CHAPTER: 1

INTRODUCTION

1.1 Indian Retail Scenario:

In India, shopping in India has witnessed steady revolution with phenomenal increase and exponential growth of the retail industry, which generates employment to around 8 per cent and contributes to more than 10 per cent of India’s GDP. The modernization of the industry has been reflected well in rapid growth in sales in supermarkets, departmental stores and hypermarkets. The Indian retail industry is expected to rise from US$511 billion in 2008 to US$ 900 billion by the end of 2014 and further to US$ 1.3 trillion by 2018 at a Compound Annual Growth Rate of 10 per cent. Organized retail, accounting for almost 5 per cent of the market, is expected to rise at a CAGR of 40 per cent from $20 billion in 2007 to $110 billion by 2014. Sales from these stores have expanded at laudable growth rates during the period of 2003–2008, ranging from 24 per cent to 49 per cent per year. According to a joint study by the Confederation of Indian Industries (CII) and McKinsey, the present value of the Indian retail market is about US $ 180 billion per annum. Organized retailing generates employment, both direct and indirect, as notwithstanding the capital intensity of modern retail business, it continues to be labour intensive as well (Pradhan, 2009).
From Tier I cities, the retail revolution has percolated to Tier II and III cities. Looking at the retail growth and development in Tier II and Tier III cities, it shows that the road to development in retails goes through these cities. An estimate indicates that 35 per cent of the total retail space being developed in India is located in 50 such cities. Further, in smaller towns the organized retail is escalating at a rate of 50–60 per cent per year as compared to 35 to 40 per cent in metros and Tier I cities.

Fig 1.1: Top themes of Retail growth in India

Mall development and boom in India:

Organised Retail in India has seen remarkable growth in the last decade (Kuruvilla and J Ganguli, 2008). Further, besides blossoming economy, one of the major drivers of strong growth path of retail can be attributed to the rapid mall development in India. The development of mall culture is a subset of this booming retail. The common definition of shopping mall has evolved from one of the earliest forms of retail prevalent in India known as the ‘Haat’ (markets) and the ‘melā’(village
fairs), which are temporary open-air markets generally held at a fixed site on a fixed day or at festival time. The objective was to provide common market place. They are probably the predecessors of shopping-cum-entertainment revolution in India. Haats and Melas are still the markets which are also spaces for social and cultural contact in the rural India. In the true Indian ‘Avatar’, the shopping centers are a cluster of stores under a common roof. These are characteristically enclosed and include food and entertainment facilities; so they are called Malls.

**Table 1.1: Format of retail stores in India**

<table>
<thead>
<tr>
<th>Channel/Format</th>
<th>Type of Merchandise</th>
<th>Pricing</th>
<th>Size (sq. ft.)</th>
<th>Location</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supercenter</td>
<td>All type of</td>
<td>Discount Pricing</td>
<td>200000 -300000</td>
<td>Outskirts</td>
<td>Wal-Mart supercenter</td>
</tr>
<tr>
<td></td>
<td>merchandising</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hypermarket</td>
<td>Food clothing and apparel with focus on value products</td>
<td>Discount Pricing</td>
<td>60000 -12000</td>
<td>Malls</td>
<td>Hyper city Big Bazaar</td>
</tr>
<tr>
<td>Supermarket</td>
<td>Food &amp;Grocery</td>
<td>Discount Pricing</td>
<td>10000 -300000</td>
<td>Malls</td>
<td>Food Bazaar</td>
</tr>
<tr>
<td>Neighborhood/convenience store</td>
<td>Daily use items</td>
<td>Discount Pricing</td>
<td>500 to 3000</td>
<td>All localities within the city</td>
<td>Subhiksha</td>
</tr>
<tr>
<td>Cash and carry</td>
<td>Food &amp; Grocery</td>
<td>Bulk Buying, Discounting</td>
<td>100000 –</td>
<td>outskirts</td>
<td>Metro cash and carry</td>
</tr>
<tr>
<td>Discount Store</td>
<td>Food &amp; Grocery and Fashions</td>
<td>Heavy Discount</td>
<td>NA</td>
<td>NA</td>
<td>Subhiksha</td>
</tr>
<tr>
<td>Department store</td>
<td>Apparels and accessories.</td>
<td>Competitive</td>
<td>20000 -100000</td>
<td>Malls</td>
<td>Shoppers shop</td>
</tr>
<tr>
<td>Specialty store</td>
<td>Any one type of Merchandise</td>
<td>Competitive</td>
<td>500-5000</td>
<td>Main market malls</td>
<td>Mobile store</td>
</tr>
<tr>
<td>Category Killer</td>
<td>Any one type of Merchandise</td>
<td>Discount Pricing</td>
<td>300000 to 100000</td>
<td>Malls high street</td>
<td>Vijay sales</td>
</tr>
</tbody>
</table>

[Source: Retail Association of India, 2011]

**Shopping center/mall:** The standard definition of shopping center/mall according to International Council of Shopping Centers states that
‘A shopping centre is a group of retail and other commercial establishments that are planned, developed, owned and managed as a single property’. It further states that malls, one of the two configurations of the shopping centre, are typically enclosed, with climate controlled walkways and parking in the outlaying areas (Levy and Weitz, 2007). 3

1.2: Retail in India - Past, Present and Future:

Retail which literally means to put on the market is a very important aspect of every city and off course nation. We would not have our necessities and luxuries fulfilled without a well organised retail industry. Retail industry brings us the blissful experience of shopping be it our daily groceries or fashion accessories and everything in between. India with hundreds of towns and cities was a nation striving for development before the decade of eighties. Organised retailing in the form of malls is poised to develop exponentially in India. Malls are transforming the landscape of Indian retailing and consumers’ attitudes towards shopping (Khare and Sapna, 2010). 4 The evolution was being witnessed at various levels and the people of India were learning to play different roles as businessmen and consumers. India had not actively participated; though organized retailing industry began much earlier in the developed nations. However with its vast expanse and young population, India emerges as a highly potential retail market in the 21st century. The journey of retailing in India has been fascinating and the future promises exponential growth.

Retail in India: The Past

Earlier India was a nation struggling for development. Retailing in India has emerged from the neighbourhood kirana stores catering to
relationships and familiarity to the consumers to shopping centers catering to convenience of the consumers (Wheelen and Hunger, 2010)\(^5\). The evolution in retail was being witnessed at various levels and Indians learnt to play different roles as businessmen and consumers. Youth were beckoning new awareness in all spheres and the foundation for a strong economy was being laid. This brought in an opportunity for retail industry to flourish; first in metros and major cities later to impact sub urban and rural market as well. At this stage retailing in India was completely unorganized and it thrived as separate entities which were operated by small and medium entrepreneurs in their own territories.

**Fig 1.2: India’s retail revolution**

![India’s Retail Evolution](source: CII, 2011)

The figure above shows how Indian retail has moved from rural reach to modern approach. Indian retailing primarily consisted of a large traditional sector with street markets, kiosks and mom and pop stores known as kiranas (Spulber, 2007)\(^6\). There was a need of global exposure and only few Indian companies explored the retail platform on a larger scale. Few global giants like Levi’s, Pepe, Marks and Spencer etc. had entered targeting the upper middle and rich classes of Indians. However, as more than half of population was constituted by lower and lower middle class people, the market was not completely captured. Later, it
was realized by brands like Big Bazaar and Pantaloons who made their products and services accessible to all classes of people and today the success of these brands proves the potential of Indian retail market.

Now at its crest, the mall culture actually brought in the organized format for Retailing in India which was absent earlier. Growing retailing business and urbanization have prompted development of shopping malls in fast developing cities in developing countries (Rajagopal, 2010)\textsuperscript{7}. Malls successfully adapted to cater to the larger population of India, though these malls were also initially planned for the higher strata. The figure 1.4 shows that Indian retail has got a long way to go. In the Indian Retail Revolution, a great shift that guided was the outbreak of Shopping Malls across all regional markets.

Today the Malls are changing the way common Indians have their shopping experience. Nevertheless there is still greater scope for enhancing the Indian mall culture as other than ambience and branding many other aspects of Retail Service remains to be developed on international standards. There were only few malls in India in the past. Today there are more than 100 malls across different cities and around 1000 malls are predicted to come up in near future. This indeed shows a very promising trend ahead. However, before taking a leap into the future of Retail in India, let’s see what the Indian retail Industry is currently occupied with.
Retail in India: The Present

At present the Retail industry in India is getting accelerated. According to RAI [Retailers Association of India], The organized retailing in India is gradually gaining ground due to rise in the purchasing power of buyers, more choice to the consumer, economy of scale allowing most organized retailers to sell at competitive price and advent of technology offering supply and distribution management solutions (Panwar, 2004). Though India is still not at an equal rate with other Asian counterparts, it is geared to become a major player in the Retail Market. India secures a great position in the international market due to the fact that most of the developed nations are saturated and the developing ones still not prepared.

Further, with a highly diverse demography, India offers immense scope for the companies bringing in different products targeting different consumers. India is positioned as the foremost destination for Retail investment and business development according to the Global Retail
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Development Index. What is the core of a product for Western consumers may not be the core for Indian customers (Rossiger and Rossiger, 2008).  

Fig 1.4: Factors driving Retail growth in India

![Diagram showing factors driving retail growth in India.](image)

[Source: EY-RAI report, 2013]

The above figure clearly shows that there are many factors which have given impetus to Indian retail industry. The factor that is presently playing a significant role here is that a large chunk of Indian population is in the age group of 20-35 years with a considerably high purchasing power. This has resulted in increase in the demand in the urban market leading to consistent growth in the Retail business. Further, though the metros and other tier 1 cities continue to maintain Retail growth in India, the buzz has now shifted to lesser known ones. Industry observers believe that small cities are an important part of the retail landscape (Mehrotra, 2007). As the spending power is no longer confined to the metros, every tier 2 city in the country has good market for almost every product or service. Due to this, tier 2 cities like Chandigarh, Coimbatore, Pune,
Kolkatta, Ahmedabad, Baroda, Hyderabad, Cochin, Nagpur, Indore, Trivandrum etc. provide a good platform for a brand to enter Indian market. Now the target is tier 3 cities.

As the Indian retailing is getting more and more organized various retail formats are emerging to capture the potential of the market: Mega Malls, Multiplexes, Large and small supermarkets, Hypermarkets, Departmental stores etc. India has a diverse economy that ranges from traditional village farming to modern industries and services (Rushton and walker, 2007). As Indian consumers are very curious and have a broad perspective, they respond well to a new product or concept and there are very fair chances of a brand surviving well. However, every Indian consumer whether it is urbanite or a small town dweller needs a feeling of value for money. Indian consumers are great spenders once they realize that they are getting value for their money. Also new product and service concepts from the western world are better adopted first by the urban Indians, the smaller markets respond well to the need based retailing rather than luxury concepts.

**Retail in India: The Future**

The size of Indian Retail market is currently estimated at Rs. 704 crores which accounts for merely 3 % of the total retail market. The Indian retail industry will gain greater worth as the market becomes more and more organized. Due to easy and inexpensive availability of land and demand among the consumers, the Retail sector in the small towns and cities will increase by 50 to 60 %. In India, growth in real estate sector is also adding to the Retail sector and thus it becomes a strong feature for the future trend. There will be a retail space demand of 40 million sq. ft. over a period of next few years. Consumers use store image as an
evaluative criterion in the decision-making process of selecting a retail outlet (Varley, 2005). The growth in the retail sector is also caused by the development of retail specific properties like malls and multiplexes.

**Fig 1.5: Opportunities in Indian retail sector**

![Opportunities in Indian retail sector diagram]

The figure shows new avenues and scope in retail sector. As the major cities have made the present retail scenario pleasant, the future of the Indian Retailing industry lies in the semi-urban and rural regions. Consumers in urban India want their entire needs to be met in one outlet and this has given rise to the growth of organized sector- supermarkets and malls (Havaldar and Cavale, 2007). Catering to these consumers will bring tremendous business to brands from every sector. However, companies entering India will have to be more cautious with their strategic plans. To tap into the mind of the consumers with different likes and dislikes along with differing budgets, a company has to be well prepared and highly flexible with their product and services. In this regard focusing on developing each market separately can save a brand from many troubles.
Indian Retail has got bright future. Factors which are playing a vital role in fuelling the bright future of the Indian Retail are as follows:

- The income of an average Indian is increasing; thus disposable income leading to proportional increase in the purchasing power.
- Infrastructure is improving greatly in all regions.
- Indian economy and its policies are also getting more liberal making way for a wide range of companies to enter Indian market.
- Indian population has learnt to become a good consumer and all national and international brands are benefiting with this new awareness.
- The Internet revolution is allowing foreign brands to understand Indian consumers and influence them before entering the market.
- Due to the reach of media in the remotest of the markets, consumers are now aware of the global products and it helps brands to build themselves faster in a new region.

However despite these factors contributing to the growth of Indian retail Industry, there are a few challenges that the industry faces which need to be dealt with in order to realize the complete scope of growth in Indian market.

Foreign direct investment (FDI) is not allowed in retail sector, which can be a concern for many brands. Regulations and local laws along with real estate purchase restrictions bring up another set of challenges. Lack of integrated supply chain and management along with lack of trained workforce is another concern. However, despite such challenges many global brands are thriving in the Indian market by finding solutions. A company that plans to enter Indian market at this time can definitely look forward to great business if it analyzes and puts
efforts on all parameters. The Indian consumer is increasingly focusing on value, convenience, variety and a better shopping experience (Gupta and Randhawa, 2008). With good planning, timely Implementation and a media campaign that touches Indian consumers any brand can go far ahead in the Indian Retail Revolution.

The Indian Retail Movement:

As per Indian Brand Equity Foundation statistics, India is the fifth largest retail destination globally. The Indian retail industry has experienced marvelous growth over the last decade with a significant shift towards organized retailing format and development taking place not just in major cities and metros, but also in Tier II and Tier III cities. The overall retail market in India is likely to reach Rs 47 trillion (US$ 792.84 billion) by FY 2017. By 2012, the total market size of the retail industry in India had reached US$ 0.5 trillion, registering a compound annual growth rate (CAGR) of 7 per cent since 1998. The market in India is expected to touch US$ 1.3 trillion by 2020. Out of the overall retail market in India, unorganized players controlled 92 per cent market share during 2012. Organised retail is expected to account for 20 per cent by 2020. Rapid emergence of mega malls and hypermarkets are supplementing the growth of organised retail revolution in the country.
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Fig 1.6: India’s retail market statistics

Organized retailing with an emphasis on self-service and chain stores that can achieve system-wide economics are a recent entry to the Indian retailing scene (Chandra, Rau and Ryans, 2002). The figure above represents the growth of online and organized retail in India. Immense scope for retail expansion for foreign players has been opened by India’s strong growth fundamentals along with increased urbanization and consumerism. The Government of India has approved 51 per cent foreign direct investment in multi-brand retail and increased FDI limit to 100 per cent in single brand retail and cash and carry operations. With growing investment in infrastructure, retailers will be able to increase their access to high-growth potential rural market. The market constitutes over one third of the FMCG consumer base in India. Further, E-commerce is expected to be the next major area for retail growth in India with online retail estimated to reach US$ 70 billion by 2020 as per IBEF estimates.

[Source: FICCI, Technopak, Forrester, Reliance Industries, 2012]
As India’s retail industry is aggressively expanding itself, great demand for real estate is being created. Moreover, with the online medium of retail gaining more and more acceptance, there is a tremendous growth opportunity for retail companies both domestic as well as international. India is in a position to gain market access on all fronts and should aim to do so (Gaur, 2006). Favourable demographics along with increasing urbanization coupled with nuclear families, rising affluence among consumers, growing preference for branded products and higher aspirations are major factors which will drive retail consumption in India. Both organised and unorganised retail are bound not only to coexist but also achieve rapid and sustained growth in the coming years.

**Market Size**

The Indian retail market, currently estimated at around US$ 490 billion, is project to grow at a compound annual growth rate (CAGR) of 6 per cent to reach US$ 865 billion by 2023. Food and grocery is the largest category within the retail sector with 60 per cent share followed by the apparel and mobile segment. Organized retail, which constituted seven per cent of total retail in 2011–12 is estimated to grow at a CAGR of 24 per cent and attain 10.2 per cent share of total retail by 2016–17, according to a study titled 'FDI in Retail: Advantage Farmers' conducted by an industrial body. India has about one million online retailers – small and large – which sell their products through various e-commerce portals. The online retail industry in the country touched US$ 12.6 billion in 2013, according to a recent report by the Internet and Mobile Association of India (IAMAI). The figure shown below shows the growth of organized retailing in India.
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Fig 1.7: Organized Vs Unorganized Retail market share

![Organized vs Unorganized Retail Market Share](image)

[Source: Retail research FICCI, 2011]

**Investments**

The foreign direct investment (FDI) inflows in single-brand retail trading during the period April 2000 – March 2014 stood at US$ 106.66 million, as per data released by Department of Industrial Policy and Promotion (DIPP). The Indian online retail industry is on the rise and has attracted a cumulative funding of US$ 1,650.5 million since 2009. Out of the total funding, 65 per cent has gone to horizontals and 25 per cent to fashion & apparels including jewellery. Large Indian corporations have been out in front of their foreign competitors in the effort to open up retail (Schaffer, 2009). Flipkart & Myntra, who are now a single entity have together garnered 40 per cent of the total funding invested in Indian e-commerce so far, according to Juxt Data.
The following figure shows the list of Indian competitors in retail.

**Fig 1.8: Competitors in retail chains**

![Diagram showing competitors in retail chains](image)

[Source: Business India report, 2010]

Big giants like Reliance, Tata, Mahindra, Bharti, Birla, Future Group have done foray in retail market.

The following are the key investments and developments in the Indian retail industry:

- Marks and Spencer (M&S) plans to go up to 100 outlets in India within the next two years following a 13 per cent growth in their sales in Indian market.
- Flipkart.com has recently acquired fashion e-retailer Myntra.com for a sum of around US$ 3 billion. This deal will help Flipkart garner a larger market share in the e-commerce segment.
- Metro AG plans to increase the number of its wholesale stores in India from 16 to 50 by 2020 and make the country one of its focus expansion markets.
- Reliance Industries plans to open 2,000 exclusive outlets, Digital Xpress Mini, in FY 15 to sell the company's telecom services, smartphones, tablets and also accessories of other brands.
Private equity (PE) firm Texas Pacific Group (TPG) Growth and India's Smile Group will jointly invest US$ 100 million to help internet and e-commerce companies build and scale their businesses across the Asia–Pacific region and West Asia.

Ilex-London plans to invest around Rs 5 crore (US$ 843,397.17) over the next five years to open 10 exclusive stores in India. Stores will have an average size of 500–600 square feet (sq ft), with an investment of around Rs 5 million (US$ 84,332.95) per store.

**Government Initiatives**

The Government of India has allowed 100 per cent FDI in Single-Brand Retail Trading and 51 per cent FDI in Multi-Brand Retail Trading. Just recently, the Competition Commission of India (CCI) approved the proposal of Tesco buying 50 per cent equity in Trent, which is the first-ever FDI proposal in multi-brand retail trade. According to the extant policy, foreign retailers investing more than 51 per cent can open outlets across the country on the condition that 30 per cent of their sourced sales would come from small to medium-sized domestic enterprises. Further, global chains will now need to invest only 50 per cent of the initial compulsory investment of US$ 100 million in setting up cold storages and warehouses in India. The Confederation of All India Traders has signed a Memorandum of Understanding with eBay to train domestic retailers to use the online market space as an additional tool for expanding their business. The agreement will enable Indian traders to export via eBay to 201 countries and sell at 4,306 Indian locations.
Road Ahead

India remains in principal an untapped and unorganized retail market with several international retail companies yet to commence operations in the country. Owing to its strong domestic consumption and low rate of market penetration by overseas retailers India holds a substantial advantage over other emerging retail destinations.

Fig 1.9: Organized retail and its components

[Source: India Retail Report, 2013]

There are many components of organized growth in India as shown in the figure. The rapid pace of globalisation, increased competition and excessive brand clutter are changing the market landscape in retail and posing new challenges for marketers and customers alike (Srinivasan and Srivastava, 2010). “India's new middle class is increasingly becoming brand conscious and willing to spend on quality goods, a trend which is creating numerous business opportunities for mid-range international brands. With political and economic sentiments already showing signs of improvement, we believe this is the right time for international retailers to
look at India for expansion into the region," as per Mr. Anshuman, Chairman and Managing Director, CB Richard Ellis, South Asia.

E-commerce is the next big thing for retail growth in India. E-commerce companies are increasingly going beyond digital marketing and targeting offline customers as well. With this growth in the e-commerce industry, online retail is estimated to reach US$ 70 billion by 2020 from US$ 0.6 billion in 2011. The opportunities in food and grocery retail are immense, given that it constitutes about 69 per cent of the country’s total retail market, according to panel members at the seventh Food and Grocery Forum India.

**Youth and Retail Sector growth in India:**

Retail in India has emerged as one of the most dynamic and fast paced industries due to the entry of several new players in the recent years. Increasing disposable incomes especially among the middle class along with increasing consumer base in urban areas coupled with credit availability, growing number of nuclear families, working women, easy accessibility and convenience and a potentially strong rural consumer market will fuel this growth in the near future. Indeed an exciting time for retailers and marketers. Though India is considered to be a traditional society and most of the decisions are taken collectively by the family members or by a group of friends, ‘individualism’ as value has made inroads among Indian youth (Madaan, 2009)\[^{19}\].
Fig 1.10: Increase in Indian youth spend [2003 Vs 2013]

[Source: FICCI report, 2013]

The above figure shows that there has been incremental rise in Indian youth spending over the last ten years. The rising purchasing power along with an increasing propensity to consume has led to the emergence of a new class of consumers. Gone are the days when people felt guilty about spending. Not only are people today indulging in buying more, they are spending significantly on themselves. For the Indian youth, chilling out at a coffee pub is more of a lifestyle expression, and has more added value than simply sipping a cola or a lemon drink (Nargundkar, 2006)\(^\text{20}\). As per Ernst & Young analysis, in the last decade the number of upper middle class and high income households has grown by a staggering 270% from 30 million households to 81 million households. A key aspect driving the sector's growth is favourable population demographics (i.e. 50% of the population is less than 25 years).

The power of youth today is evident in its large numbers, tendency to consume and in its ability to influence larger household decisions. India's population is also urbanising at a rapid pace with the urban Indian
population projected to increase from 28% to 40% of the total population by 2020. A recent Ernst & Young study found that the propensity to consume for a developing country accelerates beyond $900 per capita GDP and India will reach that in 2008–2009. The spending pattern of Indian consumers presents a great paradox to today's marketers and retailers. On one hand is the increasing discretionary income (Rs 3,800 – Rs 7,000 per month) but on the other hand is the typical Indian need of 'value for money'.

This spending power has not necessarily translated into higher value of purchases. This brings forth the question of how retailers and marketers should address this great opportunity without losing sight of the mass market that India offers. Brands target more than 57 percent of their products at the youth of India. Marketers are looking closely at the changing buying behavior of the Indian youth. The growth of India’s consumer class is being driven to a large degree by India’s youthful population. There are three aspects that influence today's purchase decisions: uniqueness, contemporariness and of course, value equation. Consumers are buying keeping their optional income in mind rather than the number of units that they need. All this fits into the need to be 'unique' and 'contemporary' as they can wear different types of clothes and change more often.

More and more consumers want products that are unique so that they make a statement of being different. The second aspect is related to the need to change products frequently in order to appear modern or contemporary. This also lies in with the fact that the new generation is a generation of spendthrifts as against the old generation of thrifts. At the same time, consumers are also looking at the 'value' proposition in every purchase. This is most likely the reason why they buy products that are
well priced but buy them more frequently. The contemporary Indian youth has grown up in more financially secure times and in far more educated families than his/her counterpart of the 1970s (Saxena, 2006).

**Indian Urban youth:**

Youth is essentially on the radar of every marketer in India. Urban affluent youth is coming of age in a new world where shopping malls are a popular hangout for young people in India (Kamdar, 2007). Youth is contributing profoundly to the fast change in the Indian economy and are fast becoming the darling of India Inc. India is one of the youngest countries in the world today with nearly half of all Indians below 25 years of age and more than 65 per cent below 30 years of age. Now India youth have become a key focus in the marketing blue prints of most of the brands.

Indian youth, besides taking decisions on their personal spending, also command a fair degree of influence in matters of family purchases (Boroian and Poix, 2010). Estimates suggest that India has a median age at 26 years, trending towards 28 in 2020, whereas Brazil is at 29, China at 34, US at 36.6, Russia at 38, UK at 40 and Japan at 45. Nearly a decade ago, changes in the consumer patterns started happening, when the economic scenario changed in the country, coupled with the increase in availability of hang out places. The youth of India confidently mix Indian values with Western packaging (Robbins and Coulter, 2010). The mall culture, café culture and increased disposable income have changed the way youth today conduct themselves and manage their funds.
Online Shopping and Urban youth:

The Indian youth is also making forays in the area of online world. The Indian E-commerce report says that Indian youth will have more share in the pie in terms of online shopping. As the E-commerce space is getting matured, Indians are now being more comfortable buying high priced goods online. The most important aspect to please Indian E-commerce players is that it not just the increase in number of shoppers, but the steep increase in the average order value. According to Reports, in 2012 the average physical goods ecommerce order value was Rs. 1080, which increased to Rs. 1860 in 2013 and it is expected to double by the year 2016. Mobile as shopping tool added fuel to the fire. It is also expected that by the year 2016, nearly 35 percent of the online sales will be influenced by women. Further, by 2016, nearly half of the online shoppers will be from Gen Y category (i.e. from age 19 to 24 years). Finally, E-commerce will be adopted much faster in Tier 2 and Tier 3 cities as compared to Tier 1 cities.

According to a survey by industry body Assocham, India's e-commerce market grew at a staggering 88 per cent in 2013 to $ 16 billion, riding on booming online retail trends and defying slower economic growth and spiraling inflation. According to the survey, India's e-commerce market, which stood at $2.5 billion in 2009, reached $8.5 billion in 2012 and rose 88 per cent to touch $16 billion in 2013. The survey estimates the country's e-commerce market to reach $56 billion by 2023, driven by rising online retail. As per responses by 3,500 traders and organised retailers in Delhi, Mumbai, Chennai, Bangalore, Ahmedabad and Kolkata who participated in the survey, online shopping grew at a rapid pace in 2013 due to aggressive online discounts, rising fuel prices and availability of abundant online options. Among the cities, Mumbai
topped the list of online shoppers followed by Delhi, while Kolkata ranked third, the survey found. The trend is not going towards Tier 2 and Tier 3 cities of India.

**Fig 1.11: Online shopping growth in India**

![Online shopping growth in India](source.png)

[Source: Economic Times report, 2014]

The above figure shows the potential of growth of online shopping in India. The urban youth adds to major chunk of this. The age-wise analysis revealed that 35 per cent of online shoppers are aged between 18 years and 25 years, 55 per cent between 26 years and 35 years, 8 per cent in the age group of 36-45 years, while only 2 per cent are in the age group of 45-60 years. Besides, 65 per cent of online shoppers are male while 35 per cent are female. To make the most of increasing online shopping trends, more companies are collaborating with daily deal and discount sites, the survey pointed out. The products that are sold most are in the tech and fashion category, including mobile phones, ipads, accessories etc.
1.3 Socio-economic classification (SEC)

Socioeconomic factors combine an economic and sociological constitution of an individual’s experience along with economic and social status in the society based on factors like income, education, occupation etc. For the purpose of analyzing the socioeconomic status of a family, one has to study the household income, education level, and occupation of the earner’s. Typically, socioeconomic status can be split in three categories namely- high status, middle and low status for the purpose of assigning the areas in which a family or a person can fall. These variables are helpful to a high extent for marketers for recognizing the needs of the people at large.

In terms of socio-economic variables, there are many interesting trends to study. The social factors are generally measured in terms of variables namely- education, family type, adult family members, children and lifestyle. In terms of education, it can be further split into options like literate or illiterate. Further, in terms of literate, it can be from $8^{th}$ standard pass to post-graduates. In terms of family status, it can be divided into nuclear, joint and extended family structure. In terms of number of family members, the range may be in numbers accordingly. In terms of lifestyle, it can be bifurcated into traditional, semi-modern and modern style.

Further, the economic factors can be measured in terms of variables namely- monthly income, earning member and earning to dependent ratio. Total monthly family income can be divided accordingly as per the income which may have income range. In terms of earning members, the sub-divisions may be single earning member, double or multiple. Further, it can be husband, wife, both or other. In terms of
earning to dependent ratio, it can be split into cases where husband and wife both earn equally; or any of the spouses earns more. In terms of demographic background, the major variables are age group, gender, location, occupation and marital status. Further, in terms of age, the bifurcation can be in terms of age range. In terms of residents locate, the options can be city area, sub-urban or rural areas. In terms of occupations, the major variables are business class or service class. Finally, in terms of marital status, the respondents can be married or unmarried.

**Table 1.2: Socio-Economic Classification**

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Illiterate</th>
<th>0 - 4 Yrs. in School</th>
<th>5 - 9 yrs of School</th>
<th>School certificate</th>
<th>Some college</th>
<th>Graduate</th>
<th>Post Graduate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skilled</td>
<td>E2</td>
<td>E1</td>
<td>D</td>
<td>C</td>
<td>C</td>
<td>B2</td>
<td>B2</td>
</tr>
<tr>
<td>Unskilled</td>
<td>E2</td>
<td>E2</td>
<td>E1</td>
<td>D</td>
<td>D</td>
<td>D</td>
<td>D</td>
</tr>
<tr>
<td>Shop owner</td>
<td>D</td>
<td>D</td>
<td>C</td>
<td>B2</td>
<td>B2</td>
<td>A2</td>
<td>A2</td>
</tr>
<tr>
<td>Petty trader</td>
<td>E2</td>
<td>D</td>
<td>D</td>
<td>C</td>
<td>C</td>
<td>B2</td>
<td>B2</td>
</tr>
</tbody>
</table>

**Employer of**

<table>
<thead>
<tr>
<th>Occupation</th>
<th>B1</th>
<th>B1</th>
<th>A2</th>
<th>A2</th>
<th>A1</th>
<th>A1</th>
<th>A1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Above 10 persons</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Below 10 persons</td>
<td>C</td>
<td>B2</td>
<td>B2</td>
<td>B1</td>
<td>A2</td>
<td>A1</td>
<td>A1</td>
</tr>
<tr>
<td>None</td>
<td>D</td>
<td>C</td>
<td>B2</td>
<td>B1</td>
<td>A2</td>
<td>A1</td>
<td>A1</td>
</tr>
<tr>
<td>Clerk</td>
<td>D</td>
<td>D</td>
<td>D</td>
<td>C</td>
<td>B2</td>
<td>B1</td>
<td>B1</td>
</tr>
<tr>
<td>Supervisor</td>
<td>D</td>
<td>D</td>
<td>C</td>
<td>C</td>
<td>B2</td>
<td>B1</td>
<td>A2</td>
</tr>
<tr>
<td>Professional</td>
<td>D</td>
<td>D</td>
<td>D</td>
<td>B2</td>
<td>B1</td>
<td>A2</td>
<td>A1</td>
</tr>
<tr>
<td>Senior executive</td>
<td>B1</td>
<td>B1</td>
<td>B1</td>
<td>B1</td>
<td>A2</td>
<td>A1</td>
<td>A1</td>
</tr>
<tr>
<td>Junior executive</td>
<td>C</td>
<td>C</td>
<td>C</td>
<td>B2</td>
<td>B1</td>
<td>A2</td>
<td>A2</td>
</tr>
</tbody>
</table>

[Source: Indian readership survey (IRS) data 2010]
Indian households can be segmented according to the occupation and education levels of the chief earner of the household (the person who contributes most to the household expenses). This is called as Socio-Economic Classification (SEC), which is mainly used by market planners for the purpose of targeting the market before launching their new products.

The urban area is segregated into: A1, A2, B1, B2, C, D, E1, E2.

SEC is made to understand the purchase behavior and the consumption pattern of the households. Sections A & B refer to High-class-- constitutes over a quarter of urban population. Sec C refers to Middle-class-- constitutes 21% of the urban population. Sections D & E refer to Low-class-- constitutes over half the urban population.

To understand the table, consider an example: A trader whose monthly household income (MHI) is more than that of a person in section A cannot be included in this SEC because his educational qualification or occupation does not qualify him for inclusion.

Sec C constitutes households whose Chief Wage Earners are employed as:

**Table 1.3: Socio-Economic as per occupation**

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skilled workers</td>
<td>33%</td>
</tr>
<tr>
<td>Petty traders</td>
<td>12%</td>
</tr>
<tr>
<td>Clerk/Supervisor</td>
<td>37%</td>
</tr>
<tr>
<td>Shop owners</td>
<td>18%</td>
</tr>
</tbody>
</table>

[Source: Indian readership survey (IRS) data 2010]

Out or this, 3/4th of them have studied till 10th or 12th class while the remaining 1/4th have studied till 9th class. Less than half of the Chief
Wage Earners of households belonging to sections D & E are unskilled workers. Petty Traders are 18%, while Skilled Workers are about 28%. More than 80% of the population of upper strata consumers is living in the top 7 cities. Those top 7 cities are Mumbai, Kolkata, Delhi, Chennai, Ahmedabad, Bangalore, and Hyderabad. With increase in economic prosperity, this population (upper strata consumers) is growing at 10 percent annually.

Table 1.4: Socio-Economic as per education

<table>
<thead>
<tr>
<th>Education of chief wage earner</th>
<th>Type of House</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pucca</td>
</tr>
<tr>
<td>Professional degree</td>
<td>R1</td>
</tr>
<tr>
<td>Graduation/ PG</td>
<td>R1</td>
</tr>
<tr>
<td>College</td>
<td>R1</td>
</tr>
<tr>
<td>SSC/HSC</td>
<td>R2</td>
</tr>
<tr>
<td>Class 4-Class 9</td>
<td>R3</td>
</tr>
<tr>
<td>Up to class 4</td>
<td>R3</td>
</tr>
<tr>
<td>Self-learning</td>
<td>R3</td>
</tr>
<tr>
<td>Illiterate</td>
<td>R4</td>
</tr>
</tbody>
</table>

[Source: Indian readership survey (IRS) data 2010]

The rural area is segregated in to: R1, R2, R3, R4.

While it took around 40 years (between 1971 and 2008) for the urban population in the country to rise by nearly 230 million, it will take only half the time to add the next 250 million. It is estimated that the economy will have to build between 700 million and 900 million square meters of residential and commercial space a year in order to meet the rising urban demand. At the same time, the country will have to build 350
to 400 kilometers of metros and subways every year in order to meet the rising transportation requirements.

India is well-poised to lead the global economic growth charts for many more years to come being one of the fastest growing economies across the world with a large base of dynamic and young population. It needs thriving cities in order to harness the huge potential the economy offers. A report from McKinsey Global Institute estimates that cities could generate 70 per cent of net new jobs created to 2030, produce around 70 per cent of Indian GDP and drive a near fourfold increase in per capita incomes across the nation. India’s urban population is estimated to go up from 340 million in 2008 to 590 million in 2030. Socio-economic and demographic factors also contributed towards the development of modern retail formats (Mukherjee and Patel, 2005). This growth has got much scope for the marketers to make better offerings to the people. The ultimate beneficiaries will be the customers as well as the marketers making it a ‘win-win’ situation for all concerned.
References:


