Chapter I

Introduction

Retailing as a Business in India

The retail sector in India can be traced back to the rural markets. Thereafter with the close networking of the civilization and urbanization the concept of the next door provisional stores came into existence. These stores were in the pervasive ambience of the customers. With the growth of the urban population, market and town planning the government came into existence with the set of rules regulations and the infrastructure facilities to support the retail sector. And lastly with the change in the life style and modernization changes as well as the requirements of cost competencies and product positioning, new modern, international, combinations systems and patterns of the delivery were/ are derived. The new sets of systems of retail have developed from being a regular Melas, Village markets to Convenience stores to cooperatives to Exclusive showrooms and Supermarkets. From the source of entertainment to the convenience the retail stores have been developed into low cost delivery stores to the place of shopping efficiency and experience.

Retailing, one of the largest sectors in the global economy, is going through a transition phase in India. For a long time, the corner grocery store was the only choice available to the consumer, especially in the urban areas. This is slowly giving way to international formats of retailing. The traditional food and grocery segment has seen the emergence of supermarkets/grocery chains, convenience stores and fast-food chains.

The traditional grocers, by introducing self-service formats as well as value-added services such as credit and home delivery, have tried to redefine themselves. However, the boom in retailing has been confined primarily to the urban markets in the country. Even there, large chunks are yet to feel the impact of organized retailing. There are two primary reasons for this. First, the modern retailer is yet to feel the saturation' effect in the urban market and has, therefore, probably not looked at the other markets as seriously. Second, the modern retailing trend, despite its cost-effectiveness, has come to be identified with lifestyles.
In order to appeal to all classes of the society, retail stores would have to identify with different lifestyles. In a sense, this trend is already visible with the emergence of stores with an essentially 'value for money' image. The attractiveness of the other stores actually appeals to the existing affluent class as well as those who aspire to be part of this class. Hence, one can assume that the retailing revolution is emerging along the lines of the economic evolution of society.

It was only in the year 2000 that the economists put a figure to it: Rs. 400,000 crore (1 crore = 10 million) which is expected to develop to around Rs. 800,000 crore by the year 2005 – an annual increase of 20 per cent. Retailing in India is unorganized with poor supply chain management perspective. According to a recent survey by some of the retail consulting bodies, an overwhelming proportion of the Rs. 400,000 crore retail market is unorganized. In fact, only a Rs. 20,000 crore segment of the market is organized. As much as 96 per cent of the 5 million-plus outlets are smaller than 500 square feet area. This means that India per capita retailing space is about 2 square feet (compared to 16 square feet in the United States). India's per capita retailing space is thus the lowest in the world (source: KSA Technopak (I) Pvt Ltd, the India operation of the US-based Kurt Salmon Associates).

Currently the retail landscape is filled with Supermarket chains with over 1000 outlets all over the country to increase to around 5000 by the 2005. The success of a couple of Hypermart's indicate the evolution of hypermarkets in the country prominent among them are Giant, Metro, Big Bazaar models. While the average bill value at a supermarket is in the range of Rs.300 per bill, the average bill amount at a Hypermarket is in the range of Rs.750-1000, indicating that the model is in tune with the global models where the average spend is increasing with the shopping experience.
Growth of organized Retailing and its Benefits for India

The retail revolution could do wonder for the Indian economy – creating over 1.6 million jobs in next five years, raising overall economic productivity and most importantly, lowering prices for shoppers as has been the case in most economies across the world.

- **High sector productivity** –
  - would raise factors of productivity and growth by 30-40%

- **Lower prices for consumers** –
  - could lower consumer prices by 3-5%
  - Could absorb 0.3-0.5% of total inflation.

- **Efficiency** –
  - should reduce waste through supply chain pipes
  - Could increase farmer income by 20-30%

- **Increased tax contribution of retail** –
  - Could improve tax contribution by upto 1% of retail sales or Rs. 3,000 crore

- **More formal employment** –
  - would create 1.6 million formal jobs in retailing alone
  - Would add 2-3 times as many new jobs supporting systems

**Importance of Retailing**

a) To Manufacturers/Producers

- Forward buying on deals – manufacturers experience wide swings in demand for their products from retailers when they use trade promotion tools.
- Shelf Space- manufacturers get the shelf space in the store for a new products which helps in defraying the cost of stocking and restocking the products by giving them slotting allowances.

- Expand the number of channels – manufacturers can use dual distribution to reduce dependence on just one channel.

- Promotion – manufacturers get the support form retailers for promotional activities and in return given them some allowance for the same.

- Direct product profitability – it becomes very easy for manufacturers to track the performance of the products by finding out what moves and what does not move well in the stores.

- Expand the product lines – manufacturers can counteract the popularity of ever more upscale store brands by expansion of product lines with a set of inexpensive imitations of the product.

- Retailer goodwill – manufacturers is able to gain the benefits of the name of the store to sell his products.

b) To consumers

- Bulk breaking – consumers want to consume just one unit of the product out of large batches lot sizes made by the manufacturers.

- Spatial convenience – it helps the consumers to get the product at the desired locations. They don’t have to go searching for the products.

- Temporal convenience – consumers are given temporal convenience by getting the product at the required time.

- Product variety – consumers have a variety to choose form the variety of products offered by the retailers.

- Customer service – services are given to the customers in the retail stores to give them a satisfied shopping experience.
• Availing discounts - due to the increased competition in the business the retailers are giving high discounts and value for money to the customers.
Types of Retailing

Generally retailers are classified into four categories:

I. Retailing based on ownership – primarily includes independent retailers, where a retailer owns a single retail unit.

II. Retailing based on the extent of product lines handled –
   a. Specialty stores
   b. Department stores
   c. Discount stores
   d. Supermarkets
   e. Hypermarkets

III. Retailing based on the service vs. goods retail strategy mix – where physical products and services are sold respectively.

IV. Non-store based retailing
   a. Direct selling
   b. Direct marketing
   c. Automatic vending