Village Fairs</td>
<td></td>
</tr>
</tbody>
</table>

Source of Neighbourhood Availability/Low Shopping Entertainment Stores/Convenience Costs/Experience Distribution Efficiency

Fig 1.2 Evolution of Indian retail.

1.5 AN OVERVIEW OF THE RETAIL INDUSTRY

India’s retail sector is wearing new clothes and with a three-year compounded annual growth rate of 46.64 per cent, retail is the fastest growing sector in the Indian economy. Traditional markets are making way for new formats such as departmental stores, hypermarkets,
supermarkets and speciality stores. Western-style malls have begun appearing in metros and second-rang cities alike, introducing the India consumer to an unparalleled shopping experience.

A look at the statistics shows that the retail sector in India is worth USD 394 billion and is growing at the rate of 30% annually. An ICRIER study has found that retailing ($180 billion) contributes to 10 percent of GDP and employs 7 percent (21 million) of the workforce\textsuperscript{13}. According to AT Kearney, India is given the top ranking as the next foreign investment destination, as markets like China become increasingly saturated\textsuperscript{14}.

Chute Gerdeman (CG), a US-based retail design firm says, “The retail design strategy should be in place right from day one. But, in India, the store is put up and visual merchandising comes in only as an afterthought.”\textsuperscript{15}

In order to keep pace with the increasing demand, there has been a hectic activity in terms of entry of international labels, expansion plans, and focus on technology, operations and processes. According to retail association of India report, from just three percent to day modern for mate retailing is going to triple its share to around 10 percent in the next three to four years. A proper supply chain will help meet the competition head-on, manage stock availability; supplier relations, new value-added


services, cost cutting and most importantly reduce the wastage levels in fresh produce.\textsuperscript{16}

Pantaloon is expected to end its current financial year with revenues of almost Rs 2,000 crore. But the company has a major expansion plan that seeks to take the company to about 300 stores, 10 million sq.ft, seven formats and about Rs 9,000 crore in revenues by 2008.\textsuperscript{17}

India’s vast middle class and its almost untapped retail industry are key attractions for global retail giants waiting to enter newer markets. While organized retail in India is only two per cent of the total $215 billion retail industry\textsuperscript{18}, it is expected to grow 25 per cent annually, driven by changing lifestyles, strong income growth and immovable demographic patterns.

By 2007, an estimated 50 million square feet of quality retail space will be available across India. This is in sharp contrast to the situation a decade ago. When, there was not even a shopping mall in India. Today, in Delhi, Mumbai and their suburbs, there are about 100 malls. Of the 700 new malls coming up all over India, 40 per cent are concentrated in the smaller cities. Organized retailing in small-town India is growing at a staggering 50-60 per cent a year compared to 35-40 percent in the large cities.

\textsuperscript{17} Mahesh Chandra "Big formats" Businessworld 3 April 2006, Page No. 32, Vol. 26, No.15.
Finding an adequate location in Indian cities, especially Mumbai, is not easy, and for luxury brands, it is very hard. High street shopping in India still doesn't provide consumers with a luxury experience. Real estate is the biggest hurdle crossed by brands.¹⁹

1.6 PUSH FOR BRANDED RETAIL

India's branded retail sector, estimated at about US $ 6 billion, makes up only three per cent of the total market, but it has been forecast to grow at 25-30 percent a year over the next four years, with the push of department stores and malls springing up across the country. The plan is to have 3,000 Reliance Fresh outlets soon. Reliance Fresh, in its first pilot store in Hyderabad, stocks plenty of fresh merchandise.²⁰

ITC has now turned to cities. It is planning a mega rollout of Choupal Fresh, its fresh food retail chain, in urban India and is targeting doubling its revenues from this line next year from Rs 50 crore in 2005-06. ²¹

1.7 CLASSIFICATION OF RETAIL TRADE

1.7.1 Geographical Classification:

It can also be further divided into the following two ways.

Urban Retail: It prevails in a city of town. It is consists of high income group and core customers base. It offers a wide range of choices, New


²¹ Ratnam "Fresh foods" Economic Times 24-8-2006, Page No. 4, Hyderabad Edition.
categories and new shopping options. The total house holds in urban retailing are 48 million (including high income levels 2.3 million.)

*Rural Retail* : It exists in villages. It consists of under developed people and under developed Retailing. More than half of retail market in India is in the rural areas (55%). The total house holds in rural Retailing are 128 millions (including 1.6 High level house holds). The retail market is mainly based on Agricultural commodities.

Table 1.2. Rural and Urban segments Analysis

<table>
<thead>
<tr>
<th>Segment</th>
<th>Rural(%)</th>
<th>Urban(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>64</td>
<td>36</td>
</tr>
<tr>
<td>Clothing&amp;Footware</td>
<td>61</td>
<td>39</td>
</tr>
<tr>
<td>Miscellaneous consumer goods</td>
<td>57</td>
<td>43</td>
</tr>
<tr>
<td>Consumer Durables</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Consumer Services</td>
<td>44</td>
<td>56</td>
</tr>
<tr>
<td>Entertainment</td>
<td>33</td>
<td>67</td>
</tr>
</tbody>
</table>


1.7.2. Functional Classification : The functional Classification is further divided in the following two ways.

*Organized Retail* : Organized retail units operate on bigger premises, Some of which are air conditioned and have generators. They keep wide range of quality products with brand image. (4% of Indian retailies is

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under organized sector. Organised retail, how even, is at a very nascent stage. Attempts are being made to increase its proportion to 9-10% & Projected to reach US$ 23 billion by 2010.²⁴

Unorganized Retail: In the unorganized Sector, the retail shops are mostly owner-operated. They have a low cost, structure, with small premises, low labour cost. 96 percent Indian retail market is under unorganised sector.²⁵

Fig.1.3 Comparative Penetration of Organized Retail

Source: Ernst & Young, The Great Indian Retail Story, 2006.

1.8 RETAIL SEGMENT ANALYSIS

The structure of Indian retail is developing rapidly with shopping malls becoming increasingly common in the large cities and development plans being projected at 300 new shopping malls by 2010.²⁶

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The food business in India is largely unorganized adding up to barely Rs. 40,000 crore, with other large players adding another 50% to that. Food dominates the shopping basket in India. The US $6.1 billion Indian foods industry, which forms 44 per cent of the entire FMCG sales is growing at 9 per cent and has set the growth agenda for modern trade formats.

Since nearly 60 percent of the average Indian grocery basket comprises of non-branded items, food industry is homing in on converting Indian consumers to branded food.

The Australian food sector accounts for over 41% of total retail sales and continued to dominate the sector’s spotlight in the first half of 2007\textsuperscript{27}. It has been the case over the past 18 months, the major supermarkets have been a key focus. Ownership issues appear to be largely settled, but the trading environment remains highly competitive.

Indian milk products are major Heritage Foods. First, it hopes to replicate its dairy model of 3,000 distribution agents across Andhra Pradesh. It has even identified 400 acres in Chittoor and Kolar districts. "As the number of stores rise, so will average. By mid-2007, we would cover 5,000 acres across three states," says S. Jagadish, vice-president (retail division), Heritage Foods. \textsuperscript{28}

\textsuperscript{27} Economics@ANZ Industry repot : Retail trade. Mumbai Edition. 12rh Oct07, Pg.3
Future price competitive tactics are difficult to foresee. Rising food prices are currently a global phenomenon, with pressure from adverse weather, conditions, low stocks, rising global income and increased demand for biofuels all playing a part. In particular for Australia, the continuation of the drought and sustained high oil prices imply that prices are unlikely to fall in the near term.

A recent amendment to the trade Practises Act now marks it illegal for firms with a considerable market share to sell their wares at below cost for an extended of time in order to damage competition. This has generated some confusion as definition of the term substantial market share’ has not been clarified.

The Law council of Australia, as well as former Australian competition and consumer Commission (ACCC) commissioner Allan Fels, agree, believing that the "government's reform has swung the pendulum too far in favour of small business and might drive up consumer prices. 29

A survey by the Australian National Retailers Association found that consumers shopping and convenient location are also important factors. Another survey by 'Nielsen' suggested that specialty stores including butchers, greengrocers, bread shops and fish and pollutry outlets have gained around 2% of consumer spending from the supermarket majors in the food sector since 2002.30

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1.8.2 Mobile Retail

The retail market for mobile phones-handset, airtime and accessories-is already a 16.7 billion business, growing at over 20 percent per year. In comparison, the consumer electronics and appliance market looks paltry, at just US$5.6 billion, with growth rate just half of the mobile market, and that too in a good year.

1.8.3 Kids Retail

Kids retailing is growing by leaps and bounds in India and those in the industry say it is likely to see a 30-35% growth per annum. From clothes to stationary, sportswear, outerwear, tailored clothing, eyewear, watches, fragrance, footwear and accessories, the list is endless. Apparel, however, remains the key revenue driver accounting for almost 80 percent of total sales. According to industry insiders, "The total apparel market in India for kids is around US$ 2.9 billion, out of which about US $ 8.2-$780.5 million is branded apparel".

1.8.4 Retail Banking

India has experienced a rapid growth in retail banking’. Indian retail banking segments are housing loans, consumption loans for purchase of durables, auto loans, credit cards and educational loans. Retail lending ranges between Rs. 20,000 to Rs. 100 lakhs. Retail loan constitutes less than 7 percent of the GDP in India and about 35% for other Asian economies.\(^{31}\) The Report on Trend and Progress of India, (2003-04) has

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shown that the loan values of these retail lending range between Rs. 20,000 to Rs. 100 lakh, which are generally for the duration of five to seven years with housing loans granted for duration of 15 years, Retail lending turned to be key profit driver for banks with retail portfolio constituting 21.5 percent of the total outstanding advances in March 2004. Retailing makes ample business sense in the banking sector and has much scope in India. Retail banking in India is still growing and it is estimated that the growth number would be exaggerated.

There are two specific domains of retail lending in India. These are (a) credit card and (b) Housing.

Fg 1.4 card penetration

Source: Business India, April 9, 2006, Page No. 134, Issue 739, Mumbai Edition

Financial institutions and banks have cast a wider net with retail banking. The country remains one of the most under penetrated retail lending markets in Asia-Pacific at just 2 percent of GDP as opposed to 20 percent in Southeast Asia. Yet there are more than 50,000 families with a networth of $1 million or more and with rapid economic expansion, the numbers are constantly soaring.32

1.8.5 Gems and Jewellery Retail

The gems and jewellery market is the key emerging area, accounting for a high proportion of retail spends. India is the largest consumer of gold in the world with an estimated annual consumption of 1000 tonnes, considering actual imports and recycled gold. The market for jewellery is estimated as upwards of Rs. 65,000 crores.³³

Jewellery shopping is a favourite shopping stop for the Indian women. Jewellery is purchased not only for the purpose of wedding but also on a regular basis for wearing and also with the savings motive. Earlier Indian Jewellery market was an unorganized, unbranded market but today it is altogether a different situation. Today's customers consider jewellery shopping as a tedious task rather than a pleasurable shopping experience. Lack of basic facilities, parking problems, moving from one showroom to another for more variety, unhygienic conditions are some of the problems faced by them. looking to boost trade, the Gem and Jewellery Export Promotion Council (GJEPC) has organised a buyer seller meet between top jewellery retailers from the US, the largest importer of Indian jewellery, a top industry official has said. ³⁴

A new wave of organised retail players in the luxury jewellery segment is giving a further boost to the market in India. Popley group, has been in the jewel business since 1927. It has expanded over the years and grown into a multi- product international retail format jewellery.

³³ India's changing household, Deutche Bank report, November 2004. Page/ 31
Today, this luxury retailer has a turnover of roughly Rs. 460 crore and "They are targeting Rs 650 crore next year."\(^{35}\)

Table No. 1.3. Segment wise India's exports of Gems and jewellery during the years 2002-03 and 2003-04.

<table>
<thead>
<tr>
<th>segment</th>
<th>2002-03</th>
<th>2003-04</th>
<th>Percentage in 2004 and 2002-03</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cut and polished diamonds</td>
<td>34,297.88</td>
<td>39,545.10</td>
<td>15.30</td>
</tr>
<tr>
<td>Coloured gem stones</td>
<td>925.34</td>
<td>816.05</td>
<td>(-)11.81</td>
</tr>
<tr>
<td>Gold Jewellery</td>
<td>7300.74</td>
<td>11,642.2</td>
<td>59.57</td>
</tr>
<tr>
<td>pearls</td>
<td>4.33</td>
<td>17.21</td>
<td>387.52</td>
</tr>
<tr>
<td>non gold jewellery</td>
<td>409.55</td>
<td>454.65</td>
<td>11.26</td>
</tr>
<tr>
<td>synthetic stones</td>
<td>0.41</td>
<td>2.23</td>
<td>443.90</td>
</tr>
<tr>
<td>Rough diamonds</td>
<td>972.26</td>
<td>534.28</td>
<td>(-)45.04</td>
</tr>
<tr>
<td>Total (All India)</td>
<td>43500.96</td>
<td>59920.96</td>
<td>26.25</td>
</tr>
</tbody>
</table>

Source: Gem & Jewellery export promotion council/facts for you April 2005 page 11

1.8.6 Electronic Retail

The existing size of this sector stands at an estimated USD 4.5 Billion with organized retailing being at 5\(^{\%}\)\(^{36}\). As the name suggests the

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\(^{36}\) Natarajan Industry Outlook - Retail, Northbridge Journal 2007. PP 43
Electronic Mall will cater to the customer need of any kind of electronics, electrical and white goods under one roof. This concept was first conceptualised in Gurgaon with a name "Senior Circuit city". This 5-storey mall will retail everything from electric fittings, to lighting, all kind of consumer electronics and electrical goods. The mall will have around 500 shops and show-rooms of India and international electronics consumer durables, mobile phones, TVs, VCDs, DVDs, Music systems and other home appliances”.

The Dubai based Manu Chhabria family, rekindling Indian business Interests is preparing to launch the $1 billion Jumbo Electronics.

1.8.7 Pharma Retail:

The pharma retailing is estimated at about Rs. 30,000 crore, with 15% of the 51 lakh retail stores in India being chemists. A few corporates who have already forayed into this segment include Dr Morepen (with Lifespring and soon to be launched Tango), Medicine Shoppe, Apollo pharmacies, 98.4 from Global Healthline Pvt Ltd, and the recently launched CRS Health from SAK Industries.

India's $10 billion worth pharmaceutical industry ranks fourth globally in terms of volume and thirteenth in terms of value. India produces only 12 percent of global output of pharmaceuticals and annual per capita consumption of drugs in India is one of the lowest in the world at $3.

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1.8.8 Music Retail

The size of the Indian music industry, as per the Images-KSA Study, is estimated at Rs. 1100 crore of which about 36 percent is consumed by the pirated market and organized music retailing constitutes about 14 percent, equivalent to RS.150 crore 41.

1.8.9 Book Retail:

The book Industry is estimated at over Rs. 3,000 crore out of which organized retail accounts for only 7% (at RS.210 crore). This segment is seemed to be emerging with text and curriculum books accounting to about 50% of the total sales. The gifting habit in India catching on fast with books enjoying a significant share, thus leading this sector to grow by 15% annually 42.

1.8.10 Apparel Retail

Clothing as a basic necessity has transformed into a product that also reveals the person's personality and status. So the textile retailers are compelled to change their way of doing things in a more customized manner. Purchasing goods according to the changing trends and customer preferences is the most important and most difficult problem the retailer is facing.

The ready-mades and western outfits are growing at 40-45% annually, as the market teems up with international brands and new entrants entering

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this segment creating an RS. 500 crore market for the premium grooming segment. However, it is estimated that this segment would grow to Rs. 300 crore in the next three years.

Jockey, the most preferred international innerwear brand in India, is now looking lifestyle products. In the Rs. 88,000 crore plus Indian apparel business, the men's wear segment is valued at Rs 33,000 crore. It has been showing at 12 percent growth year by year for the past five years in value terms. In this, the Rs. 2,000 crore innerwear manufacturing is emerging as one of the fastest growing and most interesting segments.

India's textile industry contributes around 14 percent to industrial production and 27 percent to the country's export earnings. Exports will touch $50 billion by 2010 up by $14 billion have now in order to improve the productivity and quality of cotton, the technology mission on cotton has been launched.

1.9 TREND IN INDIAN RETAILING INDUSTRY

Rising income levels, education and a global exposure have contributed to the evolution of the India middle class. The purchasing and shopping habits of consumers are maturing. As a result, there has been a tremendous impact on the growth of retail industry.

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Established by Mumbai-based Jay Retailing and Merchandising Private Limited, The Loot is a multi-branded discount store offering a wide range of lifestyle products with a minimum of 25 per cent and as high as 70 per cent discounts throughout the year.46

"Arvind Brand plans to unveil Arrow's biggest outlet in the world on Brigade Road in Bangalore", Mr Darshan Mehta, President, Arvind Brands, says, "Bangalore is fast emerging as India's answer to Los Angeles or Seattle. Unlike traditional markets such as new york and Chicago in the US.47

Organised retail is the only beginning to take roots, it has thrown up solid anchor brands that not only squat on large spaces but also enjoy great bargaining power in malls and large shopping centers. Retail experts say, these anchor brands are beginning to enjoy 30%-60% discounts on lease rentals.48

To tempt back-to-school shoppers into buying yet another pair of blue jeans, US retailers are turning to gimmicks like free movies and music downloads.49 The Convergence of tourism and retail has a new dimension now with hotels being built inside malls. According to industry estimates, while a domestic tourist spends 25-30% on shopping, foreign

tourists spend 45%, translating into higher conversion rate for the malls, which have hotels attached to them.50

1.10 PROSPECTS IN RETAIL TRADING

As Current organized retail is small and fragmented with players, it is not being able to reap the economies of scale. Organized retail is a lucrative proposition for a player who can bring in best practices from around the world, leverage economies of scale and reap these benefits through retail operations in India. India has a large middle class society of 350 million51 and an educated workforce to handle various critical functions like merchandising, sales promotion, inventory management, purchasing and marketing.

India also possesses its skills in the area of supply chain management, database management and inventory management. A number of drivers are aiding the growth of the industry such as enhanced levels of income and increasing purchasing power, entry of foreign retailers and reforms in real estate markets. Given these developments, the organized retailing sector is poised for significant growth in the country.

Indian retailing coming up with the application of smart cards and credit cards is finding huge acceptance with the populace. Retailing is tremendously growing in small chain stores found in most metros and they are our key target segments. Retailing encompasses the business


51 Dr. C.P. Guptha & Mitali Chaturvedi; "Retailing and Emerging Terend “in India. Indian Journal of Marketing Jun07, PP-39.
activities involved in setting goods and services to their consumers for their personal family or household use. It includes very sale to the final consumers ranging from cars to apparel, to meals at restaurant to theater tickets (Berman & Evans).

"Now Reliance industry is also entering in the area of retailing" was the news in all the leading newspapers and the TV channels in India.

Few days ago it appeared in the newspapers and on TV channels that Reliance India Ltd. is entering into the Retailing in India and to start they will be opening their "Hyper market", "Super market", "Conveyance stores" and "speciality stores" in the selected cities in India with an initial investment of Rs. 3,375 crores.  

On 25th January 2006, Times Assessment carried a quarter page advertisements from pantaloon retail india limited. The advertisement says that "Pentaloon Retail (India) Ltd is an organization which is setting the trends in the Indian retailing industry and is today India's fastest growing organization with retailing space of over 2.5 million sq.ft. spread across the country through various delivery formats viz. : Pantaloon. Big Bazar, Food Bazar, Central, Fashion Station, aLL, MeLa.

The advertiser was looking for Business Managers, Zonal Head Human Resources, Senior Manager Human Resources, Zonal Head Visual Merchandiser. Zonal Head Marketing, Zonal Head Projects and Commercial Manager.

The current share of the organised retail sector of 3 percent is expected to have a three-fold rise and grow to 10 per cent in the next five years.\textsuperscript{53} Reliance retail has kicked off one of the biggest land hunts in the country to acquire its proposed 15 million square feet of retail space. Adding the requirement for rural retail centres and malls, the company will buy 100 million sq. ft of land across the country. \textsuperscript{54}

New York-based high-end fashion retailer Saks Fifth Avenue has tied up with realty major DLF Properties to set up shop in a mall in New Delhi. Pommy Hilfrger, retailer of apparels, expects to open one store each in Delhi, Ahmedabad, Lucknow and Bangalore in the next four months.

E-Tailing market has matured into an $80 billion phenomenon and sums destined in the next few years to edge closer to an estimated $160 billion by 2009. In India online shopping market has risen from about Rs 50 Crore in 1999-2000 to about Rs 255 crore in 2003-04 and is expected to grow about 80 percent annually.\textsuperscript{55} Indian institutes of management Ahmedabad (IIM-A and ESSEC Business School of France) is planning a global management programme on retail management.

The above examples are sufficient to indicate that a new face is emerging for retail industry in India.

\textsuperscript{54} Jan David "Biggest land hunts" The economic times. 16-8-2006, Page No. 5.
1.11 COMPONENTS OF RETAIL SECTOR:

Food and grocery, Fast-moving consumer goods (FMCGS), Consumer durables, apparel, Footwear and leather, Watches, Jewellery, and Health and Beauty.

The share of clothing and textiles constitutes 39 percent of the total sales value in the retail market, Next rank the food and grocery with 11 percent and footwear contribute 9 percent Rest of the items such as Jewellery, health and beauty products, furniture and furnishings etc. vary between 3 percent to 8 percent. The four major segments which will witness the fastest growth in the organized Indian retail sectors are food and grocery, apparel, consumer durables and books and music.56

Looking at the importance of retailing in India, on 24th January, 2006; AC Nielsen, the largest provider of market research information and analysis has introduced the Retail Index OTC, a service designed to

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monitor the movement of OTC products on retail shelves on a monthly basis.\textsuperscript{57} This is a premier service designed to provide Pharmaceutical and FMCG Companies with vital information on the retail over-the-counter (OTC) pharmaceutical market. Data collected through this service encompasses retailer purchases, stock and MRP. (maximum retail price) of OTC products\textsuperscript{58}.

1.12 THE GROWTH OF RETAIL INDUSTRY

The Indian retail industry is poised for explosive growth. According to estimates by retail consultant KSA Techno Pak, the organized retail sector is expected to touch Rs. 35,000 cr. by the end of this year from Rs. 25,000 cr. At present retail business contributes around 10-11 percent of GDP and the retail industry is growing at a rate of 18-20 percent per annum. According to a survey by the Federation of Indian Chambers of Commerce and Industry the Indian retail sector is expected to expand two fold in the next three years with food and apparel segments driving the growth. The high growth rate offers a huge potential for employment as it employs over 8 percent of the national workforce and the percentage of people employed with the retail industry is increasing with time\textsuperscript{59}.

Presently, India is rated the fifth most attractive emerging retail market and is being seen as a potential goldmine AT Kearney, who has drawn a Global Retail Development Index of 30 developing countries has ranked


India at the second position. It has been predicted that the share of modern retail is likely to grow from its current 2 percent to 15-20 percent over the next decade, and that is why heavyweight like the Reliance group, Tata's planning to do a Wal-Mart in India.60

The Concept of retailing started few years back from the cities like Mumbai, Bangalore, New Delhi, Gurgaon and today has spread its wing into other metros, capitals of states and other cities, the mall concept in India has taken off at a brisk pace. Though the US is largely responsible for the development of mall culture, the concept has spread and has been objectively received globally, India also adapting to this idea.

India's branded retail sector, estimated about 3 percent of the total market is expected to grow at 15-20 percent over a few years. The US$6.1 billion Indian food industry is growing at 9 percent and has set the growth agenda for modern trade formats.61

According to www.researchandmarkets.com, retail industry in India is at the crossroads. It has emerged as one of the most dynamic and fast paced industries with several players entering the market. But because of the heavy initial investments required, break even is difficult to achieve and many of these players have not tasted success so far. However, the future is promising; the market is growing, government policies are becoming more favourable and emerging technologies are facilitating operations.


Retailing has changed the whole concept of shopping in terms of format and consumer buying behaviour, ushering in a revolution in shopping in India. Modern retail has entered India as seen in sprawling shopping centers, multi-storeyed malls and huge complexes offer shopping, entertainment and food all under one roof.

The Indian retailing sector is at an inflexion point where the growth of organized retailing and growth in the consumption by the Indian population is going to take a higher growth trajectory. The Indian population is witnessing a significant change in its demographics.

A large young working population with an average age of 24 years, nuclear families in urban areas, along with increasing working women population and emerging opportunities in the services sector are going to be the key growth drivers of the organized retail sector in India.\textsuperscript{62}

Technology has played a key role in retailers' efforts to compete in this volatile market, with e-retailing channels making their presence felt in India companies are using either their own web portal or tying up with horizontal players like Rediff.com and Indiatimes.com to offer their products on the web\textsuperscript{63}.

It has been used by retailers ranging from Amazon. com to eBay, in order to radically change the buying behaviour across the globe.\textsuperscript{64}


\textsuperscript{64} Holiday shopping defined by outlet malls of Amazon, eBay, CNet News, 9th December02.
Factors Contributing To The Growth of Retail Industry:

What is exactly contributing to this recent trend? Why the consumers even in the non-metro cities like this mall culture through which the retail industry is flourishing? Few of the factors identified for these recent trends are.

- Emergence of India as the destination for the BPO and call centers.
- Rising affluence among the middle class Indian society,
- Increasing number of dual income nuclear families.
- Convenience of shopping at a place.
- Reasonable pricing for the quality and branded stuff.
- India becoming an International hub for marketing of services.
- More and More MNCs opening up their offices in India with the western setup.
- Changing attitude towards consumption of products and services.
- A good place to pass the time.

Worldwide retailers are looking forward to increase their IT spending by almost 15 percent in 2006, allocating almost half of this increase to application software with a particular focus on tools that facilitate multi-channel customer relationships, point of sale systems, strategic merchandising and supply chain management.65

65According to Frost&Sullivan Research analysts. www.alexa.com,
Table 1.4. Retail Trade analysis and forecasting

<table>
<thead>
<tr>
<th>RETAIL TRADE</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Sales(Rs bn)</td>
<td>15,409</td>
<td>17,360</td>
<td>19,465</td>
<td>21,715</td>
<td>24,215</td>
<td>27,107</td>
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<tr>
<td>Retail sales(US$bn)</td>
<td>349.4</td>
<td>385.8</td>
<td>421.3</td>
<td>467.0</td>
<td>516.3</td>
<td>564.7</td>
</tr>
<tr>
<td>Retail Sales Volume growth (%)</td>
<td>6.0</td>
<td>7.5</td>
<td>7.7</td>
<td>6.9</td>
<td>6.8</td>
<td>7.3</td>
</tr>
<tr>
<td>Retail sales US$ value growth (%)</td>
<td>13.6</td>
<td>10.4</td>
<td>9.2</td>
<td>10.8</td>
<td>10.6</td>
<td>9.4</td>
</tr>
<tr>
<td><strong>Clothing, Cosmetics &amp; household goods</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clothing, Sales Value (US$m)</td>
<td>58,352</td>
<td>65,818</td>
<td>74,505</td>
<td>84,724</td>
<td>96,130</td>
<td>107,883</td>
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<td>Perfumes &amp; fragrances, Sales value(US$m)</td>
<td>2,103</td>
<td>2,291</td>
<td>2,464</td>
<td>2,696</td>
<td>2,941</td>
<td>3,169</td>
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<tr>
<td><strong>Electronic &amp; domestic appliances</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Television sets (stock per 1,000 population)</td>
<td>91</td>
<td>94</td>
<td>97</td>
<td>101</td>
<td>109</td>
<td>118</td>
</tr>
<tr>
<td>Television sets, sales Volume ('000)</td>
<td>8,867</td>
<td>9,436</td>
<td>10,029</td>
<td>10,655</td>
<td>11,204</td>
<td>11,795</td>
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<td>Cable-TVSubscribers (per 1,000 population)</td>
<td>28</td>
<td>29</td>
<td>30</td>
<td>31</td>
<td>32</td>
<td>33</td>
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<tr>
<td>Personal computers, sales volume('000)</td>
<td>693</td>
<td>789</td>
<td>894</td>
<td>1,026</td>
<td>1,178</td>
<td>1,352</td>
</tr>
<tr>
<td>Refrigerators, Sales Volume('000)</td>
<td>4,230</td>
<td>4,626</td>
<td>5,048</td>
<td>5,505</td>
<td>5,996</td>
<td>6,542</td>
</tr>
<tr>
<td>Video recorders, sales volume ('000)</td>
<td>121</td>
<td>121</td>
<td>125</td>
<td>127</td>
<td>128</td>
<td>129</td>
</tr>
</tbody>
</table>

Source: Economist Intelligence Unit. www.vuw.ac.nz/India_forecast.doc
According to the shoppers Stop, which is presently having around 16-17 stores all across India and has already touched a turnover of more than Rs 450 crores: "An interesting trend we have been observing of late is how the city suburbs are becoming self-wise, the store will soon create a sensation."

It is argued that, India is changing and so are its people. Number of international brands are entering into the Indian market and this is opening up the market. "Today consumers don't want to experience shopping, they want to shop for experience".

1.13 PRESENT SCENARIO

Retailing in India is a witness to the boom in terms of modern retailing formats, shopping malls, etc. Currently, the retail industry stands at Rs. 9,30,000 crore, of which almost 99 percent is in the unorganised sector. With the industry growing at 7 percent CAGR and organised retailing growing at 30 percent CAGR, the organised industry is expected to grow to Rs. 1,10,000 crores by 2012, with a potential to employ 2 million people, which is 2 percent of the country's population.66 The future of retailing for any product across the country will definitely be in malls where the consumer can get variety, quality and ambience. Not only this even in the non-metro cities like Lucknow, Kanpur, Jalandhar, Amritsar, Patna, and Agra this retailing culture through malls is spreading like anything. In the city of Agra, a mall called "Ashok Cosmos Mall" is coming

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66 Prakash Mehata "Mall market" Business India, September 26, October9, 2008 PP. 103, Issue 744, Mumbai Edition.
up at the Sanjay Place. It is the first of its kind in Agra and has got the importance because of the Taj Mahal in the city. This shopping mall will bring to the tourist, floating people and the people of Agra a retail experience of fun and entertainment while they are shopping. According to Dr. Ranjana Bansal, MD of the group this mall is Vaastu-compliant, 9-storeyed, and will deliver a great ambience that blends retail entertainment, leisure and business out of nine floors the first five floors will be for shopping and top four floors will be used for offices, and offers a full view of the Taj Mahal from the top floors. Apart from this, Vishal Mega Mart, Salasar, Pee CeeCosma, Bhawana and many more malls are opening up in the city of Taj proving that how fast this retail culture is catching up with the people of non-metro cities also.

As a major portion of the Indian population lives in villages, how can the retailers could not have eyed on it. Indian Tobacco Company (ITC) decided to invest in 5-acre malls, costing between Rs.3-5 crore each, across 15 states. According to Technopak's consumer Trends 6-7, 93 percent of households across India prefer the local kirana shops for staple food and vegetables. 66 percent want to travel a distance of less than 200 m to 1 km for their shopping needs.67

For companies finding it hard to reach out customers in small villages, ITC is offering a ready-made channel for more advertising, micro marketing and distribution. It is just attractive for companies who want

to provide customer service minus the cost. Even experts in retailing are of the opinion that this is a very innovative step taken by an Indian company and its success will set the path for the new players in India. Where rural retail market also offers a huge business potential. Modern retailing has entered into the Retail market in India as is observed in the form of bustling shopping centers, multi-storied malls and the the huge complexes that offer shopping, entertainment and food all under one roof.68

On the other hand, since Foreign Direct Investment (FDI) is not allowed in the retail sector, the international players in India are entering indirectly, via the licensee/franchisee route, but recently, the Government has revealed its intention to open up the retail sector to foreign investment. It is yet to be decided whether it will allow 26 per cent or 49 percent FDI in the retail sector which is evident from the statement of Dr. Ashwant Kumar, who took over as Minister of State for Industry in the Union Ministry of Commerce and Industry. He said "The retail sector would be opened further for foreign direct investment in a Collaborate Manner, on the fact that the country needs FDI. We will have to take everyone's views and concerns so that there is greatest possible convergence on theses issues".

India currently has more than five million retails outlets, out of which 96 percent are smaller than 500 sq.ft. But this scenario is changing fast.

The structure of retailing is developing plans being projected at 150 new shopping malls by 2008. Specialized retailers are developing rapidly in segments such as consumer durables and white goods, books, music, lifestyle goods, household furnishings, healthcare and beauty.69

There is another apprehension among the leadership that allowing the FDI in multi branding retail could cause a great lose to the next door shop owners as is evident from the statement of Dr. A.K.Dua, Secretary, Department of Industrial Policy and Promotion who said that "The Governments is fully aware of the dichotomy associated with allowing foreign direct investment (FDI) in retail trading and would take all necessary precautions before permitting FDI in multi-brand retailing". He further added that "While economic logic suggests that retail should be opened up for MNCs, empirical evidence say that wherever retail has opened up, it had its adverse impact on the local people and if the Government of India takes a policy decision for retail opening, all the apprehensions that are being expressed against MNCs entry into retail would be adequately addressed to.70"

However, Ashok Ray, who is Professor of Economics, Indian Institute of Management, Calcutta, and Visiting Professor of Economics, University of Rochester, USA, has expressed his opinion in an article that "Entry of sophisticated branded products affects the unbranded mass market only marginally in a vast poor country such as India. Moreover,

69 Dr. M. Anbalagan & V. Gunasekaran, "Retail Consumers market in Idnia: The next Big leaf" Indian Jounal of Marketing- March07, PP 27, Vol.XXXVII, No.4, New Delhi Edition.
in malls where the large retail chains set up their stores, typically, there will also be many small shops which will attract people”. He further added that ”The benefits from higher exports which will result because of the presence of international retail players like Wal-Mart etc., are likely to offset any direct job loss in the local small shops as result of competition from big global retailers. Even if the domestic big players were allowed to operate, the job loss problem for the small shops would remain, while the benefits from larger exports would not be there. So, clearly, if big players are to be permitted in retail, this must extend to FDI. Otherwise the full range of benefits will not be realized”71.

However, in spite of this continuous debate about to be or not to be, recently Government has allowed up to 1 percent FDI in single brand retailing by foreign companies like Reebok and Louis Vuitton. As of now, single brand reatilers operate through the franchisee route and there is a strong view that FDI in this segment would not displace jobs or impact the local industry but help create employment72.

Even today the government is undecided about the level FDI in retail, but a number of foreign players, including the Wal-Mart Stores, Inc., have announced their intention to enter India in a big way. At present Wal-Mart is operating through its subsidiary in Bangalore, which was functioning as a liaison office till last year, Now it is in the process of setting up offices in New Delhi and Mubai.

Table 1.5. Key Retailers in India

<table>
<thead>
<tr>
<th>Retailer</th>
<th>Segments Covered</th>
<th>Retailer</th>
<th>Segments Covered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pantoloon Retail (i) Limited</td>
<td>Value and lifestyle retailing</td>
<td>Nalli</td>
<td>Specially Saree retailing</td>
</tr>
<tr>
<td>Bata India Ltd</td>
<td>Foot Wear</td>
<td>Ebony</td>
<td>lifestyle retailing</td>
</tr>
<tr>
<td>RPG Retail</td>
<td>Value and lifestyle Retailing</td>
<td>ITC-lifestyle retailing</td>
<td>lifestyle retailing</td>
</tr>
<tr>
<td>Shoppers stop</td>
<td>Lifestyle Retailing</td>
<td>Madura garments</td>
<td>Apparel brand Retailing</td>
</tr>
<tr>
<td>Lifestyle International</td>
<td>Lifestyle retailing</td>
<td>Arvind Brands</td>
<td>Apparel Brand Retailing</td>
</tr>
<tr>
<td>Vivek Limited</td>
<td>Consumer Electronics</td>
<td>Livistraugs India</td>
<td>Apparel Brand Retailing</td>
</tr>
<tr>
<td>Trent Lit</td>
<td>Value and lifestyle Retailing</td>
<td>Time Retail (Planet)</td>
<td>Music Retailing</td>
</tr>
<tr>
<td>Subhiksha Trading</td>
<td>Discount Retailing food and grocery</td>
<td>Barista</td>
<td>Coffee beverage Retailing</td>
</tr>
<tr>
<td>Margin Free</td>
<td>Discount Retailing food and grocery</td>
<td>Cafe coffee day</td>
<td>Coffee beverage Retailing</td>
</tr>
<tr>
<td>Trinethra</td>
<td>Value retailing food and grocery</td>
<td>Mc Donald's</td>
<td>Food service Retailing</td>
</tr>
<tr>
<td>Nilgiri's</td>
<td>Value retailing food and grocery</td>
<td>Pizza Hut</td>
<td>Food service Retailing</td>
</tr>
<tr>
<td>Raymond Ltd</td>
<td>Lifestyle Retailing value and lifestyle Retailing</td>
<td>Cross roads in-orbit</td>
<td>Mall retailing</td>
</tr>
<tr>
<td>Piramyd Merchandising &amp; Retail Ltd.</td>
<td>Consumer Electronics</td>
<td>Forum mall</td>
<td>Mall Retailing</td>
</tr>
<tr>
<td>Vijay Sales</td>
<td>Lifestyle retailing</td>
<td>Spencer Plaza</td>
<td>Mall retailing</td>
</tr>
<tr>
<td>Globus stores</td>
<td>Lifestyle retailing</td>
<td>Nirmal lifestyle</td>
<td>Mall Retailing</td>
</tr>
</tbody>
</table>

1.14 EMERGING TRENDS

A boom in the economy has tremendously raised the purchasing power of the Indians. This has resulted in increased consumption. All these have given a fillip to the retail sector. India is expected to be the sixth largest retail market by 2012 because of income, population growth and saving behaviour.

This was stated by Vinod Sawhny, the president and chief operating officer (COO), Bharti Retail Pvt Ltd, while speaking at a conference on 'Transforming Retailing in India', organised by the Confederation Of India Industry (CII) in New Delhi.

"Acer India" opened 108 exclusive outlets, and is now all set to increase the number to 150 over coming years. "Lenovo India" already has 61 exclusive stores and 367 multibrand outlets and expected to increase them to 100 and 500 respectively.73

Sawhny stressed that the sector will grow on the strength of the rising purchasing power of the consumer, which will mainly come from the service sector. The rising population of working women, the rising services sector, the growing middle class and easier access to credit are some of the factors that will fuel the growth of retail industry in India. The COO further added that private labels will constitute a big part of organised retail.

Dr Ira Kalish, director, Deloitte Research, opined that the retail evolution in India is still in its nascent stage and said, ‘While the Indian retail market is promising, it has a long way to go to make a mark on the global level.

Rakesh Biyani, the 34 year old executive director of the Future (Pantaloon) Group, committed Rs 500 crore to operate duty-free shops at Delhi’s Indira Gandhi International airport (IGIA). The next, new thing in Indian retail-duty-free retailing. His group’s joint venture with UK-based aviation support company Alpha Airports is banking on generating sales worth RS. 1,700 crore in three years from the passengers who use the Delhi airport.74

The Indian tradition abides by the concept of strong family bonding and therefore the retailers need to ensure that they take into account this psychology of the Indian consumers. The Indian consumers have accepted the mall culture but the feasibility of a mall and making them more consumer-friendly will definitely depend upon the company operating it. The catchment area, footfalls, anchor tenants and the right type of entertainment options will matter a lot in the recovery of investment.

Interestingly, in India, shopping at malls has become a favourite pass time for the consumers. Thus to have a better sales figures, to make shopping more focused, players in the retailing are developing new concepts that fulfil the needs of the Indian consumers in one category of

retail product or services. And the idea generated is of the "Concept Malls". Which display only one product through a number of its retail outlets within its premises in one particular area.

A concept mall not only saves time of the consumer with various brands positioned under one roof but also reinforces competition, which finally benefits the consumer. Concept malls are expected to grow and make shopping a more pleasant experience for the consumer. With competition building up, mall developers may have to reposition themselves as speciality malls, local malls, regional malls or discount malls. The concept of malls is now growing into specialized segmentation or the categories.

Nilkamal Plastics, a BSE listed company with a market capitalisation of Rs 185 crore, aims at opening 27 showrooms and an equal number of franchises in the next three years. Each showroom is spread over an area of 2,000 to 2,400 sq.feet. Nilkamal further plans an investment of Rs 40 crore to set up new outlets over the next three years.75

In what could be a first of its kind in India, small, unorganised retailers in Rajkot are planning to take on the might of retail giants such as Reliance and Pantaloon by coming under a single umbrella brand. 76

Indian income has started quietly pushing for an Independent regulatory mechanism for the booming retail sector. Through industry associations, key players in the sector are also planning to seek nomination


76 M.N. Rao "Unorganised retailers" The Economic Times 1-8-2006 PP. 5, Hyderabad Edition
of the consumer affairs department as the nodal government agency for dealing with matters related to the retail sector.77

Pantaloon and Big Bazaar retail chains said it proposes to raise about Rs 960 crore through a variety of routes including a private placement, a warrants issue, follow-on public offer or rights, or a quasi-equity instrument such as fully or partly convertible debentures.78

1.15 FOREIGN DIRECT INVESTMENT (FDI) IN RETAILING

Global retailers have already been sourcing from India; the opening up of the retail sector to the FDI has been fraught with political challenges. With politicians arguing that the global retailers will put thousands of small local players and fledgling domestic chains out of business.

India is worrying as Global retailers will kill the local "Kirana" industry, FDI in retail could lead to millions of job losses, Predatory pricing policis will lead to monopolies and harm the consumer, Global retailers will trigger growth in cities causing skewed urban development.79

The only opening in the retail sector so far has been to allow 51% foreign stakes in single brand consumer stores, private labels, high tech items/ items requiring specialized after sales service, medical and diagnostic items and items sourced from Indian small sector (manufactured with technology provided by the foreign collaborations).

77 Bhupathi "Booming retail " The Economic Times 26-8-2006 PP. 4, Hyderabad Edition
78 Ruffas "Big Bazaar" The Economic Times 25-8-2006 PP. 1, Hyderabad Edition
India's left parties have fiercely opposed any move to allow foreign direct investments (FDI), in retailing. The left is opposing because Thousands of small retailers will be forced to shut shop, leading to large-scale displacement of labour. Global Chains, it believes, will squeeze suppliers more, rather than deliver genuine supply chain improvements. Proliferation of large stores will alter the Indian model of urban development.80

FDI in retail has once again began to appear imminent following Prime Minister Manmohan Sigh’s recent interview to McKnsey, in which he expressed confidence that he would he able to get the Left parties on board on the matter. In fact, going ahead with its plans to conduct a series of five road shows in the US and a few countries in Europe to hold discussions about the opportunities in India’s consumer markets; especially in retail.

The Indian Government is at an advanced stage in making amendments to the current policy regarding FDI in retail, and that a host of leading global reatailers have started preliminary groundwork to evaluate an Indlan market entry. It is most likely there would be a collaborated opening (up to 51 % equity permitted to the foreign partner), and collaterals/conditions of investment such as minimum investment, size of store, locations, local sourcing, and so on. This would increase the consumption platform for Indian consumers.

There are some studies available on retailing with reference to Foreign Direct Investment (FDI), technology based retailing, market potential for retail outlets and so on. Among the different studies, the report of Images -SA Technopak released at the KSA Retail Summit 2005 in New Delhi, highlights the key opportunities in various segments in the organized retail sector in India.

The government's recent moves to examine the feasibility of 100 percent foreign direct investment (FDI) in select areas of the retail sector, including electronics, sports goods, building equipment and stationery could open the floodgates for new entrants, while redefine existing partnerships between Indian and global retailers. 81

However, there is a research gap in the area where there are no studies being carried out to obtain opinions of respondents on the retail purchase patterns in Guntur Dist.

Therefore, considering the apparent gap in this area, an attempt is made in the present study to elicit opinions of the respondents on various issues relating to retailing in Guntur District.

The European union, USA and Japan have been the three most important source of foreign direct investment (FDI) for in 1991 Vis-a-vis 2002.

Table 1.6. FDI inflows into the Indian Retail Trade

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FDI Approvals</td>
<td>FDI Inflows</td>
<td>Relisation Rate</td>
</tr>
<tr>
<td>1991</td>
<td>78</td>
<td>27</td>
<td>34.29</td>
</tr>
<tr>
<td>2002</td>
<td>377</td>
<td>202</td>
<td>80.13</td>
</tr>
</tbody>
</table>

Source: SIA GDI/Facts for you - September 2007 page 36.

1.16 RETAIL FORMATS

The Consumer landscape is changing very fast. Consumers today see an exciting explosion of choices, new categories, and new shopping options and have increasing disposable income to fulfill their aspirations. They are seeking more information to make these choices. Consumers are increasingly seeking convenience in shopping. A typical housewife buys her monthly grocery requirements from four shops on an average, with multiple visits during a month for bulk and top-up purchases. With greater desire to spend time with children and on leisure, there is increasing pressure on time faced by many women. The growing proportion of working women further fuels the desire of convenience. Consumers also increasingly want the shopping experience to be enjoyable. Shopping is no longer seen as a mundane chore, but it is now much more exciting and an engaging prospect. Shopping malls, self-service stores and services are all emerging rapidly to fulfill this
need for an enjoyable experience. The traditional retail stores are undergoing a dynamic change as new formats and channels are emerging rapidly. This study highlights on the above Issues in the context of retail consumer market.

1.16.1 Specialty stores: Carry a narrow product line with a deep assortment within that line: apparel stores, sporting goods stores, furniture stores, florists, and book stores. Specialty stores can be subclassified by the degree of narrowness in their product line. A Clothing store would be a single-line store; a men’s clothing store would be a limited-line store; and a men’s custom-shirt store would be a superspeciality store.

1.16.2 Department Stores: Carry several product lines—typically clothing, home furnishings, and household goods—with each line operated as a separate department managed by specialist buyers or merchandisers.

1.16.3 Supermarkets/Hyper Markets: Relatively large, low-cost, low-margin, high-volume, self-service operations designed to serve the consumer’s total needs for food, laundry, and household maintenance products.

1.16.4 Convenience stores: Relatively small stores that are located near residential areas, open long hours, seven days a week, and carry a limited line of high-turnover convenience products. Their long hours and their use by consumers mainly for “fill-in” purchases make them relatively high-price operations.
1.16.5 **Super stores:** Larger stores that aim at meeting consumers’ total needs for routinely purchased food and nonfood items. They include supercenters, combined supermarkets and discount stores, which feature cross-merchandising. They also include so-called category killers that carry a very deep assortment of a particular line. Another Superstore variation is hypermarket, huge stores that combine supermarket, discount, and warehouse retailing to sell routinely purchased goods as well as furniture, large and small appliances, clothing, and many other items.

1.16.6 **Malls:** The largest form of organized retailing today, located mainly in metro cities, in proximity to urban outskirts ranges from 60,000 sq ft to 7,00,000 sq ft and above. They lend an ideal shopping experience with an amalgamation of product, service and entertainment, all under a common roof. Examples include Shoppers Stop, Pirmayd, and Pantaloons.82

The world's largest retailer, Wal-Mart, opened a global sourcing office in Bangalore. In November 2006, it announced its entry under a joint venture with the Indian corporation Bharti. For the time being, Bharti is to own the chain of front-end retail stores, while the two firms will have an equal share in a firm that will engage in wholesale, logistics, supply chain and sourcing activites.83

Wal-Mart procured goods worth $1.5 billion from India in 2004 which is expected to touch $2 billion next year. From India, Wal-Mart mainly

sources home furnishings, shirts, night-suits etc.  

1.16.7 **Discount stores**: Sell standard merchandise at lower prices by accepting lower margins and selling higher volumes. A true discount store regularly sells its merchandise at lower prices, offering mostly national brands, not inferior goods. Discount retailers include both general merchandise and specialty merchandise stores.

1.16.8 **Off-price retailers**: Sell a changing and unstable collection of higher quality merchandise, often leftover goods, over runs, and irregulars obtained at reduced prices from manufacturers or other retailers. They buy at less than regular wholesale prices and charge consumers less than retail. They include three main types.

1.16.9 **Independent off-price retailers**: Owned and run either by entrepreneurs or by divisions of large retail corporations.

1.16.10 **Factory Outlets**: Owned and operated by manufacturers and normally carry the manufacturer’s surplus, dis-continued, or irregular goods. Such outlets increasingly group together in factory Outlet malls, where dozens of Outlet stores offer prices as much as 50 percent below retail on a broad range of items.

1.16.11 **Warehouse clubs** (or wholesale clubs): Sell a limited selection of brand-name grocery items, appliances, clothing, and a hodgepodge of other goods at deep discounts to members who pay $25 to $50 annual membership fees. They serve small businesses and other club members.

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out of huge, low-overhead, warehouse-like facilities and offer few frills or services.

However, according to the experts' opinion, the retail format size shown in the below table.

**Table 1.7. Area of Retail Stores.**

<table>
<thead>
<tr>
<th>Form</th>
<th>Area (insq.ft)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional stores</td>
<td>Less than 500</td>
</tr>
<tr>
<td>Convenience Stores</td>
<td>750-1000</td>
</tr>
<tr>
<td>Minisuper Markets</td>
<td>1000-2000</td>
</tr>
<tr>
<td>Large Super Markets</td>
<td>3500-5000</td>
</tr>
<tr>
<td>Hyper Markets</td>
<td>5000-15000</td>
</tr>
<tr>
<td>Malls</td>
<td>80,000-5 lakshs</td>
</tr>
</tbody>
</table>

Source: www.cilionline.org.oop.cit

**1.17 RETAIL INDUSTRY AND CONSUMER BEHAVIOUR**

Dependency ratio, a proportion of non-working population is set to decline in the coming few years and about 60 million people will be joining the ranks of ‘the consuming age class’ of 15-64. To help the retail sector, there is also the ascent of urbanization (from 27.8% in 198 to 31.8% in 2008).

The ‘upper-income classes are rising faster than the lower-income ones and the lowest segments are shrinking’, going by compounded annual growth rate (CAGR). With growing disposable income and the
highest ever consumer confidence levels, Indian consumers' propensity to spend is soaring. Indians’ purchasing power is further fuelled by easy availability of finance in the form of loans. A different kind of poverty is creeping in though, that of lime.

**REASON FOR THE CHANGE IN THE INDIAN CONSUMER**

1.17.1. MEDIA EXPLOSION: With the advent of cable television and the growth of the Internet, the Indian consumer is more aware of what the marketplace, both national and international has to offer. He is aware of the lifestyles of the more affluent markets and the levels of aspirations have increased.

The retailer thus, needs to have a product in line with what is sold internationally, to satisfy the consumer. The consumer has become demanding in terms of the product offered, its quality, price and the level of service. Knowledge consumers are rampant in the society85.

1.17.2. INCREASE IN THE DISPOSABLE INCOME: India has transitioned from a state managed economy to a market managed economy. Steady economic growth and liberalization has increased the amount of disposable income in the hands of the consumers.

The growth of the urban middle class, which demands value for money, has led to a lot of changes on the retail front. Table indicates the changing market structure in India.

Table-1.8 The changing Indian Market Structure

<table>
<thead>
<tr>
<th>Socio-Economic Classification</th>
<th>Households in Million(% of Population)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Annual HH Income)</td>
<td>1995-96</td>
</tr>
<tr>
<td>Very Rich (&gt;INR 360001)</td>
<td>1.2(0.8%)</td>
</tr>
<tr>
<td>Consuming Class (INR 80001-60000)</td>
<td>32.5(20.1%)</td>
</tr>
<tr>
<td>Climbrs (INR40001-80000)</td>
<td>54.1(33.7%)</td>
</tr>
<tr>
<td>Aspirants (INR 28001-40000)</td>
<td>44.0(27.4%)</td>
</tr>
<tr>
<td>Destitute (&lt;28000)</td>
<td>33.0(20.5%)</td>
</tr>
</tbody>
</table>


1.17.3. **Increase in the number of earning youth**: The past few years have also seen a large increase in the number of youth who are beginning to earn early. It is estimated that 20% increase in the number of people at the age of 15 to 19, who have started earning.

Indians have grown richer and thus spending more on vehicles, phones and eating out in restaurants. The spending is focused more outside the homes, unlike in other Asian countries where consumers have tended to spend more on personal items as they grow richer.86

This is largely due to the growth in opportunities for the urban youth in the business process outsourcing industry and the software sector.

Most of the people working in these areas earn salaries ranging from Rs. 8,000 to Rs. 25,000 per month.

The increase in double income households has also led to a change in spending patterns across urban India. As many as 13% of all SEC’s (Socio-economic classes) A and B, are double income homes. The figure is expected to increase to as much as 35% by the year 2010. The discretionary spending power in the hands of this group makes a very big impact on the ability to spend. Their level of aspirations is also different from that of the older generations.

1.17.4. CHANGE IN EXPENDITURE PATTERN: The expenditure of Indian households on health services, education, domestic appliances and food have undergone a substantial change. The share of food in the total private consumption expenditure has fallen from 51.3% in 1993-94 to 40% in 2001-02. This is a significant change as the distribution of the consumption expenditure between food and non-food items reflects the economic well being of a population. Table given below, is a comparison of the changes in the expenditure pattern, over the years.

At the same time, the Indian consumer is not beguiled by retail products which are high on price but commensurately low on value or functionality. However, it can be said that the Indian consumer is a paradox, where the discount shopper loyalty takes a backseat over price discounts.  

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87 President & Chief Executive - "Life Style, Reliance Retail" Economic Times 23, August 2007, PP6, Hyderabad Edition.
### Table 1.9: The Comparison of the Changes in the expenditure pattern

<table>
<thead>
<tr>
<th>Items</th>
<th>Share in total private final consumption expenditure (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>food</td>
<td>51.96</td>
</tr>
<tr>
<td>Clothing &amp; footwear</td>
<td>5.73</td>
</tr>
<tr>
<td>Furniture &amp; Appliances</td>
<td>3.10</td>
</tr>
<tr>
<td>Medical &amp; Health care</td>
<td>3.52</td>
</tr>
<tr>
<td>Recreation, Education and culture service</td>
<td>3.09</td>
</tr>
</tbody>
</table>


1.17.5. INCREASE IN THE NUMBER OF WORKING WOMEN. The increase in the number of working women, especially in urban India, has fuelled the growth of retail formats like supermarkets convenience shops and products like ready to eat meals. While the spending power has increased, the demand is now for quality merchandise and a certain level of service. Increase in disposable, income consumption’s pattern, coupled with knowledge on market has enabled the retail market in India to expand both vertically and horizontally. The role of more young and female income earners added colour to the retail market.
1.18 OPPORTUNITIES IN RETAIL SECTOR

Given that only 3% of the total retail market is organized, there is ample space and time to experiment with innovative formats and value propositions’. There is ‘enough room for many new players to co-exist, it assures. More Opportunities to make Indian brand win are: to leverage an alternative media as ITC and Coke do; to create buying power through credit; to price competitively as in the case of Ruf & Tuf; to exist unsustainable non-core business; to focus on power brands as HLL does; and to think of alternative distribution models for a wider reach. Outsourcing is more talked about, though ‘sourcing from India’ has been silently happening. For some years now, multinational retailers. Like Wal-Mart, Carrefour, LI & Fung, IC Penney, Tesco and Nike, have sourced apparel and lifestyle products from India’. Some of these retailers are looking at India to increase their sourcing commitments and more Moving from third-party sourcing offices to establishing their wholly owned/managed sourcing or buying offices. Add to this, the trend of making India an export hub. For e.g, Sara Lee plans to set up a wholly owned subsidiary that will source, manufacture and export undergarments, casual wear and footwear from India.

Employment Opportunities: The Indian retail sector offers an economic opportunity on a massive scale both as a global base and a domestic market. This sector yields many positive results like generating more
jobs and bringing numerous goods to the consumers at reasonable prices. According to Ernst & Young's report 'The Great Indian Retail Story' this sector is expected to create 2 million jobs by 2010.

1.19 BUSINESS ANALYSIS OF THE INDIAN RETAIL SECTOR:

The size of modern retail is about US$ 8 Billion and has grown by 35% CAGR in last five years (KSA Technopak, June 2006)88. In modern retailing, a key strategic choice is the format; retailers are coming up with various innovative formats to provide an edge to retailers.

Asper Kearney's report; India is being placed on the radar by the USA and UK. Global giants like Tesco and Walmart are experimenting with various options to enter India. On the other hand, Tesco is planning to get into a partnership with Home Care Retail Mart Pvt. Ltd expecting to open 50 stores by 2010.89

1.19.1 Merger and acquisition activity :

India witnessed a record number of M&A deals in the first half of 2006, which were collectively worth USD 25.6 billion. A significant number of deals have been carried out in the Indian retail sector in the past few months in order to acquire a larger share in the growing domestic market and to compete against the prospective global and domestic players.90

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Table 1.10 The table below shows some recent deals that have taken place in the Indian retail sector.

<table>
<thead>
<tr>
<th>Year</th>
<th>Acquired / JV Company/ Target</th>
<th>Acquirer</th>
<th>Nature of Business</th>
<th>Stake</th>
<th>Consideration (US$million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>Liberty Shoes Future group</td>
<td>Retail (Footwear)</td>
<td>51%</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>Indus-Leagueclothing Future group</td>
<td>Retail Clothing</td>
<td>68%</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>Odyssey India Deccan Chronicle Holdings</td>
<td>Leisure retail chain (books, music, toys)</td>
<td>100%</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>Landmark Tata Trent Books, Music, accessories</td>
<td>74%</td>
<td>24</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>Bistro Hospitality TGI Friday's (a subsidiary of Carlson Restaurant Worldwide)</td>
<td>Restaurant (food retail)</td>
<td>25%</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>Indus League clothing (Future group company) Etamgroup France</td>
<td>Lingerie and women'swear retailing</td>
<td>50%</td>
<td>8</td>
<td></td>
</tr>
</tbody>
</table>


1.19.2 Retail Business Presence & Plan:

Retail sector, with all the big corporates - the Tata's, Ambani's, Birla's and Mittal's planning big projects, created enough buzz till the first quarter of the year, they are called retail boubbles, in addition to those the following other retailers presence & Plan their retail business. 91

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### Table 1.11. Table showing Presence and plan

<table>
<thead>
<tr>
<th>Retailer</th>
<th>Cities</th>
<th>Formats</th>
<th>No.of Stores</th>
<th>Expansion Plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>BigBazaar</td>
<td>26</td>
<td>Hypermarket</td>
<td>36</td>
<td>80 by 2008 and 225 by 2010</td>
</tr>
<tr>
<td>Spencer's</td>
<td>All India</td>
<td>&quot;</td>
<td>7</td>
<td>60 Stores by 2008-09</td>
</tr>
<tr>
<td>Star India Bazaar</td>
<td>Ahmedabad</td>
<td>&quot;</td>
<td>1</td>
<td>2 more planned in mumbai</td>
</tr>
<tr>
<td>Bangalore</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hypercity</td>
<td>Mumbai</td>
<td>&quot;</td>
<td>1</td>
<td>23 stores by 2010</td>
</tr>
<tr>
<td>Vishal</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Megamart</td>
<td>28</td>
<td>&quot;</td>
<td>46</td>
<td>410 stores by 2010</td>
</tr>
<tr>
<td>Reliance Retail &amp; carry</td>
<td>10</td>
<td>Supermarket/all</td>
<td>100</td>
<td>3 stores by 2008 and inter cash</td>
</tr>
<tr>
<td>Metro AG Majorcities</td>
<td>Bangalore</td>
<td>Cash &amp; Carry</td>
<td>3</td>
<td>Distribution centres in all</td>
</tr>
<tr>
<td>Magnet</td>
<td>Mumbai</td>
<td>Hypermarket</td>
<td>1</td>
<td>50 Stores by 2010</td>
</tr>
</tbody>
</table>


From the foregoing analysis, it is evident that the role of retail industry in the development of Indian economy and its contribution in countries such as USA, USSR, UK, China, Australia, etc. Despite the role played retail industry in India and various countries, the industry has been facing various problems such as financial and non-financial, because of which the retailer in severally victimized. Hence, this study is taken up the enquiry into the various problems faced by the retailers, at micro level, in particular and at macro level in general. Thus the study mainly focuses its attention on problems of retail traders in Guntur district with special reference to financial problems.