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THEORETICAL BACKGROUND OF THE TOPIC:

Retailing is a business activity that involves selling product / services to customers for their non-commercial individual or family use. Normally retailing is the last stage of the distribution process. Retailing has been one of the fundamental building blocks of the Indian economy. It is estimated that by 2010 retailing in India will comprise a $300 billion industry if the economy continues to register a growth of six percent of the GDP annually. The retailing industry is ever more attractive with scores of players leaping into action and many more testing the water. The Indian retail market has undergone an immense transformation in the post liberalization era. Due to wide range of product available, the increasing purchasing power of customer, superior supply chain management leading to economics of scale and world class customer service, the Indian retail market is witnessing tremendous growth.

India has always been called a nation of shopkeepers may be in the form of a Kirana Store / Banyia or even a vegetable vendor. While it is true that they do not use technology but they are well aware of the needs and wants of their customer, they know what and how much to stock also their like and dislikes
many of them know their customers by name and offer add on services like free home delivery and credit facilities. The epithet has its roots in the huge number of retail enterprises in India which totaled 12 million in 2004 for more than rest of the world put together. This benefits a nation which is the second largest consumer market in the world. How ever around 96% of total number of retail outlets have an area of less than 500 Sq. ft and per capita retail space in India is mere 2 sq. ft, but why all of sudden so much hue and cry over this French world "Retail in India."

Indian retail is highly fragmented and predominantly consist of small family owned and independent retailers clubbing as unorganized sector of retailing. Prior to 1991 the retailing sector in India was quite primitive as numerous regulatory hurdles hindered the development of organized activity and there was very little incentive for organized activity, as the Indian consumer had not evolved enough to be ready for modern retail formats, but now consumer's needs and aspirations are changing at rapid pace and so are their shopping and buying behaviours in fact we are witnessing the emergence of hybrid consumer. The growth in retail sector is largely driven by various factors. On the consumer front media exposure overseas travel, global life style , liberated self earning college goers duel income couple and estimates of population profile is getting younger. The delight of modern format retailing on the supply side many
entrepreneurs saw the opportunity and plunged into the sector, developing consumer expectation and opening the mind set of shopping. Retailing helps the growth of other industries such as construction, logistics, supply chain and others. For the retail sector to achieve further growth the spread of organized retailing has become a national phenomenen. An alignment of retail sector with other sector of the economy could also promote Indian as a global shopping hub. The growth prospects of organized retail industry in India will lead to millions of new jobs, increasing income level, better products/service, living standards more social activities and better shopping experiences, but the question is does Indian organized retailer has any answer to the challenge facing with unorganized sector.

STATEMENT OF THE PROBLEM:

In response to changing consumer taste and preferences and competition retailing in India is taking new formats for providing merchandise and services. The challenge for organized retail sector is not only to our come the competition from unorganized sector but also to sustain the growth movementum. It has to continuously meet the expectations of the consumer and in order to achieve significance market share modern retailer have to effectively manage their logistics and improve customer relationship. At the same time they have to spread the
concept of retail chain to semi-urban areas in which there presence is minimum.

Therefore it is desirable to study to what extent organized retailing will be beneficial to consumer what problems will be faced by organized retailer in coming year.

**REVIEW OF LITERATURE:**

Changing taste and preferences of customer upward mobility, rising disposable income, availability of a variety products and services, lifting of the quantitative restriction on import and increasing exposure to international standard have lead to a retail revolution in India, India is the last large Asian economy to Liberalize its retail sector, Retailing in India is going through the process of accelerated evolution. Any retail; organization has three dimensions. The resource, the distribution and the consumer. Indian retailing is witnessing profound change in each of these dimensions. The political legal, economic, social and technological aspects are also undergoing major changes and they have also had an impact on retailing organized retail stores are characterized by large professionally managed format, stores providing goods and services that appeal to customers in an ambience that is conductive for shopping.

The retail industry in majority of developed countries is organized whereas in India it still remains unorganized, In USA
and Taiwan the share of organized retail sector is between 80 to 85 per cent whereas in India it is meager 3 per cent.

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Country</th>
<th>Size (US $ Billion)</th>
<th>Organized retailing</th>
<th>Traditional retailing</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>USA</td>
<td>2325</td>
<td>85%</td>
<td>15%</td>
</tr>
<tr>
<td>2.</td>
<td>Taiwan</td>
<td>115</td>
<td>81%</td>
<td>19%</td>
</tr>
<tr>
<td>3.</td>
<td>Malaysia</td>
<td>20</td>
<td>55%</td>
<td>45%</td>
</tr>
<tr>
<td>4.</td>
<td>Thailand</td>
<td>22</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>5.</td>
<td>Brazil</td>
<td>100</td>
<td>36%</td>
<td>64%</td>
</tr>
<tr>
<td>6.</td>
<td>Indonesia</td>
<td>75</td>
<td>30%</td>
<td>70%</td>
</tr>
<tr>
<td>7.</td>
<td>Poland</td>
<td>55</td>
<td>20%</td>
<td>80%</td>
</tr>
<tr>
<td>8.</td>
<td>China</td>
<td>325</td>
<td>20%</td>
<td>80%</td>
</tr>
<tr>
<td>9.</td>
<td>India</td>
<td>180</td>
<td>3%</td>
<td>98%</td>
</tr>
</tbody>
</table>

The reason for less share of organized retailing in India is due of family business and conducted unprofessionally restricting and catering to a limited target of people.

Retailing sector is the second largest employer in the country with almost over 12 million retail outlets in India and only 4% of them being larger than 500 square feet in size. Although retailing in India is fairly fragmented, organized retailing is gaining momentum rapidly growing at almost 25-30% per annum and is forecasted to touch a figure of Rs. 150000 crore by 2010. The economy is projected to grow at 8.1% in 2005-2006 having grown at a steady pace of around 6% over the last 10 years.

Organized retailers are the contemporary format by which shoppers have the edge of a world class shopping experience. Fine examples of these formats are Pantaloon, Shoppers Stop and Trent. Organized retail may broadly be classified into the following formats –

Malls. The largest form of organized retailing today. Malls are located mainly in metro cities, in proximity to urban outskirts, this format ranges from approximately 60,000 sq ft to 7,00,000 sq ft and above. They lend an ideal shopping experience with an amalgamation of product, service and entertainment. All under a common roof.
Hypermarkets. They are typically large, starting from 40,000 sq. ft plus are usually located outside the city limits. This format comprises of a multiple division layout, and usually has an industrial-look interior. Hypermarkets generally provide daily necessities and grocery like items. Pricing is competitive and they also offer volume discounts.

MBOs. Multi Brand outlets, also known as Category Killers, offer several brands across a single product category. These usually do well in busy market places and metros.

Super Markets. Large self service outlets, catering to varied shopper needs are termed as Super markets. These are located in or near residential high streets. These stores today contribute to 30% of all Food & Grocery organized retail sales. Super Markets can further be classified in to mini supermarkets typically 1,000 sq ft to 2,000 sq ft and large supermarkets ranging from a size of 3,500 sq ft to 5,000 sq ft. having a strong focus on food & grocery and personal sales.

Discount Stores. As the name suggests, discount stores or factory outlets, offer discounts on the MRP through selling in bulk reaching economies of scale or excess stock left over at the season. The product category can range from a variety of perishable/ non perishable goods.
Convenience Stores. These are relatively small stores 400-2,000 sq. feet located near residential areas. They stock a limited range of high-turnover convenience products and are usually open for extended period during the day, seven days a week. Prices are slightly higher due to the convenience premium.

Departmental Store. Large stores ranging from 20000-50000 sq. ft. catering to a variety of consumer needs. Further classified into localized departments such as clothing toys, home, groceries etc.

Exclusive Store. Ranging from a size of 500 sq ft to 5000 sq. ft & above this format is owned/managed by the Company or through its franchise. These can offer single brand as well as multiple bands.

Specialty Store. These formats focus on a specific product category, Medium sized layout in strategic location. Specialty stores provide a large variety base for the consumers to choose from.

Despite the presence of the basic ingredients required for growth of the retail industry in India, it still faces substantial hurdles that will retard and inhibit its growth in the future. One of the key impediments is the lack of FDI. This has largely resulted in limited capital investments in supply chain infrastructure, which is a key for development and growth of
retailing and has also constrained access to world-class retail practices. Lack of proper infrastructure and relatively high cost of real estate are the other impediments to the growth of retailing. While the industry and the government are trying to remove many of these hurdles, some of the roadblocks will remain and will continue to affect the smooth growth of this industry.

**SCOPE OF THE PRESENT STUDY:**

The Indian retail industry is witnessing vast change perhaps the most significant since independence. This is primarily because of three reasons. First the entry of global brands, second-the launch of exciting local brands in every category and lastly the sudden investor interest and activity in the organized retail formats such as Malls department stores and discount stores. It tells about the conversion of retail industry from an unorganized to organized structure. Presently in India organized retail sector comprises only 3-5% of the total industry therefore there is huge potential to grow. For the consumer intensive activity leads to greater choice, convenience, entertainment and frequent bargains. All of this drives unprecedented demand, which is likely to continue. In coming years. The growth of organized retail industry will lead to million of new jobs, increasing income levels, better products/services/
living standards, more social activities and better shopping experiences.

The scope of this research is to bring opportunity and challenges for Indian organized retailing.

**OBJECTIVES OF THE STUDY:**

- What is the present status of organized retailing in India?
- Are consumers benefiting by organized trading as compare to neighborhood shop?
- What are the products, which can be retailed through organized store chain stores and supermarkets etc.
- To what extent organized retailing will suit Indian conditions.
- What is the scope of foreign direct investment in organized marketing?
- What will be the impact of organized retailing on existing retailers and employment potentials?
HYPOTHESIS:

On the basis of review of literature and detailed discussion with various format retailers and customers the following hypothesis have been formulated.

1. **Higher monthly income is positively co-related with frequency of visits in organized retail stores.**

2. **Consumer tend to be more loyal toward those stores which offers broader product range/ brands.**