CHAPTER – 2

CHANGING RETAILING TRENDS IN INDIA

We are all witness to rapidly changing retail sector in India. The major changes that have made their existence felt have happened in the last decade. The neighbourhood shops have gradually changed into a small super value stores. This change has been felt prominently in metro as well as other smaller cities and towns (tier II and tier III cities)*. The consumers are not only experiencing this change but also one of the causes behind it. Sometimes it seems that the retail market in India is changing even faster than the people of the country are able to understand it. Retailers are all set to make predictions and strategies about the new trends the market may come up with. To keep themselves abreast of the new unforeseen changes, they are all making necessary amendments by modifying their business strategies and by introducing new formats. The important thing is that it is not only the retailer who is changing, the consumer is changing as well in the changing retail environment.

2.1 FUTURE TRENDS IN RETAIL SECTOR IN INDIA

Modern retailing is more facilitative and providing as compared to what was seen in traditional stores. A study by Kaushesh (2006) on the past and the present trends in retailing has shown that the traditional stores mostly base their marketing strategies on two factors, viz., low price and convenience. He describes that the strategies of modern formats are based more on value, customer relationship and customer experience rather than mere price and convenience. In order to provide full value for money to the customers, the retailers must recognize their customers’ expectations and offer something more than their expectations such as discounts, free coupons, a free gift, after sales service or free home delivery, delights the customers. There is more investment, more innovation, more opportunities, more challenges as well as more demand in the modern/organized retailing. Retail Outlook, a report by Technopak Advisors Pvt. Ltd. in 2007 describes that the Indian

*The category includes cities like Chandigarh, Ludhiana, Amritsar, Nagpur, Surat, etc.
retail sector is all set to narrate a very fascinating story in the coming few years which will be embedded with characters like radical changes, shattering of paradigms, large investments and few failures as well”. The expert advisors associated with the report have made an effort to put forward a minor viewpoint regarding some of the projected trends that the Indian retail sector may exhibit in the coming years. Some of these trends are discussed as follows:

2.1.1 Modern Retail vs. Traditional Retail

One set of thought advocates the idea that the growth of organized retail and the entry of the foreign brands may cause eradication of the traditional stores. The business tactics used by both, the modern and traditional, retailing vary as they are recognized by their core characteristics. Where the modern stores are able to provide the customers with better affordable prices due to presence of large formats; the traditional stores are more convenient to approach with the presence of a trustworthy relation between the retailer and the customer. But instead of eradication of one, the experts foresee the coexistence of both modern and traditional retailing. They also opine that the organized retailers will also come out as a big support to these traditional mom-and-pop stores.

It is observed that the traditional formats like hawkers, grocers and small bania shops effectively coexist with the modern store formats like supermarkets and department stores, and non-store retailing formats such as e-retailing and telemarketing. “It is considered that modern formats have higher levels of sales per unit of space, stock turnover and gross margin but lower levels of net margins as compared to traditional formats” (Mulkay and Nargundkar, 2003, p.5). They strategically focus on upgrading their businesses in relation to market, cost, knowledge and customer. Retail experts like Amit Mitra, mentioned in FICCI Report, 2007 that the retail sector does not foresee any conflicts between organized and unorganized retailing because of huge number of unorganized retailers.
While modern (organized) retail will register exponential growth from around 4% ($12 billion) to around 20-22% (or 90 billion) by 2010. It will not happen at the cost of unorganized retail. Even unorganized (traditional) retail, during the next three years, will grow from present $316 billion to $340 billion (FICCI Report, 2007).

A quarterly report Retail Outlook issues by Technopak in 2007 has also projected an immense growth in the Indian retail sector. It has been observed that where the organized sector is registering increasing growth rate, the unorganized sector is also indicating huge rise in its market share. “With the Indian retail market growing from US$ 336 billion in 2006 to US$ 590 billion in 2011, even if share of modern retail grows from current level of 4% to the estimated 16% in next five years, the absolute market size of traditional retail will grow from around US$ 324 billion in 2006 to US$ 493 billion in 2011” (Technopak Retail Outlook, 2007, p.2). Such observations and predictions achieve more clarity from the Figure 2.1 below:

![Figure 2.1](image)


The consumers have the choice of both types of formats, i.e. traditional as well as modern and they use their preference as per their convenience. To sum up, it can be said that traditional retailers will not only coexist but will also get good support from the modern retailers. Big houses like HLL, Marico, Godrej and Tata Tea have already taken initiatives
in this direction by helping *kirana* stores in their store design, inventory management, computerization and accounting systems. Recently, Dabur also has decided to be a partner with 12,000 neighbourhood stores under a promotional initiative called parivaar. This will not only enhance the morale of the small/traditional retailers but will strengthen them to face the increasing competition in future.

2.1.2 Addition of Lifestyle to Consumption Pattern

The consumption pattern of consumers is shifting from basic needs to luxuries representing their changing lifestyles. Earlier the major chunk of the total retail consumption, that is 63 per cent, used to be occupied by food and grocery markets, followed by apparel market. But this is estimated to fall to only 50 per cent by 2016 due to shift in consumers' preferences. Figure 2.2 illustrates the share of various sectors in the Indian retail market.

![Figure 2.2](image)

One of the basic reasons for this change is increased income levels, resulting in increased spending power and thus increased consumption. Another factor is easy availability of loans and credits, especially for consumer durables. This facility has gradually reduced the difference between the cost and affordability of capital and revenue assets. The gap between revenue and capital expenditure is also decreasing. The huge (capital) expenditure i.e.
money spent on buying a house, vehicle, jewellery, consumer durables, etc. has gradually changed to affordable (revenue) expenditure because of the easy availability of the finance. People are relying more on plastic/easy money facilitating easy and low cost credits.

2.1.3 Emerging New Retail Formats

The Indian retail market will get further boost in its development through the introduction of upcoming formats like (i) cash and carry format where 100 per cent FDI is permitted; and (ii) super specialty formats focusing on opening of special stores by targeting different segments of consumers. Supercentres are another format representing a combination of supermarket and discount stores. These formats try to provide the facility of one-stop-shop at a desirable service level with genuinely affordable prices. Such formats are expected to gain rapid popularity because of their features and changing market requirements.

2.1.4 Retail and Private Equity Investment

The rapidly growing retail sector has given a manifold return to its equity investors motivating many other private investors to venture further into this sector. The retail sector boom has lured many private equity firms in the past few years. Naming a few of them, we can talk of ICICI Ventures, Aditya Birla Retail, Zodiac Clothing, Subhiksha, Shoppers Stop, Trinethra, Crossword, FabIndia, etc. Many international retailers like Wal-Mart, Microsoft, Walt Disney Co., Starbucks, Apple Inc., and Costa Coffee have also expressed their willingness to find space in the Indian retail sector.

2.1.5 Consolidation is the Key to Survive

The organized retail sector is witnessing many new formats coming up every now and then. This has given a thrust to a stiff competition amongst different prevailing as well as new formats. Retailers are leaving no stone unturned to meet the competition. Consolidation has come as a rescue measure by providing cost effectiveness, and have helping increase in margins even when the stores are super centers or discount stores. Another way out is mergers and acquisitions. Earlier, “vertical marketing system” was adopted by different
components of distributing channels to reduce their costs by eliminating the role of middlemen in the chain. For example, when the manufacturer and the retailer join hands, and together perform all the functions in a distribution channel – from production till selling the final product to the consumer without taking help of wholesalers – it helps them increase their profits and reduce costs.

2.1.6 Emergence of Private Retail Brands

The competition from domestic as well as foreign brands has forced retailers to come up with products with their own brands. In order to increase profit margins and enjoy cost economies, many big corporate houses like Big Bazaar, Food Bazaar, Spencer Hyper, Reliance Super, etc. have started shelving their own-label products. It has helped them to offer the products at marginal prices with acceptable quality which they say is at par with other branded products that they are providing. The major purpose of these stores is to offer a variety of products at affordable prices in various product categories. The experiment of own-label brand has been a success as people are increasingly accepting these new private labels. This concept has initially put its foot forward in selective product categories such as clothing, home care products, electrical appliances and groceries. For example, Food Bazaar provides not only comparatively lower priced commodities but also something more, to strengthen its relation with the customers. This includes “live chakki”, “fresh juice counter”, “live dairy” and “live kitchen” (Sinha and Kar, 2007, p.12; Tripathi, 2008, p.9). Similarly, retailers are planning to experiment in other product categories also.

2.1.7 FDI and Manpower in Indian Retail

The rising growth rate of the economy, changing economic conditions, developing market, vast consumer base, etc. are few factors that have grabbed the attention of international entrepreneurs and investors. A report by AT Kearney has ranked India as the topmost emerging market. The 2nd fastest growing economy in the world, the 3rd largest economy in terms of GDP in the next five years and the 4th largest economy in the PPP terms after USA, China and Japan, India is rated among the top 10 FDI destinations (ICICI Bank Report, 2004; India Retail Report, 2007, p.18; Roy, 2007). The increasing growth rate and
rapidly developing economy are attracting FDI, especially in the retail sector, which has been the recent attraction for major global players. If not through the front end, the investors have found the back door entry path. There could be more entry options like franchise, joint ventures, direct investment in single-brand, etc. for foreign players of different sizes and formats for tying up business deals with Indian companies. The example of the famous Bharti-Wal-Mart collaboration can also be cited here. But, the rapidly growing retail sector is feeling a dearth of professionally trained retailers. The retail experts are of the view that in addition to the investment needs; the Indian retail needs more and more qualified retailers who have the capacity to carry on the business effectively and efficiently. To provide variant range of products, the Indian companies may rely on foreign brands, as they not only help in building brand but also expand the market as well.

2.1.8 Consumer at the Advantage Edge

Modern retailing not only benefits retailers and the government but also the consumers who will gain from the new formats and changing strategies of the retailers. New formats aim at providing not only quality, variety, availability and reliability of products but also affordable prices to the consumers. The policy of offering lower prices is also bringing a revolution in the rural retail market. The big corporate houses are joining hands with farmers to buy their produce directly, thereby cutting down their overhead costs and adding good margins to their profits. “With several states in the country permitting retailers to purchase produce directly from farmers, there is a new kind of evolution afoot in rural India. Farmers are taking special care of produce to garner higher prices, selling to retail companies such as ITC, Godrej and others and finally making good money" (India Retail Report, 2007, p.20). The rural farmer is earning more and as a consequence also spending more as a consumer. Despite this, their spending is not as high as their counter-parts in urban areas spend. "According to the available data on Household Consumption expenditure, rural India is allocating almost 10% of the monthly household budget for fuel and lighting while an average urban household spends 9% under the same head" (Tripathi, 2008, p.5). The picture becomes more clear from the Table 2.1:
Table 2.1
Rural-Urban Consumption Expenditure

<table>
<thead>
<tr>
<th>Area of allocation</th>
<th>Urban (% Of Monthly Household)</th>
<th>Rural (% Of Monthly Household)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel &amp; Lighting</td>
<td>9%</td>
<td>10%</td>
</tr>
<tr>
<td>Clothing (Including Bedding &amp; Footwear)</td>
<td>6%</td>
<td>7%</td>
</tr>
<tr>
<td>Medical Care</td>
<td>6%</td>
<td>7%</td>
</tr>
<tr>
<td>Sugar, Salt &amp; Spices</td>
<td>3%</td>
<td>5%</td>
</tr>
<tr>
<td>Cereals</td>
<td>9%</td>
<td>17%</td>
</tr>
</tbody>
</table>

Source: Tripathi, 2008; www.scribd.com

The table clearly shows that the consumption rate of rural consumers is higher as compared to urban consumers in areas like consumption of cereals, fuel and lighting, clothing, etc. In other words, the increased consumption is also an indicator of the increased spending power supported by increased incomes.

The above discussed are some of the new trends that the Indian retail sector has experienced in the past couple of years. These trends have been compiled from reports like *India Retail Report, 2007* and *Technopak Retail Outlook, 2007* based on the research work of the technical/professional advisors like AT Kearney, Ernst & Young, Pricewaterhouse Coopers, *et al*. Though the list is exhaustive, an effort has been made to explain a few trends related to the study.

### 2.2 EMERGING TRENDS IN MODERN RETAIL FORMATS

The Indian retail sector is in its transition phase where "shift" or "change" has become the key to success and sustenance. New formats have started jostling for space along with the traditional ones. The demand from the convenience seeking shoppers, changing technology, rising competition and urge to growth has lead the retailers to adopt the multiple format modes. So, retailers are adopting multi-format structures to provide convenience, variety, affordable prices and an overall shopping experience to the shoppers.
A format is defined as a type of retail mix, used by a set of retailers. It is the store 'package' that the retailer presents to the customer and can be defined in terms of location, layout, size, design, merchandise, service, experience etc. (Sinha, 2004, p.1; Newman and Cullen, 2007, p.16; Vedamani, 2007, p.34). In other words, formats or structures create images in the mind of consumers on the basis of their attributes as well as products and services that they offer.

Modern retailing has provided a platform to many new formats such as department stores, shopping malls, supermarkets, hypermarkets, etc. Modern formats are not only limited to brick-and-mortar form of stores but also include non-store formats like direct selling, catalogue retailing, electronic shopping, etc. These formats have not only earned popularity among consumers but have also found new strategies to lure them. A detailed discussion of these formats follows:

2.2.1 STORE FORMATS

When the sales are made with the help of stores that are having physical existence, such formats are known as store formats. “Store formats – their positioning and differentiation – create a distinct image of the store among its customers. These formats are defined in terms of location, layout, size, design, merchandise, service experience, offerings, etc.” (Vedamani, 2006, p.34). Physical form of presence or existence of stores is an essential part of the Indian retail scenario. The traditional brick-and-mortar stores are considered as means to reach customers and position themselves in their minds through the products and services offered. As compared to non-store formats, store formats provide consumers with exclusive visual experience of products, provide information about different products, and above all, provide them the opportunity to take trials of the products, thus, adopting the formula of ‘try before you buy’. Some of the popular forms of physical store formats are presented below:

2.2.1 (a) 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. These are the stores that offer a large variety of products and deep assortment, have several departments and also offer "good" level of customer services. The stores are organized into many separate departments such as apparel, cosmetics, accessories, household items, electronics, etc. (Levy and Weitz, 2006, p.53; Vedamani, 2006, p.35 and Sinha and Kar, 2007, p.9). Though operating in many different categories of products, these stores for some reason have been observed to mainly focus on the apparel section. They provide a unique shopping experience to customers as a large assortment of products is provided to the customers. Generally, these stores are located within planned shopping centers or traditional up-market areas. The large range of merchandise and layout attract more customers and draw them into shopping for both essential and non-essential goods. Some of the leading department stores in India are Ebony, Shoppers Stop, Westside, Pantaloons, Lifestyle, Max, Pyramid Megastore, etc. to name a few. “Departmental stores are generally spread across 35,000 sq. ft. approximately. The average size of these stores varies from 30,000 sq. ft. to 1,00,000 sq. ft. and they hold 50,000 SKU’s (Stock Keeping Units)* on an average in the store” (Bajaj et al., 2006; www.livemint.com; www.dnb.co.in). The different departments these stores generally deal in are women’s wear, men’s wear, kid’s wear, household/kitchenware, footwear, health and beauty products, accessories and toys, etc. Though the number of department stores is not very large in India but these stores are strong enough to operate as anchor tenants in shopping malls.

2.2.1 (b) Shopping Malls

The boom in the retail sector is also associated with the development of malls in India. It has brought tremendous changes in the psyche of consumers. Shopping malls have emerged to fulfill the time and convenience requirement of the shoppers. Today, consumers’ lifestyle is changing and the number of nuclear families is increasing where often both the partners work. Consumers have less time to shop and do comparative analysis of the products they need to buy. Malls have provided them with the facility of one-stop shopping. They can find anything from apparel to kitchenware to home furniture and décor/electronics, under one

*Stock Keeping Unit is a unique number, of each product, assigned by the retailer to identify its position in the classified merchandise.
roof. Not only this, malls also provide for a separate food/eating section and entertainment/games for children, as an average customer spends at least 3-4 hours shopping there. These malls fulfill consumers’ needs in a single, one-stop-shop shopping area. It is an arrangement of retail stores and places for leisure activities such as dining, entertainment, etc. A mall is generally spread over a large area of more than 2,00,000-2,50,000 sq. ft. managed/owned by a group or an individual to whom, independent retailers pay, for getting space and other facilities (Vedamani, 2006, p.35; www.boulevardindia.com).

2.2.1 (c) Supermarkets

Supermarket is a format that has divisions in the form of departments and generally specializes in food, groceries/ration, and household items. It has a very limited range for non-food items. Goods are generally displayed for the easy access of the customers. Supermarkets in India are smaller in size as compared to what we have in the West. They usually cover 10,000-30,000 sq. ft. of space area and have more than 20,000 SKUs (www.dnb.co.in). The self-service attribute of supermarkets has helped them in cutting their costs to a great extent. Other factors that contribute to the cost reduction or increase in sales volume are bulk sales, low prices, large range, huge variety, self-service, and last but not the least, availability of easy parking. Foodworld, Food Bazaar, Subhiksha, Sabka Bazaar are some of the well-known names of supermarkets operating in India. With appealing surroundings, hygienic ambience, better product display along with the availability of a wide variety of brands, these supermarkets have changed the shopping ways of the Indian consumer who now prefers to shop at the supermarkets instead of neighbourhood kirana stores (India Retail Report, 2007).

2.2.1 (d) Hypermarkets

The hypermarket format represents the features of both a supermarket and a department store. These are large formats having combination of food (60-70%) and general merchandise (30-40%) (Levy and Weitz, 2006, p.43; India Retail Report, 2007). The products they offer generally include groceries, hardware, furniture, books, electronic
appliances, house ware/kitchenware, apparel, etc. The large scale operations and bulk buying help to provide shoppers goods at comparative low prices, giving them value for money. This attracts not only high income groups but also middle and lower income groups as well. “With product categories on offer ranging from fresh produce and FMCG products to electronics, value apparels, house ware, do-it-yourself (DIY) and outdoor products, the hypermarkets are becoming popular formats in India” (Sinha and Kar, 2007, p.10). These formats have the advantage of large space area, large variety, low prices, bulk buying, etc. Perhaps hypermarkets cover the largest area as compared to other store formats. The space area they generally cover is over 60,000-1,20,000 sq. ft. and have SKUs 40,000-80,000 (Levy and Weitz, 2006; Berman and Evans, 2007; www.dnb.co.in). Some of the hypermarkets presently operating successfully in India are Big Bazaar of Pantaloon Retail, Star India Bazaar of Trent India, More of Birla Group, Spencer’s Hyper of RPG Retail and Hyper City Retail of the K Raheja Group. Among the foreign players are Metro Cash and Carry, and Shoprite.

2.2.1 (e) Specialty Stores

A store specializing in a particular type of merchandise or single product of durable goods (that is, household goods and consumer electronics) or a range of normal complementary product categories is termed as specialty store (Levy and Weitz, 2006, p.48; Pradhan, 2006, p.65). Also known as exclusive stores, these store formats generally specialize in the merchandise they offer. The range of products, they provide is, not very expansive but they have the advantage of good depth and also provide high level of services to the customers. They are generally small in size covering space area around 500-5000 sq. ft. and 1,000 SKU’s (www.dnb.co.in). Some examples of these stores in India can be named as Park Avenue, The Gap, Planet M, Music World, Benetton, Wills Life Style, Grasim, Lee, John Players, VanHeusen, etc.

Specialty stores can be further classified into (i) Drugstores (ii) Category Killers and (iii) DIY Stores, as discussed by (Sinha, 2004, p.9). These formats are described as follows:

(i) **Drugstores** – these specialty stores specialize not only in a good range of
merchandise but also in health care products. Occasionally, some of the well-established stores also provide assistance/consultancy on these health care products. Examples of such stores are Planet Health, Apollo Pharmacy, etc.

(ii) **Category killers** – these stores usually provide merchandise at discounts and specialize in a few goods. “By offering a complete assortment in a category at low prices, category specialists can ‘kill’ a category of merchandise for other retailers” (Sinha and Kar, 2007, p.15). Examples of category killer store are Nalli Silks and Royal Sporting House.

(iii) **DIY (Do-It-Yourself) stores** – this category of stores focuses on providing consumers with merchandise, which is generally used for making home improvements and furnishings. Consumers are generally provided with assistance or live demonstrations by the salespeople to help them select a product. Most suitable example in India is Home Town.

2.2.1 (f) **Discount Stores**

Discount stores generally offer products at a price quite lower than the maximum retail price (MRP)/conventional price. The merchandise provided by them is of high volume and lower costs and the target consumer is the middle class. The self-service feature helps these stores in cutting down their costs. The merchandise/goods generally carried by the discount stores are also offered by department stores. These stores offer a wide variety of products such as household items, kitchenware, stationary, toys, gift items, accessories, home furnishings, apparel, beauty products, etc. Generally, discount stores are backed by popular brands merchandise from lower-to-average prices. Currently, these stores have also experimented by entering into the food category. Subhiksha can be cited as a typical example in this category. Other examples are My Dollar Store and The Loot.

2.2.1 (g) **Cooperative Stores**

The consumer cooperative societies are initiated by pooling the capital investment by a
group of consumers. The cooperative outlets are generally owned and managed by these societies whose consumer-members share the profits also (Sinha, 2004, p.6; Bajaj, et al., 2006). The motive of establishing cooperative stores was to provide for the daily needs/basic essential commodities to the consumers at reasonably low prices and of genuine quality. These stores are effectively aiding the genuine public distribution system (PDS) initiated by the Government. The products sold at these stores normally include grocery, stationary and other office equipment, furniture etc. A very representative example of cooperative store in India is Kendriya Bhandar.

There are many other store formats that exist along with the above-mentioned ones in the Indian retail sector. Some of these popular formats are Convenience stores, Franchise outlets, Chain stores, Factory outlets, Stopover stores, Kiosks, etc.

2.2.2 NON-STORE FORMATS

These formats do not have their roots very deep in the Indian retail history. Their existence and growth is not very old yet they are still counted as one of the important factors that helped in transforming Indian retailing. They have a distinguished existence, which is free of the brick-and-mortar pattern. “In non-store retailing the sales are made to consumers without using physical stores. They are known by medium they use to communicate with their customers, such as direct marketing, direct selling and vending machines or e-tailing” (Sinha, 2004, p. 12). The non-store retailers have secured popularity among consumers because of their 24x7 service feature. The changing lifestyle of consumers has left them with lesser time to shop. These formats cater to this need very efficiently as they are easily accessible, less time consuming, provide service over the stretched working hours etc. All these features, collectively, have worked to popularize and boost the sales through this medium. Some of the popular non-store formats in India are telemarketing, electronic retailing, direct mail catalogues, door-to-door selling, melas/haats, and automatic vending machines. These are briefly discussed as follows:
2.2.2 (a) Telemarketing

Telemarketing or popularly known as ‘television shopping’ is a format where products are sold by giving demonstrations and convincing consumers to buy it. Television Home Shopping is a retail format in which existing and prospective consumers watch the product demonstration on a TV program and then place order for the selected product by telephone-mail or Internet (Bajaj et al., 2006, p.107; Levy and Weitz, 2006, p.60). While featuring the product on TV, usually details like price, usage, benefits, composition, comparison with other similar products and other such features are displayed. For facilitating the placing of orders, many retailers also provide toll-free numbers. These special TV programs are also known as ‘infomercials’ and are generally 30-60 minutes long. Infomercials are TV programs or commercials that mix entertainment with product demonstrations providing detailed information regarding it and then interested consumers place orders through different mediums mentioned earlier. The products bought through this format are generally delivered at home, or as per the instructions of the customers.

Teleshopping retail format is estimated to have a share worth `50 crore in the Indian retail market. The major players are Asian Sky Shop (ASS), TeleShopping Network (TSN), TeleShopping Network Marketing (TSNM), Telebrands (India) and Star CJ Alive. ASS and TSN are believed to cover a large share in the market, while the rest is shared by other market players. Asian Sky Shop is believed to be among the first to introduce television shopping in India. The major advantage of this format is that consumers are given demonstrations that portray the benefits of different products. Though this format has benefited the consumers in many ways but like other formats, it is not free from drawbacks. One of the major problems experienced by the shoppers is, waiting to watch the advertisement being telecasted on television. The real feel of the products is also missing. This acts as a limiting factor for consumers in decision making for buying a product through this format.

The companies adopting the multiformat retailing generally go for this format because of its advantageous feature of larger consumer coverage than what is possible in other formats. Telemarketing generally target consumers from lower to medium income group, and
majority of the goods advertised are of routine usage. The product list generally comprises of inexpensive jewellery, apparel, cosmetics, kitchen appliances, exercise equipment, health care products, etc.

2.2.2 (b) **Door-To-Door/Direct Selling**

Direct selling is a retail format where products are sold through salespersons. The salespersons are professionally trained people in selling different products by convincing customers. They sell goods directly to the customers by contacting them at any convenient location like – at customers’ home, office or any other place as mentioned by the customer. The customers are also contacted through telephone or Internet. The salespersons convince customers by giving demonstrations, and then finalising the deal by taking the orders and then delivering the goods at home. They also take the responsibility to entertain the customers’ complaints/grievances related to the sold products. Generally, goods sold through this method include home appliances like kitchenware products, personal/healthcare products like cosmetics, multivitamins, etc., educational products like pictorial dictionaries, thesauruses and other books, and may also include services.

Direct selling also includes the method of group/party selling and multilevel network selling (Bajaj *et al.*, 2006; Levy and Weitz, 2006; Pradhan, 2007; Gupta, 2008). In group/party selling the customer is asked/requested to organize a gathering of friends/relatives and then the salesperson gives the demonstration. Such gatherings are concluded by receiving orders from the gathered people and by giving something as a token/gift to the host of the party. This helps salespersons to contact many people at the same time and secure orders through one single customer. The sale of Tupperware products is a suitable example for this. In multilevel network selling, the salespersons convince customers to buy the products and become members of the group. These members further sell the products in their own respective friend-circles and also make them members who later work under them. In this way, a network is created, and salespersons working at higher levels serve as distributors. They get a commission on the sales made by the members in their network. Some suitable examples of multilevel marketing in India are Amway, Oriflame and Avon.
2.2.2 (c) Direct Mail/Catalogue Retailing

It is a non-store format where products are sold through direct mail, that is, through letters/brochures, etc. and catalogues – pamphlets, fliers, etc. So this format can be segmented into two parts – direct mail selling and catalogue selling. This format eliminates the role of middlemen like wholesalers and retailers; and a direct contact is made with the customers. Thus, it helps the manufacturers in reducing their selling costs. This method facilitates the consumers to select the product through mails/brochures sent/posted at their homes. It facilitates customers save their time, and is convenient also.

The catalogues are distributed for general merchandise as well as for specialty products. Direct mail/catalogue retailing is suitable for specialty products where the catalogues are made on the basis of customer database collected by the company (Pradhan, 2006, p.71). Convenience, time saving, informative, etc. are some of the features for the success of catalogue retailing.

2.2.2 (d) Melas/Haats

This format involves selling through temporary arrangement of shops/tents at a fixed place, for a limited period of time. Generally, such melas are organized on the occasion of some festivals. People are invited to visit and shop during festival days. Though with the passage of time, this format is losing its charm as customers are more attracted towards new formats like shopping malls, but this format has not fully vanished as yet. The participants include small-scale manufacturers, handcrafters and other craftsmen selling goods of similar nature. The target consumer generally belongs to lower to middle income groups, but now-a-days, as the demand for handicrafts has increased not only in India but also abroad, the sellers are able to secure good prices for their products. This trend has further expanded the horizon of their sales. The government has also taken initiatives to promote it further by allotting certain places on permanent basis to these crafters for the display as well as sale of their goods. This has facilitated sellers to sell their goods throughout the year. They are no more dependent upon the festivals to earn their living. The stay of the craftsmen in these haats is not permanent, but for a short fixed duration. Such a place in Delhi is Dilli Haat, which is
very popular among handicraft lovers, domestic as well as foreign tourists. In other words, if organized properly, these *haats/melas* also help in promoting tourism.

### 2.2.2 (e) Electronic Shopping

Electronic shopping is a very popular non-store format where Internet is used as a medium to sell the products. This form of retailing is also known as e-tailing – a short form of electronic retailing or Internet retailing. This format has not been very popular in India but its customership is increasing at a very rapid pace with the increase in the awareness of people about internet usage, increase in the number of personal computers, and last but not the least, increasing incomes of the young population.

E-tailing is mere 0.3 % of the total retail business in India (Bajaj *et al.*, 2006, p.101), but this figure is on an increasing trend. This format offers convenience and comparability to the customers and helps them shop comfortably easily sitting in their homes. The success of the non-store retailers lies in providing in-time products and services, efficient delivery systems, variety of products, comparable prices, secrecy of customers and safe usage of credit cards in transactions.

Though the medium of electronic shopping was initiated by non-store retailers but the demand for multi-format retailing has extended its usage with store format retailers. So, a shift has been witnessed from brick-and-mortar to click-and-mortar to click-and-click formats of stores (Sinha and Kar, 2007). Amazon.com, ebay.com, fabmart.com, futurebazaar.com, *et al.* are some of the popular shopping websites on the Internet. The products sold through Internet include products like books, apparel, home appliances, cards/gifts, jewellery, home furnishings, etc.

As this format is still at a nascent stage in India, and is trying to make a considerable place for itself in the retail market, it is felt that the retailers will have to take the initiative to build ‘confidence’ in the minds of consumers. This will not only help in increasing sales, but rapid development of this format as well. This will further act as a boosting factor in shifting the traditional retailing to modern retailing.
2.2.2 (f) Automatic Vending

Automatic vending through machines is a non-store retailing format, which involves selling of products through purely/fully-automated machines. Customers put coins or credit cards, enter item code and the right quantity of the product automatically comes out of the outlet of the dispensing machines. This form of retailing through machines has its origin in the western countries with ‘bubble gum balls’ as the first product (Bajaj et al., 2006, p.108). The machines were installed at places that are highly visited by people. The main advantage of this format is that it provides the convenience of round the clock shopping. This helps reducing the selling costs by eliminating the need of middlemen in the form of salespeople. Though the cost of installation of such machines was very high initially, yet as the acceptance of this format increased, the number of products sold through this mode also increased, resulting in more incomes and less costs. Some of the products sold through vending machines are beverages, potato wafers, toffees/chocolates, cosmetics, etc.

The concept of vending machine retailing is not very old in India. But the story has been successful so far especially with ATMs (Automated Teller Machines) which are the most popular form of vending machines. ATMs have been so widely acclaimed by the people that many banks have extended the facility of cash withdrawal to depositing of cash/cheques and other related services. The software installed in the machinery tallies the available cash with the withdrawals made. Afterwards this is matched with the respective data taken at fixed intervals by the officials maintaining it.

Today, the existence of many new/modern formats – store or non-store – in the market indicates the ‘shift’ or what one calls ‘phase of transformation’, that the Indian retail sector is going through. This change has resulted in the emergence of many new formats like shopping malls, supermarkets, discount stores, television marketing, electronic shopping, et al. Shopping malls have emerged as one of the very successful formats that have changed not only the traditional ways of shopping, but have also come up with new and better ways of serving people through new products, more variety, more services, good shopping experience, more facilities and above all, satisfaction of customers as they supposedly get ‘value for money’. This is further proving a boon to the retail market by transposing it from
an unorganized to a modern, organized Indian retail market.

2.3 FACTORS BEHIND CHANGE OF INDIAN RETAILING

‘Indian retail is transforming’ is one such statement that is catching everyone’s attention. The pace, at which the malls are springing up not only in metro cities but also in other small cities, is indicating that the retail sector is witnessing a revolutionary change in India. “There is increased sophistication in the shopping patterns of consumers, which has resulted in big retail chains coming up in most metros; mini metros and towns being the next target” (Sinha and Kar, 2007, p.3). The lifestyle of consumers is changing and so are their tastes and preferences. The customary shopping is no more a dull and tiring routine activity. The changing lifestyles have led to change in spending habits also. The customers are turning their shopping trips into an enjoyable experience, a family outing. Shopping has become more of leisure and entertainment than merely buying things. Customers not only enjoy shopping but also get ‘value for money’. The companies are revising their strategies to meet the changing demands of the changing consumers. The retailers are leaving no stone unturned to lure customers. They are experimenting and coming up with retailing formats to cope up with the increasing competition from the existing as well as new entrants. Many companies are attracted to join the market considering the growth rate of the sector, which is expected to surpass even the growth rate of the GDP of the country. “By 2010, organized retail is projected to reach USD 23 billion and in terms of market share it is expected to rise by 20 to 25 per cent. It is also predicted that retail growth will be more than that of GDP in the coming five years” (Sinha and Kar, 2007; Hindustan Times, July 10, 2007). Many big players like The Tata Group, The Ambanis, The Birla group, RPG Group, Pantaloon Retail, Raheja’s, and others are already making successful stories in this field. The attraction of the rapid growth of the retail sector is not limited to the domestic giants but to foreign big brands as well. There are many factors that have worked as catalysts to the growth rate of Indian retail. Some of these factors discussed below are a collection from different sources (Vedamani, 2006; Newman and Cullen, 2007, p.16; Pradhan, 2007; India Retail Report, 2007; Technopak Retail Outlook, 2007).
2.3.1 Changing Face of Retail

With the Indian retail sector bringing itself out of hibernation with all-new attire, the consumer is also not lagging behind in transforming itself. Retailers are offering more, and are luring consumers to buy more. People are shopping more whether they need it or not, they just shop, shop and shop more. This new facet of consumer behaviour has become popularized as a ‘shop-till-you-drop’ concept. The traditional concept of shopping has changed, as consumers’ preferences are now inclining more towards shopping malls. This change can be seen more prominently in metro cities. The shopping behaviour of consumers has changed from merely buying necessities to a leisure activity. Since modern retailing has introduced the consumers with one-stop-shop concept an effort to provide everything under one roof has benefited the consumers as well as retailers. All these are surely signs of better times ahead.

2.3.2 Changing Social Composition of India

The composition of the population/society has changed a lot. Today, India has the world’s largest youngest population. The percentage of youth has increased over the years. “Today, 66% (over 740 million) of Indians are under 35 years & about 50% (over 550 million) under 25 years” (India Retail Report, 2007, p.26; Technopak Retail Outlook, 2007, p.2). The picture is more clear from Figure 2.3:
Adding to this, the youth today, have started working at an early age as compared to their parents. This is enabling them to not only earn handsomely and spend more but also to increase their involvement in family decisions in addition to taking independent decisions as well. This new generation is quite capable of taking the lead, whether it is regarding earning more, spending more, or about setting new trends. The retailers have taken this as an opportunity and put their best efforts to encash such a mind-set.

### 2.3.3 Optimum Utilization of Time and Money

The increasing number of nuclear families has given rise to changes in the consumption pattern also. As both husband and wife are working, they are left with lesser and lesser time for shopping. So they are ready to spend even more, if they are provided with convenience and saving of time. The retailers have provided this necessity of consumers with the one-stop-shop facility. Department stores like Shoppers Stop, Westside, Globus, Lifestyle, etc.
can be given credit for introducing this concept to the consumers. This has benefited not only the consumers, but has helped the retailers also to develop themselves as organized retailers. The Indian economy is growing at a very rapid rate of 16 per cent per year in dollar terms (India Retail Report, 2007, p.41), and with it is also growing the average salaries of the middle class consumer. The middle class consumer is the target consumer of the modern retailers, as he constitutes the major part of the total population. Besides having a greater capacity to spend, and this section of consumers has also not been explored properly till now. The mind-set of ‘propensity to save’ is transforming into ‘propensity to spend’. For the past few years, the general income level has seen an appreciable rise. The submission of the Sixth Pay Commission Report in 2008 has further worked as an icing on the cake. The average salary of a middle class consumer, already between `90,000 to `2,00,000 a year, will get a boosting effect by this. All this creating of more demand, will call for more supply of goods, more variety and, without doubt, more efficient services to match with the increasing salaries, increasing spending powers and, above all, ever increasing expectations of the present as well as potential consumers.

2.3.4 Increase in the Number of Working Women

The women of today are the ‘women of substance’. It is mainly to establish their own identity as well as the need of money that has led them to workplaces. Working women form 15% of the total urban female population and this is expected to rise over 20% by 2020 (Technopak Retail Outlook, 2007, p.4). The new generation is more career conscious. It has been noticed that they choose to shop more and can bear the expenditure of the same too. Since they earn more they also spend more – not only on their families but on themselves too. The jobs are more demanding requiring them to be more fit and healthy and having a well-groomed personality. Women have become more conscious of their health and beauty. They frequently shop for the products that help them look presentable. All this has led to the creation of a full-fledged market of health and beauty products. Though this market was having only 2% share till 2005 in the total sales of retail sector (India Retail Report, 2007, p.367), yet it is picking up pace to grow rapidly at present.
2.3.5 Explosion of Media

The media industry has also been through a phase of explosive growth in the past decade. The entry of cable TV and Dish TV – one of the basic reasons for this explosion – has led the media to such a position where television cable connections exceed the telephone connections in the society. The increase in TV channels has played a pivotal role in making consumers more aware and informative. This has led to considerable changes in their lifestyles. This changed lifestyle further increased their demands and expectations from the retailers in the market. They now look for a good experience while shopping, more choice, value for money, more services, experience and convenience. All this has forced the Indian retailers to change their strategies and focus more on the overall changing environment.

2.3.6 Awakening Rural Market

The Indian rural population accounts for about 75 per cent of the country’s total population and this ‘still to explore’ figure tempts the manufacturers, producing durables as well as goods for daily use (FMCGs). This is the new target market. With increasing subsidies and more tax benefits, the spending power graph in the rural areas has seen an increase in the past few years. Taking the opportunity to explore this new emerging market, manufacturers are adopting new strategies and new products to lure and attract these consumers.

2.3.7 Luxurious Lifestyles

Today’s generation has grown up with more independence in taking decisions regarding the spending of their pocket money. They not only take decisions for themselves but also take part in the decisions of the elderly in the family. This liberty of spending money has also changed their spending habits. Many a time they indulge in spending more than required in buying things that are not required. In other words, more involvement in spending leads them to non-essential buying. The leisure of shopping is always leading to possibilities of shopping mania and makes some of them ‘shopoholic’. Moreover, their spending is more inclined towards trendy/branded and luxurious goods than economical spending. The young generation is more brand conscious than price conscious. They are
ready to spend more on trendy goods. All this has introduced them to the concept of luxury at a very young age and made their lifestyles more comfy.

2.3.8 Easy Availability of Credit Money

The easy availability of money in the form loans and credit cards has driven people to be more dependent on credit money for their shopping. People prefer to make credit purchases to spread their expenditure over a period. Cash payments have taken the shape of deferred payments. Moreover, the extensive availability of goods/products on installment basis has not only made the purchasing easy and convenient, and brought many goods within the reach of middle-class consumer, but also increase the quantum of sales. The difference in the capital expenditure and revenue expenditure has declined (India Retail Report, 2007). Purchase of items like jewellery, furniture, electronics, car, and other consumer durables, and even a house is no more seen as a capital expenditure.

2.3.9 Culture/Traditions Under the Impact of Commercialization

Traditions and cultural values are an integral part of the life of every Indian. The only change that can be seen is in the approach of people to celebrate it. The Indian youth is giving a new look to the traditions. Today traditions or festivals do not mean merely following customs and rituals in a traditional manner but celebrating them profusely as a family get-together, dressing up for the occasion, arranging traditional food and above all enjoying the occasion to the most. As the modern lifestyle is leaving people with less time for breaks from the routine work, they do not miss this golden opportunity to celebrate the festivals. The retailers have also welcomed this trend with open hands and put all their efforts to give traditions/festivals a grand treat.

2.3.10 FDI in Retail

One of the major factors responsible for bringing change in the Indian retail is the quantum of investments it has attracted. The domestic companies are investing heavily in the fast-growing retail sector and this is further supported by the investments from the foreign
players in the form of FDI (Foreign Direct Investment). Though strict government trade policies have not permitted the FDI in retail directly, but investments are invited through other avenues like franchising, technical agreements, etc. Shopping stores like Pizza Hut, Dominos, Archies Gallery, etc. are very well known examples of it. The big banners like K Raheja Corporation, the Tata Group, et al. have also tried their hands in retailing and have proven as examples for others. Recently, the business agreement between Sunil Bharti Mittal and the retail giant Wal-Mart has added a boost to the development of modern retail.

2.3.11 Consumer Pull

The driving force behind the rapid changes is the Indian consumer. Today the goods are produced on consumers’ demands. The supply-led market has been converted into demand-led market. Rising incomes, nuclear families with both partners working, aggressive advertising, etc. have made goods more accessible to a large portion of our population. These changes have occurred mainly due to the changing trade policies after liberalization. “The average middle-class family’s disposable income rose by more than 20 per cent between 1999 and 2003” (Pradhan, 2007, p.25). Sustained economic growth and rapid urbanization have resulted in the emergence of an urban population, whose disposable income and desire to spend is increasing rapidly. According to IGD (Institute of Grocery Distribution) estimates the urban population in 2005 accounted for 28% of the total population (312 million) and within this urban population, 85 million were classified as middle class (www.IGD.com, 2006). Therefore, it seems that the emergence of Indian middle class and its rising spending power is expected to create further demand for new branded entrants.

2.3.12 Rising Incomes

The income level as well as the spending habits of the urban consumers is changing with the change in their lifestyle. Where on one hand the changes in the household income in urban India have seen an upward growth, on the other hand rural India is also not lagging far behind. The household earning of the middle class (ranging between `2.5 to 12.5 lakh p.a.) has risen from mere 2.7 per cent to 5.7 per cent, which is almost twice in size, between
1995-96 and 2001-02. The figure has further risen to 11.4 per cent (2007-08) to 12.8 per cent (2009-10E) \textit{(India Retail Report, 2009, p. 56)}. One of the major reasons for rise in the middle class consumers is believed to be the rising incomes. The consumers who were earlier categorized in the lower middle-income bracket have now joined the middle class category. This growing high-income population is triggering the demand for consumer goods, leading to the proliferation of higher quality highly priced goods.

2.3.13 Changes in the Supply Chain

Retailers have gradually gained importance in the supply chain of goods. Earlier, where manufacturers and the distributors had a good hold over the market, now, it is mainly controlled by the retailers. Being closer to the consumer and posing as a gateway for manufacturers, retailers play a pivotal role in boosting the sales for any manufacturer. Moreover as the concept of ‘value retailing’, that is, value for money, is picking up pace, consumers are beginning to demand value-added goods and services and an overall shopping experience. This way, changing attitude of consumers and day by day increasing demand for value added goods and expectations of additional and more convenient services has led to shift of power of decision-making to retailers, from other upper levels in the distribution channel.

2.3.14 Emerging Retail Industry

Today the metros in India are converting into major retail hubs. In Chennai, about 17 per cent of the food sales flow through supermarkets and 25-30 per cent of consumer durables sales come from specialty chains such as Viveks and Vasanth. Delhi and NCR are also considered to be the perfect host to the modern retail formats. It is not only the metro cities but small cities as well that are experiencing this change. According to a survey conducted by \textit{India Retail Report} (2009) of the 20 key Indian cities including – Mumbai, Delhi, Surat, Jaipur, Nagpur, Lucknow, Ahmedabad, Pune, and Chandigarh among others, the factors like – rising household incomes with increased surplus, increased consumption of durable goods, and increased food consumption, etc. are clearly indicating that the modern retail industry is gradually emerging from megacities to small cities.
2.3.15 Involvement of Corporate Sector

The retail industry has grown at a very fast pace in the past decade. Bringing new opportunities to the sector, it has attracted many big companies, like the Tatas, ITC, the RPG Group, the Piramals, the Rahejas, the Birlas and now a new group, the Reliance Group has also made its entry by making huge investments in this sector. These new entrants promise to provide the consumers with quality products, product information, variety, services, convenience, entertainment and an overall good shopping experience. Today, one of the main reasons behind the proliferation of the organized retailing in India is the entry of such corporates. Although it may take some time to establish its space because of various reasons like orthodox thinking of consumer, high real estate cost, poor infrastructure, etc. yet it is true that it is a ladder that will take the Indian retail industry in the coming few years, to a position enabling it to compete with world-class industries like Wal-Mart, Wall Greens, etc.

2.3.16 Expanding Family-Owned Businesses

Few of the very famous and successful business houses today like Viveks and Pantaloons have become 150 crore and 50 crore businesses respectively (Vedamani, 2006, p.17). As the competition is increasing with the entrance of many big companies taking retailing towards the organized market, the small _kirana_ shops and other traditional mom-and-pop shops are finding it difficult to sustain themselves in such a market. In order to meet the changing consumer expectations, with changing market strategies of the newcomers, these traditional stores are also changing; the process has already started with the grocery stores transforming into supermarkets.

2.3.17 New Entrants

For the past few years the retailing industry is being recognized as the most promising one. Where big and established corporate houses are making huge investments, new entrants are not far behind. Subhiksha, an innovative discount grocery chain in Chennai, has expanded to total of 50 stores in less than three years, and is one of the most successful retail start-ups.
of the recent past. Bharti Enterprises has also recently announced the strategic road map for its retail venture. To make a big strategic entry in the cutting competitive retailing world, it has joined hands with Wal-Mart, world’s number one retail store.

2.4 FUTURE TRENDS OF FDI IN INDIAN RETAIL SECTOR

The retail market in India has grabbed the attention of many global bigwigs. It has become one of the most attractive investment destinations among international retail giants. According to a report (2009) by A T Kearney, the Indian retail sector with the support of foreign investments is expected to grow at a very rapid rate in the coming future.

The Indian retail market, which is the fifth largest retail destination globally, has been ranked as the most attractive emerging market for investment in the retail sector by AT Kearney's eighth annual Global Retail Development Index (GRDI), in 2009. As per a study conducted by the Indian Council for Research on International Economic Relations (ICRIER), the retail sector is expected to contribute to 22 per cent of India's GDP by 2010 (www.ibef.org).

The increasing growth rate in the retail sector is not only attracting major domestic corporate players but is also marking its place in the preference list of global retailers and inviting them for investments. Consumers’ rising demands for the retail goods has supported this sector to grow further and has attracted many retailers in this sector. A McKinsey report *The Rise of Indian Consumer Market* estimated that the Indian consumer market is likely to “grow four times” by 2025. Further, CB Richard Ellis, a commercial real estate services company reported their findings that India's retail market has moved up to the “39th most preferred retail destination in the world” in 2009, up from 44 last year (www.rochesteriepl.com; www.scribd.com). India continues to be among the most attractive countries for global retailers. “Foreign direct investment (FDI) inflows as on September 2009, in single-brand retail trading, stood at approximately US$ 47.43 million, according to the Department of Industrial Policy and Promotion (DIPP)” (www.ibef.org).

According to a survey by A T Kearney’s 2007 Confidence Index Report, India has been ranked as the second largest destination for foreign direct investments, after China, in many major sectors like manufacturing, telecommunications, financial and non-financial services,
retail and wholesale. The fast development and growth of the retail sector in India is largely dependent upon the investments, not only in this sector but also in its allied sectors such as real estate, information technology, etc. “This sector is expected to invest around US$ 503.2 million in retail technology service solutions in the current financial year (2010). This could go further up to US$ 1.26 billion in the next four to five years, at a CAGR of 40 per cent” (www.ibef.org).

The future investment plans of many Indian as well as foreign retailers are given below: (as compiled from India Retail Report, 2009; Kamaladevi, 2010; and www.ibef.org):

- Australia's Retail Food Group is planning to enter the Indian market in 2010. It has ambitious investment plans, which aim to clock revenue of US$ 87 million from the country within five years from the start of its operations.
- British retail major, Marks & Spencer (M&S), is looking at scaling up its India operations and plans to open at least 50 more outlets in the country over the next few years.
- Koutons Retail India plans to open 200 stores in FY11 in addition to its existing 1,400. Of the 200 stores, 100 would be family concept stores, which would include women’s and children's wear.
- Reliance Footprint, part of Reliance Retail, plans to spend US$ 86.62 million to add 100 outlets across the country in two years to sell branded footwear. It currently has 16 outlets.
- The retail chain Suvidhaa Infoserve plans to open 1,000-1,200 new outlets every month across the country and is eyeing a 100,000 strong network in the next two to three years. At present, the Mumbai-based firm has 18,000 convenient neighbourhood stores called 'Suvidhaa Point' across the country in over 20 states and over 400 cities.
- Lifestyle International, part of the Dubai-based US$ 1.5 billion Landmark Group, plans to have over 50 stores across India by 2012–13. These will include 35 Lifestyle stores for retailing apparel, cosmetics and footwear, besides 15 Home Centres that sell home furnishing goods.
• Watch maker, Timex India, is looking at increasing its presence in the country by adding another 52 stores by March 2011 at an investment of US$ 1.3 million taking its total store count to 120.
• Starbucks, a leading coffee chain, has tie-up with the country’s leading multiplex operator PVR Ltd.
• Wills Lifestyle plans to expand its operations by opening 100 new stores in the next three years. It also plans to concentrate on online buyers.
• Pantaloon Retail India (PRIL) is planning to invest US$ 77.88 million in fiscal year 2010 to add up to 2.4 million sq. ft. retail space at its existing operations. Pantaloon Retail is also looking to hive off its value retail chain, Big Bazaar, into a separate subsidiary, which may eventually go for an initial public offer (IPO). PRIL proposes to open 155 Big Bazaar stores by 2014, increasing its total network to 275 stores.
• Microsoft has launched its first pilot store Croma with its collaboration with the Tata Group subsidiary Infiniti Retail.
• The Walt Disney Co. is planning to soon add 135 new stores to the existing 15 stores.
• Apple Inc. has entered into an exclusive marketing and distribution deal with Reliance Retail through iStore.
• The UK-based international coffee chain, Costa Coffee had previously mentioned its plans to double the number of its retail outlets by the end of 2008.

2.4.1 Government’s Investment Policy in Retail Sector

It is well known that FDI in retailing was permitted (with restrictions) in 2006 only with allowance of 100 per cent FDI in cash-and-carry wholesale formats and permission of franchisee arrangements was granted in retail trade. While 51 per cent FDI was allowed in single-brand retailing, yet, the retailers expect government to further mitigate its restrictions in many areas as far as the foreign investments are concerned.

Many foreign players like Landmark, Amway, J C Penny, Lee Cooper, Levi’s, Mango, Marks & Spencer, Metro, Reebok, McDonalds, Pizza Hut, Sony, Benetton, Swarovski,
Kodak, to name a few, have already made their place and many others are planning to join the Indian retail market despite existing restrictions on FDI.

The industry’s demand has already prompted India to consider further relaxations in FDI in retail. In this regard the country’s top industrialists met at the Prime Minister’s Council of Trade and Industry on 26th May, 2010 in New Delhi. In this meeting they “unanimously demanded opening up of the foreign direct investments in the controversial retail sector” (*The Times of India*, May 27, 2010). Further, “the industry body also advocated 100 per cent foreign direct investment in single-brand retail, provided the organized retail industry share rises from the present 12 per cent to 50 per cent in the retail industry. But the Assocham expressed its opposition to permitting 100 per cent foreign direct investment in the multi-brand retail sector at one go” (*The Economic Times*, May 27, 2010).

The outcomes of the meet indicate that in the near future more relaxations can be expected in FDI in retail. This may open up doors for many more awaiting foreign retailers to come up with the investment proposals.

The retail sector in India is mainly occupied by the unorganized traditional formats, but the trends are changing with the emergence of new modern formats. The modern retail is influenced by many factors like increased retail power, increase in the ratio of working women, changing lifestyles and paucity of time, increase in the spending power, favourable government policies, to count a few. The manufacturers need to stay alarmed and reconsider their organization structures, policies, logistics etc. to cope up with the new trends/formats of retailers.

### 2.5 DEVELOPMENT OF MALLS IN INDIA

The retail sector in India is undergoing a revolutionary change. Though at a very nascent stage and better called as an evolution than a revolution, it has become one of the booming sectors in India. The sector is witnessing various changes in trends. On one hand, new formats are giving tough but healthy competition to old ones, causing demand for the change in the fabrication of their strategies. The traditional formats, on the other hand, are
also welcoming the new formats like supermarkets, hypermarkets, department stores and shopping malls, etc.

Shopping malls are one of the most popular and widely accepted format among other modern retail formats. The growth of malls in the last decade has proven its popularity, not only in metro cities (Tier I cities) but also in tier II and tier III cities. “By 2011 roughly 300 million sq. ft. additional retail space would be generated. Currently, there are about 200 malls, which are expected to rise to almost 600 by 2010-11. Of the new malls coming up, 40 per cent are concentrated in smaller towns and cities” (www.retailjunction.goelji.com). The present distribution of malls in India in 2010 is given in Table 2.2:

Table 2.2
Distributions of Malls in India in 2010

<table>
<thead>
<tr>
<th>Major Cities</th>
<th>Number of Malls</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delhi</td>
<td>67</td>
</tr>
<tr>
<td>Mumbai</td>
<td>37</td>
</tr>
<tr>
<td>Bangalore</td>
<td>20</td>
</tr>
<tr>
<td>Chennai</td>
<td>11</td>
</tr>
<tr>
<td>Kolkata</td>
<td>20</td>
</tr>
<tr>
<td>Hyderabad</td>
<td>18</td>
</tr>
<tr>
<td>Pune</td>
<td>12</td>
</tr>
<tr>
<td>Ahmedabad</td>
<td>8</td>
</tr>
</tbody>
</table>

Source: www.shoppingmalls.in

Table 2.2 shows that the majority of malls are located in Delhi (67) followed by Mumbai (37). The number of malls in other major cities is comparatively low. The pictorial distribution of malls in India is given in Figure 2.4.
Figure 2.4  
Distributions of Malls in India in 2010

Though the development of malls has primarily happened in metro cities like Delhi and Mumbai, but other cities like Pune, Bangalore, Hyderabad, and Kolkata have also shown them on their geographical space. The boost in IT companies is resulting in more job opportunities with handsome pay packages and this is also becoming a cause for a higher demand for goods in these shopping malls. Even tier II cities like Ludhiana, Chandigarh, Amritsar and Jaipur are turning out as places that retailers can look forward to for more potential customers. It is expected that the present number of malls in metros like Delhi, Mumbai, Hyderabad and Pune may increase significantly. All this has attracted investments in abundance. Such investments have been fulfilled by domestic big corporate banners as well as through FDI. Lured by the potential of the Indian retail market, many foreign brands have also come forward with huge investments. It is expected that the current explosion in investments in retail by Indian powerhouses will result in additional mall space of 10mn sq. ft. by 2010 (www.retailjunction.goelji.com). The investors are not only targeting metro cities but also aiming at tier II cities as well. This indicates the fast growing development of retail sector throughout India.
2.5.1 Malls in Delhi and NCR (National Capital Region)

Delhi has recently transformed into a hub for shopping malls. A crop of malls has come up within a decade. Not only Delhi but NCR has also been under the impact of the same wave. Actually, the major players chose NCR like Gurgaon, Noida, Ghaziabad and Faridabad to give the concept of shopping malls a practical shape because of the real estate factors. The availability of land, the developing real estate sector, the initiatives by the government to permit the land to be used for commercial development are a few factors that worked favourably for the retail sector. This is why NCR today, holds almost 50 per cent of malls in India (www.indianground.com). The complete experience of shopping and entertainment together has made shopping malls become a new urban craze. These shoppertainment centers have changed the way India shops and sells. Experts are of the view that one of the factors that caused rapid development of real estate in Delhi and NCR is the growing IT/ITes and BPO centers. “The establishment of various new corporate and business sectors in Delhi has resulted in the increased economic status of the Delhiites” (www.newstrackindia.com). The rising pay packages have certainly expanded the spending capacity of the consumers and the retailers are fully utilizing this opportunity by offering tempting schemes to shop more.

People prefer to visit malls for one-stop-shop facility rather than spending a whole day juggling from one shop to another in the nearby market areas. Cross-River Mall, TDI Fun Republic, Metro Walk, Pacific Mall are some of the popular shopping malls in Delhi. The malls at metro stations represent the example of optimal utilization of space. Pratap Metro Mall, Inderlok Metro Mall, Tis Hazari Metro Mall, Metro Mall Kahmri Gate, Metro Mall Welcome are some of the major metro station malls. In addition to other characteristics of any other mall these malls have the advantage of convenient location and easy accessibility. Figure 2.5 displays the distribution of retail space for shopping malls in Delhi and NCR indicating that Delhi is the host to a big proportion of the total malls in the capital and nearby areas.
The availability of the mall space has highly supported the growth of the shopping malls in Delhi and NCR. In 2009, an ICICI report *The Gateway to Residential Property in Delhi* reported that the present number of shopping malls operating in Delhi occupies around 23.7 million sq. ft. mall space with nearly two-third space concentrated in Delhi and Gurgaon only. Further the report indicated an addition of approximately 19.4 million sq. ft. mall space that is expected to be added by the year 2012. Figure 2.6 gives a better preview of the present and proposed mall space distribution in Delhi and NCR.
Though NCR is more popular for the cluster of malls mushrooming there, but Ansal Plaza was the first shopping mall that opened in Delhi. It had everything, like malls in western countries, to attract people who initially used to travel 20 kilometres or more to visit there. In other words, this mall was serving not only to Delhi but NCR as well. But with the passage of time, more and more malls are cropping up, resulting in abundance of supply. That is why today, every locality has one or more malls in the neighbourhood areas. Moreover, these malls are also running successfully as they largely cater to the needs of the customers from the nearby areas. NCR already accounts for more than 50 percent of total malls in Delhi and NCR. It is further expected that over three-dozen more malls will become operational by the end of 2010. Seventy-five percent of the total retail space in NCR will be occupied by the shopping malls only (www.realestatetv.in). These malls provide a combination of shopping, entertainment, leisure and convenience together to attract more and more customers. Shipra Mall in Ghaziabad, Center Stage Mall and Great India Place in Noida, DLF City Centre, Sahara Mall, Metropolitan Mall, Gold Souk, Ambi Mall, Wedding Mall in Gurgaon, and Ansal Plaza in Faridabad are a few names every consumer knows very well in NCR as well in Delhi. These malls bank upon the advantage of providing world-class services and products. “By 2010, the Haryana state government hopes to complete a world class Golden Triangle City Centre (GTCC) in Sector 29, Gurgaon with as many as four skyscrapers higher than Taipei 101” (The Times of India, Nov. 20, 2006).

The Indian retail is still considered to be at a developing stage and so is the organized retail. The country's retail market will grow to `18.1 trillion ($395 billion) by 2010, as organized retail is expected to be 13 per cent of the total market, according to a report (www.newstrackindia.com). The development of the organized retail has resulted into the generation of many new/modern formats. But one thing that is developing even faster than the retail sector is the ‘Mall Development’. Other popular formats like department stores, exclusive stores, etc. are still struggling to gain popularity among consumers. But, it has been observed that consumers show their preference towards shopping in malls than other formats indicating high popularity of malls. Time scarcity has led people to these malls as they provide a one-stop-shop facility. The concept of ‘value for money’ has changed to ‘value for time’ for consumers and retailers respect the significance of time for them.
Taking advantage of this opportunity, the key retail players are experimenting with new products and services and also equally with new formats. They are making efforts to focus on certain key elements of their strategies. This is why today where we have malls with multiplexes like Shipra Mall, Fun Square Mall, etc. we also have malls with themes like Wedding Mall, Gold Souk, Women’s Mall, Ambi Mall, Culture Gully, etc.

At the end, it may be concluded that the Indian retail is developing at a very fast pace. “The current growth trends in Indian retail market present large prospects in the retail real estate segment. Indian retail enjoys the status of representing one of the 10 largest retail markets in the world” (www.indianrealtynews.com). The retail sector is getting more organized. The changing trends in lifestyles, increasing incomes, youth brigade entering the working class, brand consciousness, availability of products and easy accessibility and many more factors have been responsible for the success of new formats like supermarkets, shopping malls, department stores, discount stores and electronic retailing, to name a few. “Indian consumers are rapidly evolving and accepting modern formats overwhelmingly. With escalating consumerism, unprecedented awareness, and a youth-heavy customer base, India is the ‘Promised Land’ for the Global brands and retailers” (India Retail Report, 2007, p.416). The present-day consumers are more educated, alert and aware. They have money and are ready to spend it too; and retailers are encashing on this changing habit among them. Thus, retailers need to be a step ahead to take the consumers from the state of kirana walas to the well-presented shopping malls.