CHAPTER - 1

INTRODUCTION

1.1 Introduction

In the developed world, “organised retail” is the dominant retail format selling more than 80 percent (Dun and Bradstreet, 2010) of the total retail purchase volume. However, in India, as of 2016, “organised” (or “modern”) retail constituted merely 11 percent (The Boston Consulting Group and Confederation of Indian Industry, 2016) and the small mom and pop stores (also called kirana stores) making up the rest. In other developing economies, the share of unorganized retail is also high, such as 64 per cent in Brazil and 45 per cent in Malaysia (Joseph et al., 2008). While, studies (Alexander and de Lira e Silva, 2002; Maharajh and Heitmeyer, 2005) show that large modern retail stores will grow in emerging markets (in India it is expected to be in the range of 20 percent of total retail market by 2020, the kirana format will continue to have a significant presence (Joseph et al., 2008). India’s retail market is expected to nearly double to US$ 1 trillion by 2020 from US$ 600 billion in 2015, driven by income growth, urbanisation and attitudinal shifts. While the overall retail market is expected to grow at 12 per cent per annum, modern trade would expand twice as fast at 20 per cent per annum and traditional trade at 10 per cent (India Brand Equity Foundation, 2017). India has witnessed a change in consumption patterns which has been driven by increased urbanization, expansion of the middle class & increased exposure to global lifestyle due to technological advancements (Khan, 2017). Shoppers in emerging markets, therefore, have a choice of retail formats that are quite different; their patronage of a format will depend on different factors. The study is done to find out the change in the Indian retail industry and its implication to the consumer behavior. The study is done with special reference to grocery sector.
1.2. Meaning and Definition of Retailing

Retailing is the final step in the distribution of merchandise for end users. The word is derived from the French word Retaillier, which means to cut off a piece or to break bulk.

According to Philip Kotler: "Retailing includes all the activities involved in selling goods or services to the final consumers for personal use. A retailer store is any business enterprise whose sale volume comes primarily from retailing."

The North American industry classification system "specifies that retail trade sector comprises establishments primarily engaged in retailing merchandise generally without transformation and rendering services incidental to sale of merchandise."

1.3 Indian retail industry

The Indian retail industry has emerged as one of the most dynamic and fast-paced industries due to the entry of several new players. It accounts for over 10 per cent of the country’s Gross Domestic Product (GDP) and around 8 per cent of the employment. India is the world’s fifth-largest global destination in the retail space. The Indian retail trading has received Foreign Direct Investment (FDI) equity inflows totaling US$ 537.61 million during April 2000–March 2016, according to the Department of Industrial Policies and Promotion (DIPP) (India Brand Equity Foundation, 2017).
India's retail market is expected to expand at $1.3 trillion by 2020 and the GDP is set to grow at 8 per cent over the next three years, making it the world's fastest-growing major developing market. The current retail sales in India is worth $925 billion and had grown at 5.8 per cent on compounded annual growth rate in 2010-2014, said in the A T Kearney report on the 2015 Global Retail Development Index (The Economic Times, 2015). India has occupied a remarkable position in global retail rankings; the country has high market potential, low economic risk, and moderate political risk. India’s net retail sales are quite significant among emerging and developed nations; the country is ranked third (after China and Brazil) (India Brand Equity Foundation, 2017). Indian retail industry is one of the rising sectors with high growth potential. According to the Investment Commission of India, the retail sector will attain the level of $ 660 billion by 2015 (Deshwal, 2015). Retail industry is divided into unorganized and organized sectors. Organized sector means that part which is well regulated. It means registered stores. Unorganized sector includes the traditional stores such as Pan Beedi, Corner Store. With the changing retail scenario the
consumers are looking beyond traditional retail stores and going towards organized outlets (Deshwal, 2015). Technopak Advisors Pvt. Ltd have estimated the category wise share of different consumer items under both unorganized and organized retail in India as on 2006, 2011 and projections of 2016. The details of these estimates are given as under:

**Table: 1.1**

Indian Retail Market, Category wise (Billion US Dollars)

<table>
<thead>
<tr>
<th>Category</th>
<th>2006</th>
<th>2011</th>
<th>2016 (Projected)</th>
<th>CAGR Percent (2011-2016) (Projected)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food and grocery</td>
<td>217</td>
<td>325</td>
<td>425</td>
<td>5.50</td>
</tr>
<tr>
<td>Apparel</td>
<td>25</td>
<td>35</td>
<td>50.2</td>
<td>7.50</td>
</tr>
<tr>
<td>Jewelry and watches</td>
<td>16.5</td>
<td>23.6</td>
<td>44.2</td>
<td>11.50</td>
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<tr>
<td>Consumer electronics</td>
<td>16.5</td>
<td>22.7</td>
<td>42.8</td>
<td>13.50</td>
</tr>
<tr>
<td>Pharmacy</td>
<td>8.0</td>
<td>13.9</td>
<td>23.4</td>
<td>11.00</td>
</tr>
<tr>
<td>Furnishing and furniture</td>
<td>6.5</td>
<td>9.1</td>
<td>17.1</td>
<td>13.50</td>
</tr>
<tr>
<td>Restaurants</td>
<td>4.6</td>
<td>8.8</td>
<td>15.8</td>
<td>12.50</td>
</tr>
<tr>
<td>Footwear</td>
<td>3.6</td>
<td>4.5</td>
<td>8.3</td>
<td>13.00</td>
</tr>
<tr>
<td>Beauty Services</td>
<td>0.6</td>
<td>1.3</td>
<td>3.0</td>
<td>18.00</td>
</tr>
<tr>
<td>Health services</td>
<td>0.4</td>
<td>1.0</td>
<td>2.5</td>
<td>20.00</td>
</tr>
<tr>
<td>Others</td>
<td>11.0</td>
<td>23.0</td>
<td>42.5</td>
<td>13.10</td>
</tr>
<tr>
<td>Total US $(Billion)</td>
<td>310.0</td>
<td>470.0</td>
<td>675.0</td>
<td>7.50</td>
</tr>
</tbody>
</table>

(Source: Deshwal, 2015)
According to A.T Kearney ranking of Global Retail Development Index (GRDI) 2016, India has been ranked 2nd among best retail market in the world. In the report titled ‘Global Retail Expansion at a Crossroads’, China is ranked as top country having
one of the most dynamic retail markets in the world, followed by India. India has jumped 13 ranks this year from last year rank of 15. India’s high market potential, fast growth, improved regulatory environment, and ease of doing business pulled it up to second in the rankings. India’s high ranking is driven by GDP growth, improved ease of doing business, and better clarity regarding FDI regulations. India is now the world’s fastest-growing major economy, overtaking China, and retail demand is being fueled by urbanization, an expanding middle class, and more women entering the workforce. India rise to 15th behind solid growth in retail sales and strong prospects for future GDP growth. The Indians retail market is expected to grow to $1.3 trillion by 2020 and GDP is expected to grow at 8 percent over next three years, making India the world’s fastest growing major developing market (Kearney, 2015).

1.4 Changing Face of Indian Retailing - Unorganized and Organized Retail

The Indian retail market is highly fragmented into small, privately owned stores, the so-called unorganised retail or traditional retail. These unorganised retail stores account for 94 to 97 % of sales, compared to about 80 % in China, about 60 % in Thailand and about 15 % in the US (Srivastava, 2008). These “Mom-and-Pop” stores comprise about 15 million businesses, from local kirana stores to footwear and apparel shops (Knight Frank 2010). They are usually run by the owner and one or two assistants. Approximately 95 % of these retail stores are smaller than 500 square feet (Srivastava, 2008). India has the highest number of retail outlets worldwide, with an average size of 50 to 100 square feet, but the per capita retail space is amongst the lowest in the world. Many of these kirana stores are located in shopping centres. For 50 years, time has stood still in that “Each shop is typically about ten feet square, so that the proprietor can sit in the middle of the floor and reach his entire stock” (Westfall/Boyd 1960, p. 14). In such stores, there is no self-service for customers.
Organised retail, such as supermarkets and hypermarkets, has steadily gained market share for the last five years. Currently, modern retail market size in the top six retail markets of the country amounts to INR 871 bn and this is projected to reach INR 1,718 bn by 2019. The penetration of modern retail will also witness a substantial rise, from the current 19% to 24% in the next three years, largely driven by the omni-channel way of retailing (Knight Frank, 2017). Presently, the modern retail penetration in India is abysmally low compared to the developed and emerging economies. While the share of modern retail is 84%, 71%, and 53% in the US, Singapore and Malaysia, respectively, it is only 19% of the value of the total retail spending in the National Capital Region, Mumbai, Chennai, Bengaluru, Pune and Hyderabad cumulatively. Overall, the degree of penetration in the country would be even lower, since the presence of modern retail in smaller cities and rural areas is not significant. Apparels are the largest India retail segment, accounting for 22 per cent in 2014–15. Indian grocery market is expected to be world’s third largest by 2016, with estimated revenue of USD 566 billion (India Brand Equity Foundation, 2017). The Indian retail market is in its nascent stage; unorganized players accounted for 92 per cent of the market during 2015. There are over 15 million mom-and-pop stores. Between FY15-20, organized retail in India is expected to witness a CAGR of 24.57 per cent. Organized retail is expected to account for 24 per cent of the overall retail market by 2020 (India Brand Equity Foundation, 2017).
The research shows that Organized retail is expected to account for 24 per cent of the overall retail market by 2020 (India Brand Equity Foundation, 2017). The development of organized retail can be captured quantitatively in several ways. In 1999, there were only three shopping malls in India totaling one million square feet. Only seven years later, in 2006, malls accounted for 28 million square feet, and in 2009 this value was 52 million square feet (Knight Frank 2010). The organized retail sector which is estimated to reach approx. 18-20% of the total sector, by 2020, is growing at a high rate of 20%-25% p.a. India has witnessed a change in consumption patterns which has been driven by increased urbanization, expansion of the middle class & increased exposure to global lifestyle due to technological advancements (Khan, 2017). As per a report by NSDC, India will need around 56 million strong work-forces for the booming retail sector. The sector will have one of the highest incremental human resource requirements of 17.35 million by 2022, offering opportunities in sales,
merchandising, store management, central management and procurement. Retail industry in India has the potential to provide employment to a large number of youth. The latest announcement by the government to allow 100% FDI in retail (e-commerce, wholesale and in the marketing of food products) has already indicated a surge in employment opportunities in this sector. A direct result of FDI would be increase in the number as well as the formats of retail, which would result in the generation of jobs in multiple categories (Mohan, 2016).

1.5 Growth driver for Indian Retail

Favorable demographic and psychographic changes in the Indian consumer class, rising income, international exposure, availability of quality retail space, wider brand choice, and better marketing communications are some of the factors driving Indian retail. However, to succeed in this environment, Indian retailers must develop the right formats, scalable business models, appropriate technology, and relevant organizational capabilities (Krafft, & Mantrala, 2014).

1.5.1 Emerging Consumer Base

Currently, India has a population of over 1 billion, and 60 % of her people are under 30 years of age; 54 % of the populations are under 25 years of age, while 80 % are not yet 45 years old. India has around 192 million households, about 6 million of which are ‘affluent,’ i.e., have household incomes in excess of INR 215,000 (US $ 5,000) per annum. Another 75 million households are in the category of ‘well off,’ earning between INR 45,000 (US $ 1,000) and INR 215,000 (US $ 5,000) per annum. This means the majority of the population is young and employed and has high purchasing power. The low median age of the population means a higher current consumption rate, which augurs well for the retail sector. Consumer spending in India has grown at over 12 % since the mid-1990s, and 64 % of India’s GDP is accounted for
by private consumption (Marketing Whitebook, 2006, p. 109). Over the last decade, average Indian spending has gone up from INR 5,745 (US $ 130) in 1992-93 to INR 16,457 (US $ 400) in 2003-04, and it is expected to grow around its trend rate of 12%. This is a sizable consumption base offering an excellent opportunity for organized retailers.

1.5.2 Enhanced Spending Power

AC Nielsen’s Retail and Shopper Trends 2004 Report on shopper’s behavior in India observed that Indian shoppers spend an average of US $ 50 on food, groceries, and personal care items every month, US $ 21 of which is spent on fresh food. Convenience stores are experiencing a boom in most markets; the number of such stores exceeds 80,000. According to the report, 48% of shoppers in India admit that they ‘love to try new things,’ making them the most novelty-seeking shoppers around the Asia Pacific region. Indians also appear to spend more than others on groceries and personal care items.

1.5.3 Reformed Government Policies

There are fundamental but significant changes underway in India. In January 2006, the government announced that foreign companies can own up to 51% of a single-brand retail company, such as Nike or Adidas. This decision would certainly encourage retailers. The latest announcement done by the government would allow 100% FDI in retail (e-commerce, wholesale and in the marketing of food products). This would result in increase in the number as well as the formats of retail.

1.6 Development of Retail Formats

It is difficult to fit a successful international format directly into the Indian retail landscape and expect a similar performance in India. Lessons learned from multinationals expanding into new geographies also point to this. For example, Wal-
Mart is highly successful in the USA, but the story is a bit different in Asian countries such as China. It is important for retailers to understand local conditions and develop insights into the local buying behavior before making the format choice. Considering the diversity in tastes and preferences that exists in India, retailers may need to experiment to identify the winning format suited to different geographies and segments.

Until recently, most grocery retailers were regional in scope. Today, a number of retailers are aiming to spread their network across the country and are experimenting with several formats. Aside from geography, as already mentioned, the rural-urban divide poses a different kind of challenge to the retailer.

1.6.1 Malls

Mall development is phenomenal in India. They are spreading fast and entering the second-tier and third-tier cities in India. Corporate houses such as ITC, TATA, Godrej, and the Sriram Group are also making steady progress in bringing malls to the rural market. Large malls provide ample space for leisure and entertainment. Some states, e.g., Punjab, have lifted entertainment tax on multiplexes until 2009. This has attracted mall developers such as PVR, Waves, Adlab, and Fun Republic. During the 1990s, 1 million square feet of mall space was added every year in India. Since then, the pace has picked up substantially, and in 2003 alone, 10 million square feet were added. About 150 million square feet of new mall space is expected to be built in the country in the next 3-5 years. Major cities would account for about 70% of this space: Mumbai (203% increase to 15 million square feet), Delhi (up 527% to 23.2 million square feet), Bangalore (a rise of 128% to 4.1 million square feet), Hyderabad (up 163% to 1 million square feet), and Pune (up 188% to 23.2 million square feet) are witnessing the boom. In 2005, a state such as Punjab had only a single mall with a gross leasable area (GLA) of 0.12 million square feet, but it is now expected to have 37 malls operating
with GLA of 15.2 million square feet by 2009. Ludhiana, a city in the state of Punjab, is leading the way, with 11 malls occupying 5 million square feet (IMAGES & CII, 2006). The success of these malls would be determined by innovations, the right tenant mix, effective mall management, and provision of ample parking space.

1.6.2 Department Stores

A department store offers an extensive assortment (width and depth) of goods and services that are organized into separate departments for the purpose of efficient buying, assortment, promotion, and, above all, ease of shopping for the consumer. A format of this kind provides the greatest selection of any general merchandise and very often serves as the anchor store in a shopping mall or shopping center. In India, there are fewer department stores than stores with other retail formats, such as supermarkets and discount stores. Shoppers’ Stop, with 19 stores in 10 different cities in India, was the first department store chain in the early 1990s. The stores have a strong focus on lifestyle retailing and are divided into five main departments, such as apparel, accessories, home décor, gift ideas, and other services. The chain’s stores attract more than 12 million visitors every year, with a conversion rate (visitors to buyers) of 38%. By 2008, Shoppers’ Stop plans to have a network of 39 stores with retail space of 2,502,747 square feet. Westside, a primarily private label department store, intends to open 18 more stores in 2008, to take its network to about 30 stores. Another operator, Lifestyle India, began operations with its first store in Chennai in 1999. It operates in five cities with more than ten stores.

1.6.3 Hypermarkets

Hypermarkets have emerged as the biggest crowd pullers in India. They offer the most extensive merchandise mix, with product and brand choices under one roof, and create superior value owing to lower prices. Offering product categories ranging from
Fresh produce and FMCG products to Electronics, Value apparel, Houseware, Do it yourself (DIY), and Outdoor products, the hypermarkets are very popular in India. There are around 90 hypermarkets in the country. The number of players operating hypermarket formats is increasing day by day. On 15 August 2007, Reliance Retail opened the first of its ‘Reliance Mart’ hypermarkets in Ahmedabad, with a floor space of 165,000 square feet. In early 2006, the K. Raheja Corp. (C.L. Raheja Group) introduced Hypercity, which became the country’s largest hypermarket at 118,000 square feet. It carries a product range that includes Foods, Homeware, Home Entertainment, Hi-Tech, Appliances, Furniture, Sports, Toys, and Clothing.

As the market expands, and the country is in a mood to accept changes, hypermarkets are meeting with an overwhelming response from consumers. Hypermarket success depends critically on pricing, with the right product mix on offer at the right price and in the right place. Ideally, a 40:60 mix of food to non-food would yield a blended gross margin of around 18-19%. Hypermarkets have to use an efficient sourcing and merchandising process to bring down the cost of operations. They also need to continuously reduce inefficiencies in the supply chain and pass on a part of that benefit to consumers. Lastly, private label or store brands are being used by these stores extensively for improving the margins.

1.6.4 Supermarkets

Unlike in the West, supermarkets are not yet very prominent in India. Supermarkets concentrate largely on selling food-related products and are considerably smaller than hypermarkets. Their value proposition is also different from that of the hypermarkets. The supermarkets focus on specific product categories and offer relatively good assortments. They do not play the price game, but have to depend on convenience and service to attract consumers. However, in India, convenience and
service are also offered by numerous provision stores and ‘sweetshops.’ Fresh vegetables and fruits are sold on the pavements and in open markets. Thus, consumers have not yet made supermarkets the preferred format for buying in this category. They prefer to buy either from the local mobile vegetable sellers or from the nearest vegetable market.

Food World, Food Bazaar, Nilgiri, Reliance, True Mart, and More are the leading supermarket operators. Reliance opened a special chain of fruit and vegetable stores with 11 stores in Hyderabad in November 2006, and within a year it opened about 390 Reliance Fresh outlets across 11 states of India. As the eastern part of the country is showing strong resistance to opening of Reliance Fresh outlets, the retailer is focusing on the western part of India. A typical supermarket chain such as Food Bazaar operates in major cities in India with floor space ranging from 6,000 square feet to 16,000 square feet and selling both food and non-food items. The non-food items contribute about 25% of total sales. The chain has an average of 7,000 stock keeping units (SKUs) and over 50,000 articles. Fresh produce is comprised of fruits and vegetables, which are sold loose through the concessionaire arrangement. Private labels are found in several categories, especially the commodities. For example in the utensil cleaner category, private label gives the highest margin of about 25% and commands a share of 50% in the store. These stores also offer such services as flour mills, fresh juice counters, fresh milk and dairy products, vegetable chopping and packing, salads, sandwiches, and prepared soup.

1.6.5 Convenience Stores

A convenience store offers location advantage for the shoppers and provides them with ease of shopping and customized service. It charges average to above average prices, depending on the product category, and carries a moderate number of SKUs.
Normally it remains open for long hours and shoppers use it for buying fill-in merchandise and emergency purchases. In India, convenience stores occupied 23,000 square meters of retail space with sales of about US $ 26.95 million in 2005 and are expected to occupy 85,000 square meters of selling space by 2010. During the same period, sales are expected to reach US $ 105.43 million and the number of outlets is likely to grow from 510 to 2,500. Twenty Four Seven, a new format of convenience store in Delhi offers a portfolio of 3,500 SKUs of branded fast-moving consumer goods and another 3,500 SKUs of prescription and over-the-counter drugs besides 300 private label products across food, focusing on staples such as pulses and rice. The promoter of this format, the Modi group, plans to set up 500 convenience stores in Delhi and Mumbai.

1.6.6 Discounters

The absence of strong discounters in India has several reasons. Unlike most Western countries, Indian retailers are mainly small stores and do not have much bargaining power with manufacturers in order to negotiate terms. Owing to low economies of scale, retailers are unable to offer significant discounts on their own. Consequently, the presence of discounters is much smaller than that of supermarkets. According to the Euromonitor (2006) report, in India there are 410 discount stores with 63,000 square meters of selling space and by 2010 that figure is going to be 555 discount retail outlets, with 85,000 square meters of selling space. This format is more common among apparel and shoe retailers. Loot, Promart, Koutons, and Country Cotton are some of the other leading discounters. Some retailers, such as Alpha in Mumbai, are also experimenting in offering electronic appliances and other consumer durable products. Most cities also have shop clusters that sell at lower prices; however, unlike the discounters, they deal in unbranded merchandise.
1.6.7 Branded Stores

The major apparel brands in India are Madura Garments, Zodiac, Raymond’s, Colour Plus, and Arvind Mills. Some of the branded apparel stores prominent in India are Madura Garments (140 stores), Weekender (75 stores), Benetton (150 stores), Grasim (110 exclusive showrooms), Wills Lifestyle (40 stores), Lee (59 stores), Newport (500 stores), Wrangler (37 stores), John Players (80 stores), and Raymond. Raymond, with 260 shops, deals in fabrics, apparel, and accessories. In addition, its distribution network includes 20 exclusive Park Avenue and Parx stores and 1,000 multi-brand outlets. These specialty stores sell the well-known brands, such as Park Avenue, Parx, Manzoni, and Be. Park Avenue is an upmarket brand, while Parx and Manzoni are targeted at the casual wear and the premium ranges, respectively. ‘Be’ is a brand specifically of women’s wear. Similarly, BK Birla’s Century Textile plans to increase its number of outlets from 60 currently to 100 by next year. Almost all major international brands are present in India through franchise arrangements.

1.6.8 Category Killers

The category killer concept originated in the U.S. owing to an abundance of cheap land and the dominant car culture. A category killer is a kind of discount specialty store that offers less variety but a wide assortment of merchandise in the category that is handled. By offering a wide assortment in a category at comparatively low prices, category specialists are able to ‘kill’ that specific category of merchandise for other retailers. Generally, such retailers use a self-service approach. They use their buying power to negotiate low prices, excellent terms, and assured supply when items are scarce. In India, this kind of retail store is not prevalent at this time. However, there is scope for such a format. In India, Mega-Mart is one sort of category killer; it sells apparel products.
1.6.9 Cash & Carry

This format operates essentially in the B2B context. Metro Cash & Carry opened its first cash & carry outlet in Bangalore in 2003. The retailer now has two outlets in Bangalore and one in Hyderabad; it plans to open one each in Mumbai and Kolkata. It has a membership of over 100,000 in Bangalore and over 80,000 in Hyderabad, and its main customers are hoteliers and restaurateurs (including bars), small food traders and retailers, and small business establishments. Future Group started its cash & carry operation called the Big Bazaar Club in Ahmedabad in early 2007. This retailer targets not only business customers but also large families that do bulk purchasing. Wal-Mart also has plans to set up Sam’s Club stores in India within a couple of years.

1.6.10 Internet Retailing

The importance of internet retailing is growing all over the world. Some internet retailers, such as e-Bay and rediff.com, are providing vendors with a platform to sell their products online, but do not take responsibility for delivering the product to the buyer. They provide only virtual shopping space to the vendors. On the other hand, online retailers such as amazon.com and walmart.com maintain their own warehouses to stock products and do take responsibility for delivering products to the buyers. In the US, many of the brick & mortar stores are entering online retailing, as they have the physical infrastructure that can be used to capture additional consumer ‘share of wallet’; examples are Target, Sears, and Kmart.

In India, during the period 2001-06, internet retailing grew at a compounded annual growth rate (CAGR) of 37.2 %, and it is projected to continue growing at a CAGR of 40 %. (Euromonitor, 2007).
1.7 Main Indian Market Players and their Characteristics

1.7.1 Future Group

Every day, Future Group brings multiple products, opportunities and services to millions of customers in India. Through more than over 17 million square feet of retail space, it serves customers in more than 240 cities across the country. Future Group understands the soul of Indian consumers. As one of India’s retail pioneers with multiple retail formats, it connects diverse and passionate community of Indian buyers, sellers and businesses. The collective impact on business is staggering: Around 300 million customers walk into their stores each year and choose products and services supplied by over 30,000 small, medium and large entrepreneurs and manufacturers from across India (Future Group, 2017).

Its principal formats include Big Bazaar, a hypermarket chain; Easy day - Easyday, the convenient neighborhood store; Food Bazaar - Supermarket chain; Ezone - Electronics superstore; Foodhall - a premium lifestyle food destination and Central - Seamless department store. The company operates over 17 million square feet of retail space, has more than 1,000 stores in 73 cities in India and employs over 30,000 people. A considerable 30 % of its turnover is generated by its private labels (Malhotra, 2010). The company established a joint venture with the US office stationary retailer Staples in 2006.

1.7.2 Reliance Retail

Reliance Retail Ventures Limited, a fully owned subsidiary of Reliance Industries is the holding company of Reliance Retail Limited which operate the retail business. It generated a turnover of Rs. 21,075 crore for the financial year 2015-16. As on 31st December 2016, Reliance Retail operates 3,553 stores across 686 cities with a retail area of over 13.25 million sft. Reliance Retail has adopted a multi-prong strategy
and operates chain of neighbourhood stores, supermarkets, wholesale cash & carry stores, specialty stores and online stores and has democratized access to a variety of products and services across diverse segments for Indian consumers (Reliance Retail, 2017). Serving the food and grocery category Reliance Retail operates Reliance Fresh, Reliance Smart and Reliance Market stores. In the consumer electronics category Reliance Retail operates Reliance Digital and Reliance Digital Express Mini stores and in fashion & lifestyle category it operates Reliance Trends, Reliance Footprint, Reliance Jewel stores in addition to a large number of partner brand stores across the country. Food and groceries account for 65 % of Reliance Retail’s overall sales. Within the last few years, the firm has undergone significant expansion and has opened more than 940 stores (Salisbury 2010).

1.7.3 Trent

Established in 1998 and part of the Tata group, Trent operates Westside, one of India’s largest and fastest growing retail chains; Star Bazaar, a hypermarket chain and Landmark a family entertainment format store. The company has already established 83 Westside departmental stores measuring 8,000-34,000 sq.ft. in floor space across 50 cities. The Westside stores have several departments to meet the varied shopping needs of customers. These include menswear, women’s wear, kids’ wear, footwear, cosmetics, perfumes and handbags, household furniture accessories, lingerie, and gifts. Well-designed interiors, sprawling space, prime locations and coffee shops enhance the customers’ shopping experience (Tata Sons, 2017).

Trent ventured into the hypermarket business in 2004 with Star Bazaar, providing an ample assortment of products made available at the lowest prices, aptly exemplifying its ‘Helping you spend less’ motto. This store offers customers an eclectic array of products that include staple foods, beverages, health and beauty products,
vegetables, fruits, dairy products, consumer electronics, and household items, at the most affordable prices. Star Bazaar also includes a large range of fashionable in-house garments for men, women and children, exclusively available at the store (Tata Sons, 2017).

1.7.4 Aditya Birla Group

Aditya Birla Retail Limited (ABRL) is the retail arm of Aditya Birla Group, a $41 billion corporation. The company ventured into food and grocery retail sectors in 2007 with the acquisition of Trinethra Super Retail and subsequently expanded its presence across the country under the brand ‘more’ with two formats — Supermarkets and Hypermarkets. There are currently 494 Supermarkets and 20 Hypermarkets and more aims to offer a shopping experience that delivers unbeatable value and quality. The Aditya Birla Retail Limited Hypermarket comes under the name of Megastore. Megastore is a one-stop shopping destination for the entire family. There are currently 20 hypermarkets in operation and it consist of can find a large range of products across fruits and vegetables, groceries, Fresh items(Bakery, Diary & Frozen), FMCG products, general merchandise, apparels, consumer durables and IT goods. Seeking higher profitability, the Aditya Birla Retail Limited has increased its private label portfolio. Currently, the retailer has more than 400 products under its private labels. Private labels for food are more, Feasters, Kitchen's Promise, and Best of India. In 2010, the private labels accounted for 19 % of the annual turnover, and the objective of the firm is to increase this share to 30 % within the next three years (Aditya Birla, 2017).

1.7.5 RPG Enterprises

Similar to Reliance, RPG Enterprises is one of India's largest industrial conglomerates and includes more than twenty companies across eight business sectors, with a total turnover of 17,000 crore INR (2.9 billion EUR). The main retail subsidiaries
of RPG are Spencer’s Retail and Music World. Additional specialty retail formats are Food World (an alliance with Dairy Farm International), Health & Glow (cosmetics, health products and medicines) and Giant (hypermarkets). Spencer’s Retail Limited is one of India’s largest and fastest growing multi-format retailers with 220 stores, including 30 large-format stores across 35 cities in India. The company claims to have 3.5 million footfall and about 1 million loyal shoppers across the country.

1.7.6 Other Indian retailers

The Indian organised retail landscape is mainly characterised by small and local operating retailers. Because of the broad range of small retailers, The researcher present few selected firms. The retailer Shopper’s Stop was established in 1991 with its flagship store, Shopper’s Stop, by the K. Raheja Group. The firm is a strong domestic competitor, with 1.9 million square feet of retail space across 88 stores in 12 cities. In 2008/2009, the firm had revenue of 1,578 crore INR (272.1 million EUR), indicating growth by 30% relative to the previous year. To reach the sales goal of 1,800 crore INR in 2009/2010, the firm is looking to expand its total retail space to 3.5 million square feet in the next four years. Shopper’s Stop plans to invest 500 crore INR to introduce 40 new stores across the country.

The discount retailer Vishal Retail began with a tiny apparel store in Kolkata in 1986. In 2009/2010, the turnover decreased by 16% to 1,105 crore INR (190.5 million EUR) from 1,323 crore INR a year earlier. Vishal Retail, with 730 crore INR (125.9 million EUR) in debt, closed more than two dozen of its stores and warehouses in 2009 and plans to close an additional twelve stores (Salisbury 2010). Hence, Vishal Retail is in the midst of a corporate debt restructuring. Other Indian retailers that will not be discussed here are Liberty Retail, Adani Enterprise and Vivek’s.
1.8 Significance of the Study

The present research will help to portray a detailed picture of consumer behavior towards organized and unorganized retail formats viz. Unorganized retail formats like, Mandis, haats Melas, the local Baniya / Kirana, etc and organized retail formats, like, Category specialty outlets; Convenience store; Department Store, Super markets, malls, convenience stores, hypermarkets/supermarkets, discount stores, and specialty stores. The research will help the retailers to focus on the factors influencing the organized and unorganized retailing formats suggest marketing strategies for better retail management. The unique feature of this exhaustive study is the coverage of all important aspects of retailing has relevance for consumers. Further, the proposed work will also help and guide consumers' and retailers' by providing them with a practical framework on consumers' and retailing perspective on organized and unorganized retail formats.

1.9 Statement of the Research Problem

The retail sector is expanding and modernizing rapidly in line with India’s economic growth. India's retail market is expected to expand at $1.3 trillion by 2020 and the GDP is set to grow at 8 per cent over the next three years, making it the world's fastest-growing major developing market. The Indian retail market is dominated by unorganized retail players like kirana stores and small sized family owned stores. The small retailers account for > 70 per cent of grocery sales. The research show that Organized retail is expected to account for 24 per cent of the overall retail market by 2020. The organized sector growing steadily only constitutes of 0.08 of total retail sector in India. There are a number of factors contributing to growth of organized retailing: economic development, increased disposable incomes, large middle-class consumer segment and high disposable incomes of Indian consumers. The penetration of modern organized retail in grocery sector is currently one of the lowest at 2-3%. However, this is
also expected to change dramatically over the next decade as organized retailers penetrate the markets deeper. By 2025, organized retail is expected to capture at least 8-9% of the food & grocery market and be worth US$ 90-100 Bn. (Rs. 5,600-6,200 Bn.), growing at a CAGR of 25-30% from the current levels. Thus with the rapid growth of organized players there is going to be significant action in the market in the next decade. There is a change in the Indian retail market, where the organized retailer likes Reliance, Future Group, Aditya Birla Group and other player fraying into the Indian retail market which is dominated by the unorganized players. The retailing environment is changing rapidly, leading to changed shopper expectations. This phenomenon gains greater significance in the Indian market, with the introduction of larger and more diverse retail formats by organized retailers. It is providing new experience and options to shop for the consumer. A variety of formats are being rolled out, with mixed success. The underlying issue is can organized retail in the grocery sector compete with the mom and pop stores which offer the unbeatable advantages of convenience of access and home delivery. The trademark of Indian retailing, the small kirana shop with a high level of personalized services is making shoppers reluctant to depart from traditional way of shopping. The study is done to find out the changes in the Indian retail industry and its implication in consumer behavior.

1.10 Research Objectives

1. To study the change in the Indian retail industry and its implication to the consumer behavior. The study is done with special reference to grocery sector.
2. To study the Indian retailing scenarios and futuristic scenarios
3. To identify, at a macro level, the drivers of store choice in grocery sector in the context of the evolving retail industry.
4. To study the shopping pattern of the consumers regarding the purchase of grocery product in the context of the evolving retail industry.

5. To analysis consumers shopping value gained in organized retailing and unorganized retailing

1.11 Hypotheses of the Study

1. Store shopping values have significant and positive impact on store selection criteria
2. Store shopping values have significant and positive impact on customer satisfaction and re-patronage behaviours.
3. Store selection criteria have significant and positive impact on customer satisfaction and re-patronage behaviours.
4. Customer satisfaction has significant and positive impact on re-patronage behaviours.

1.11.1 Additional hypothesis:

1. There is no significant difference between demographical classification with respect to consumers store selection criteria
2. There is no significant difference between demographical classification with respect to consumers shopping value, customer satisfaction
3. There is no significant difference between demographical classification with respect to re-patronage behaviour
4. There is no significant difference between consumer purchase pattern with respect to consumers store selection criteria
5. There is no significant difference between consumer purchase pattern with respect to consumers shopping value, customer satisfaction
6. There is no significant difference between consumer purchase pattern with respect to re-patronage behaviour

7. There is no significant association exit between consumer buying pattern and changes in consumer behaviour

1.12 Scope of the Research

The study is done to find out the change in the Indian retail industry with special reference to grocery sector and its implication to the consumer behavior. The study covers only the organized retailing and unorganized retailing with regard to the grocery sector. The study is done to identify the store choice criteria with regard to organized retail store and unorganized retail store in grocery sector. The study will provide information on the shopping pattern of the consumers regarding the purchase of grocery product and the consumers shopping value gained in organized retailing and unorganized retailing and their repeat patronage intentions. The study findings would enable retailers to develop an effective marketing strategy to optimize the use of marketing and promotional resources in meeting the needs of discerning target customers. With the heightened level of competition in today’s grocery retail market, an increasing number of stores are currently facing difficulties in operating profitability. This study enables retailers to adjust market communications and repositioning themselves to retain the existing and attracting potential customers.

1.13 Limitations of the Study

The study is limited only to Tamil Nadu state only. As a result comparative study was not possible with the similar other state of retailers. The study is limited only to organized and unorganized retailers and their implication on consumer behavior. But, the consumer behavior will differ with the nation, state and districts due to the existence of diverse traditions and cultures prevailing in the country.
The study is limited to the following factors:

1. The study is limited to the Tamil Nadu state only.
2. The time horizon for this study was from 2010-2017.
3. Even though convenience sampling method was employed, some respondents did not cooperate due to number of factors: like lack of awareness of the importance of surveys. Some respondents shown reluctance in expressing their frank opinion about buying behaviour in organized and unorganized retail outlets.
4. Although the questionnaire wording and concepts were clear (as indicated in the pilot testing results) few respondents had some difficulties in comprehending some of the concepts.

1.14 Organization of Thesis

The thesis is divided into five broad chapters which are:

1.14.1 Chapter I: Introduction

This chapter describes the objective of the study, significance of the study, and need for the study, hypothesis and limitations of the study. This chapter also covers the scenario of the Indian retail industry, the changes in the Indian retail industry that includes unorganized retailing to organized retailing, the developing retail format in India and the key player in the Indian retail industry.

1.14.2 Chapter 2: Literature Review

In the literature review chapter, a detailed review of literature is discussed. The literature review is collected from various reports, journals, articles and text books. The topic covered in the literature review includes Indian retail industry, consumer behavior, and retail store format choice, grocery retail shopping behavior, shopping value and store patronage.
1.14.3 Chapter 3: Research Methodology

Research Methodology highlights the research paradigms, research methods, research approach, data collection technique, sampling design, sample size and statistical tools used for carrying out the research.

1.14.4 Chapter 4: Data Analysis and Interpretation

Data Analysis shows the results of various hypotheses studied and various results concluded after using statistical tools like percentage analysis, descriptive statistics, One-way ANOVA, Correlation, and structural equation modeling.

1.14.5 Chapter 5: Findings, Suggestion and Conclusion

The final chapter summary of findings, suggestion and conclusion discuss the brief the whole work through findings, conclusion and suggestion and identification of areas for future research.
Literature Review