Overview of the Origin and Growth of Retail Formats in India
CHAPTER III

OVERVIEW OF THE ORIGIN AND GROWTH OF RETAIL FORMATS IN INDIA

3.1 GLOBAL RETAIL INDUSTRY

Retailing is a big business is better organized in more developed countries than in India. According to the recent reports, the US$ trillion retail industry is one of the world’s largest industries and the sector is still growing. In the developed parts of the world like the USA, most part of retailing is accounted by an organized sector. Organized retailing, however, has gained a great deal of momentum in China in the last few years especially after opening up of the sector to 100% FDI in 2004, and it account for 20% of the total retail sales currently. Retail is a significant contributor to the overall economic activity the world over, i.e. the total retail share in the World GDP is per cent while in the USA it accounts for 22 per cent of the GDP. Traditionally, local players tend to dominate in their home markets. Wal-mart, the world’s leading retailers, has about 8% of the market in the USA. Similarly, Tesco has a market share of about 13% in the UK market. The main value propositions that most retailers use is a combination of low price ‘all-under-one-roof’ convenience and ‘neighbourhood’ availability. Globally, retailing is customer-centric with an emphasis on innovation in products, processes and services.

The latter half of the 20th Century, in both Europe and North America, has seen the emergence of the supermarket as the dominant grocery retail form. The reasons why supermarkets have come to dominate food retailing are not hard to find. The search for convenience in food shopping and consumption, coupled to car ownership, led to the birth of the supermarket. As incomes rose and shoppers sought both convenience and new tastes and stimulation, supermarkets were able to expand the products offered. The invention of the bar-code allowed a store to manage thousands of items and their prices and led to ‘just-in-time’ store replenishment and the ability to carry tens of thousands of individual items. Computer-operated depots and logistical systems integrated store replenishment with consumer demand in a single electronic system. The superstore was born. On the Global Retail Stage, little has remained the same over
the last decade. One of the few similarities with today is that Wal-Mart was ranked the
top retailer in the world then and it still holds that distinction. Other than Wal-Mart’s
dominance, there’s little about today’s environment that looks like the mid-1990s.
The global economy has changed, consumer demand has shifted, and retailers’ operating
systems today are infused with far more technology than was the case six years ago.

Since the mid-1990s, numerous governments have opened up their economies as
well, to the free markets and foreign investment that has been a plus for many a retailer.
However, a more near-term concern, has been the global economic slowdown that has
resulted from dramatic cutback in corporate IT and other types of capital spending.
Consumers themselves have become much more price sensitive and conservative in their
buying, particularly in the more advanced economies. Gold man Sachs assert in a follow-up
report compiled by the lead author Tushar Poddar and Eva Yi in 2007 that “India’s
influence on the world economy will be bigger and quicker than implied in our previously
published BRIC’s research”. The report says, “India had 10 of the 30 fastest-growing
urban areas in the world and based on current trends, a massive 700 million of people
will move to cities by 2050.

From an operational point of view, active practitioners have voiced their opinion
that retailer concerns in 2003 have turned to deflation, lack of pricing power, global
overcapacity, low interest rates, economic stagnation, slump in world tourism and
decreasing consumer confidence. But, even before the global economic slowdown that
forced retailers into monitoring costs more effectively, technological advances were a
way of life in retail organizations. Technology has become the real enabler for retailers
over the last six years. Supply chain innovations for retailers were particularly strong in
the second half of the 1990s and have continued into today.

With all the emphasis on technology and cost-cutting, a major thrust of retailers
continues to be demand-based finding new markets through globalization efforts. Four
years ago, more than half (53 per cent) of the top 200 retailers were operated in just one
country. Today, only 44 per cent remain single-country merchants. This globalization
trend can only intensify in the years ahead. The benefits of increased sales and greater
economies of scale are too large to be ignored. The global retail industry has travelled a
long way from a small beginning to an industry where the world wide retail sale alone is valued at $7 trillion. The top 200 retailers alone account for 30% of worldwide demand. Retail sales being generally driven by people’s ability (disposable income) and willingness (consumer confidence) to buy, compliments the fact that the money spent on household consumption worldwide increased 68 per cent between 1980 and 2003. The leader has indisputably been the USA where some two-thirds or $6.6 trillion out of the $10 trillion American economy is consumer spending. About 40 per cent of that ($3 trillion) is spending on discretionary products and services. Retail turnover in the EU is approximately Euros 2000 billion and the sector average growth looks to be following an upward pattern. The Asian economies (excluding Japan) are expected to grow at 6 per cent consistently till 2005-06. Positive forces at work in retail consumer markets today include high rates of personal expenditures, low interest rates, low unemployment and very low inflation.

The Dot-com boom of 2000 has created a positive impact on Indian economy. Globalization which started in late 1990s helped Indian companies secure service oriented jobs from western developed nations such as U.S.A, Canada and U.K. India became the outsourcing destination for Knowledge industry while China became the powerhouse for manufacturing sector. Indian middle-class population started securing professional jobs in information industry which raised the standard of living. Families in the middle class cadre moved to upper middle class, because of the fact at least one kid from the family landing a professional job. Retailers started targeting people in the age group of 21-35 who are ready to spend money to buy expensive items.

Recent years have witnessed a growing optimism about the potential for Indian economic growth. In part, this is fuelled by the example of strong sustained growth in China, raising the obvious question of why India cannot do as well. However, the optimism also reflects the fact that India’s growth has accelerated over the past two decades. And while its growth rate remains well below that of China, this favourable performance contrasts with the slowing of growth in other regions. It has also enabled the emergence of a significant middle class in India. Interestingly, India’s economic performance has differed from that of China and other parts of Asia in at least two dimensions. First, India’s success has not been based on strong growth in the
manufacturing sector and in exports. Instead, it has reflected a very rapid expansion of service-producing industries. Second, it has been associated with relatively modest levels of investment. Even incorporating recent data revisions, India’s physical capital accumulation has not been impressive. And despite substantial increases in the number of Indians attaining higher education, illiteracy rates remain high.

According to the UK based research firm Euro monitor International, in the global scenario, the emerging retail markets of India and China are witnessing strong growth and India especially is among the biggest and fastest growing retail markets globally. As many as 8 of the top 15 retailers worldwide are based in the USA. Wal-mart holds the No.1 retailer’s position by a huge margin, followed by the retailers based in the EU region, Tesco, UK and Carrefour, France. Over the past few decades, the retail formats have changed radically worldwide. The basic department stores and cooperatives of the early 20th century have given way to mass merchandisers (Wal-mart), hyper-markets (Carrefour), Warehouse clubs (Sam’s Club, Makro), Category killers (Toys ‘R’ Us, Sports Authority), discounters (Aldi) and Convenience stores (7-Eleven). Organized retail general formats worldwide have evolved in three phases:

1. Retailers decide on the category and quality of products and services, differentiating them from other retailers. Retail formats in this phase are typically Supermarkets, department stores and Specialty stores.

2. During the second phase, retailers carve a niche for themselves based on the product and price. Competition intensifies because the products and services on offer become virtually standardized and price becomes the main selling point. This phase normally gives way to discount stores.

3. The third phase arrives when competition peaks. This is when hyper-markets begin to evolve. Hyper-markets usually compete on price and a wider product range, but they normally lack product depth and service components.

Non-traditional retail format began to hold in the mid of 1970s as Meijer began opening supercentre and the first Sam’s club warehouse store opened. Initially the expansion of the supercentre was relatively slow, but in the mid-1990 especially the Wal-Mart-supercentre. In the mid of 1980’s, the Wal-mart started to open on an average
of 100 stores a year. In 1992, the store which averaged 75000 sq.ft. had spread to 45 states. Six of the new concept “Supercentre” opened with the encouraged result and it continued to expand across the overseas market. The term “Supercenters” symbolized the concept of one-stop shopping. In a retail environment, a superstore is a large retailer who stocks and sells a wide variety of merchandise including groceries, clothing and general supplies, or a large store that sells a massive quantity of goods in one product line such as electronics or shoes. The best example of a superstore is Wal-Mart. A superstore is also referred to as a super centre or megastore. The idea has evolved from experiment at one-stop shopping is ‘hyper-market’. It is otherwise called Hyper-mart. Hyper-marts were huge (200,000 sq.ft.) stores that combined with general merchandise plus a variety of fast-food and service shops. Hypermarket is a superstore that combines a supermarket (Supermarket is a self-service store, which offers a wide variety of food and household merchandise, organized into departments) and a Department store.

Fred Meyer, which today is a very large stores that combine a supermarket and a department store, opened its first one-stop shopping centre in 1931. It included a grocery store alongside a drugstore plus home products, off-street parking, gas station, and eventually clothing. In 1962, Meijer opened its first hypermarket in Grand Rapids, Michigan in 1962, entitled "Thrifty Acres" and calling the format a "Supercenter", and in Europe by Carrefour, which opened its first such store in 1963.

The hyper-market concept first spread in the United States in 1987, both with the introduction of stores by Carrefour and by major American chains. In the late 1980s and early 1990s, the three major discount store chains in the United States Wal-Mart, Kmart and Target started developing discount stores in the hypermarket format. Wal-Mart introduced hyper-mart USA in 1987 and later Wal-Mart Supercenter, and Kmart developed Super Kmart. In response, Dayton-Hudson (Target Corporation) entered the hypermarket format in 1995 by opening its first Super Target store in Omaha, Nebraska.

Hyper-mart offered in addition to general merchandise, bakery goods, deli foods, frozen foods, dairy products and fresh products. They hosted many specialty shops with food items. Customers shopped at hypermarket not only because of the substantial savings they made but also because of the wide selection of the product and services.
Consumers could usually fulfil all its shopping needs by visiting this type of big-box store. On observing the consumer behaviour in various retail outlets, it is known that retail therapy works on the emotion of consumers. This complex emotion that makes it possible for a consumer to emotionally feel for a product to buy in a retail format. Retail shopping today is not only built around the purchase of the product rather consumer are buying into a complete package, complete experience in the form of product display, promotion, store layout, product interaction, sale personnel which all come together in the new term “Retail therapy”.

3.2. RETAIL INDUSTRY IN INDIA

The Indian Retail Industry is the largest among all the industries, accounting for over ten per cent of the country’s GDP and around eight per cent of the employment. The Retail Industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. But all of them have not yet tasted success because of the heavy initial investments that are required to break even with other companies and compete with them. The Indian Retail Industry is gradually inching its way towards becoming the next boom industry. The total concept and idea of shopping has undergone an attention drawing change in terms of format and consumer buying behaviour, ushering in a revolution in shopping in India.

In India the vast middle class and its almost untapped retail industry are the key attractive forces for global retail giants wanting to enter into newer markets, which in turn will help the Indian Retail Industry to grow faster. The industry was dominated by the un-organized sector. It was a seller’s market, with a limited number of brands, and little choice available to customers. Lack of trained manpower, tax laws and government regulations all discouraged the growth of organized retailing in India during that period. Lack of consumer awareness and restrictions over entry of foreign players into the sector also contributed to the delay in the growth of organized retailing.

Modern retailing has entered into the Retail market in India as is observed in the form of bustling shopping centres, multi-stored malls and the huge complexes that offer shopping, entertainment and food all under one roof. A number of factors are driving India's retail market. These include increase in the young working population, hefty
pay-packets, nuclear families in urban areas, increasing working-women population, increase in disposable income and customer aspiration, increase in expenditure for luxury items, and low share of organized retailing. India's retail boom is manifested in sprawling shopping centres, multiplex- malls and huge complexes that offer shopping, entertainment and food all under one roof. The total concept and idea of shopping has undergone an attention drawing change in terms of format and consumer buying behaviour, ushering in a revolution in shopping in India. A large young working population with median age of 24 years, nuclear families in urban areas, along with increasing working women population and emerging opportunities in the services sector are going to be the key factors in the growth of the organized Retail sector in India. The growth pattern in organized retailing and in the consumption made by the Indian population will follow a rising graph helping the newer businessmen to enter the India Retail Industry.

The Indian retail sector is highly fragmented in nature and has the highest retail density in the world. Economic liberalization, initiated in the early 1990’s helped India become one of the fastest growing economies in the first decade of the twenty-first century. With GDP growth of 9.6 per cent and 8.7 per cent in 2006-07 and 2007-08 respectively, there was a significant increase in disposable income across Indian house-holds. According to the Mckinsey Global Institute (MGI) report, the middle class who constituted 5 per cent total population in 2005 would account for 41 per cent of the total population in 2025. By 2025, Indian middle class would hold 58 per cent of the total household income at INR 51.5 trillion. Further, increasing urbanization and changes in demographics has also been playing an important role in shaping up the consumer market in India. The urban population in India was projected to increase from 28 per cent to 40 per cent of the total population by 2020. The change of face of the Indian consumerism started bringing in significant changes in the Indian retail sector making India the fifth largest retail destination in the world.

Retail industry in India is expected to rise 25 per cent yearly being driven by strong income growth, changing lifestyles, and favourable demographic patterns. It is expected that by 2016 modern retail industry in India will be worth US$ 175- 200 billion. It has further been predicted that the retailing industry in India will amount to US$ 21.5 billion by 2010 from the current size of US$ 7.5 billion. Shopping in India has witnessed a revolution with the change in the consumer buying behaviour and the whole format of
shopping also altering. Industry of retail in India which has become modern can be seen from the fact that there are multi-storey malls, huge shopping centres, and sprawling complexes which offer food, shopping, and entertainment all under the same roof. Indian retail industry is expanding itself most aggressively and consequently, a great demand for real estate is being created.

The Indian retail market is the largest industry. It accounts for over 10 per cent of India’s GDP and around 8 per cent of the employment. Traditionally it is a family's livelihood, with their shop in the front and house at the back, while they run the retail business. More than 99 per cent of the retailers work in less than 500 square feet of shopping space. The Indian retail sector is estimated at around Rs 900,000 Crores, of which the organized sector accounts for a mere 2 per cent, indicating a huge potential market opportunity that is lying in the waiting for the consumer-savvy organized retailer.

The purchasing power of Indian urban consumer is growing and branded merchandise in categories like Apparels, Cosmetics, Shoes, Watches, Beverages, Food and even Jewellery are slowly becoming lifestyle products that are widely accepted by the urban Indian consumer. Indian retailers need to take advantage of this growth and should aim to grow, diversify and introduce new formats and has to pay more attention to the brand-building process. The emphasis here is on retail as a brand rather than retailers selling brands. The focus should be on branding the retail business itself. In their preparation to face fierce competitive pressure, Indian retailers must come to recognize the value of building their own stores as brands to reinforce their marketing positioning, to communicate quality as well as value for money. Sustainable competitive advantage will be dependent on translating core values combining products, image and reputation into a coherent retail brand strategy. Another credible factor in the prospects of the retail sector in India is the increase in the young working population. The organized retail sector in India now boasts of retailing almost all the preferences of life - Apparel & Accessories, Appliances, Electronics, Cosmetics and Toiletries, Home and Office Products, Travel and Leisure and many more.

The Indian retailing sector is at an inflexion point where the growth of organized retailing and growth in the consumption by the Indian population is going to take a higher growth trajectory. The Indian population is witnessing a significant change in its
demographics. A large young working population with median age of 24 years, nuclear families in urban areas, along with increasing working-women population and emerging opportunities in the services sector are going to be the key growth drivers of the organized retail sector in India. Retailing in India is gradually inching its way towards becoming the next booming industry. The whole concept of shopping has altered in terms of format and consumer buying behaviour, ushering in a revolution in shopping in India. Modern retail has entered India as seen in sprawling shopping centres, multi-storeyed malls and huge complexes offer shopping, entertainment and food all under one roof.

3.2.1 UNORGANIZED RETAIL SECTOR

Indian consumers of today are changing. Their needs and preferences and their shopping attitude are changing. They want to experiment and try new things. They want to keep up with the latest trends. Shopkeepers are thus changing with the consumer. They are trying to adapt to the demanding needs of the buyer. Malls are going out of the way to provide the best possible facilities, in terms of infrastructure to customers so as to enable them to have a wonderful shopping experience. “Consumer is the King” is the mantra of any retailer today.

The retail industry in India has undergone a rapid growth from unorganized sector to the organized sector since the year 2000. Unorganized retailing has been existing in India since ages. According to a recent survey by some of the retail consulting bodies, an overwhelming proportion of the Rs. 400,000 crores retail markets are Unorganized. In fact, only a Rs. 20,000 Crores segment of the market is organized. As much as 96% of the 5 million plus outlets have less than 500 sq.ft. area. Unorganized sectors include Weekly Market, Kirana Store, Street Vendors, Public Distribution System, Mandis etc.

Traditionally, Indians have depended upon the unorganized sector for their shopping and needs. This underwent a slow change in 1980’s as store chains by the Khadi village Industries Commission were set up. Since the unorganized sector has certain disadvantages owing to its poor infrastructure, distorted real estate market, lack of skilled labour, there arises the need for an organized sector. Due to liberalization and growing purchasing power of consumers, the latter half of the 1990’s witnessed an emergence of chains such as Food World, Subhiksha, Planet M, etc.
3.2.2 ORGANIZED RETAIL SECTOR

Organized retail sector in India is growing at a fast rate. The number of retail chains setting up shops is increasing day by day. This is a sure indication that organized retailing is going to be the future in India. The organized retail sales volume in 2004-05 had just about 2% share of the total retail sale and was estimated at Rs 15,000 Crore. However, by the year 2009-10, the organized retail sector is likely to reach sales turnover of Rs 45,000 Crore, which translates into an increase in the share of the organized retail sector from present level of 2% to 20% in the next 4.5 years. Thus, the organized retail industry is indeed poised for the phenomenal growth in the next few years. Among the markets all over the world, India is considered as the fifth most attractive market for retail. A large population, growing economy, increasing spending by the large middle class of around 300 million consumers, availability of consumer credit, foreign investments coming in, increased spending in general, changing habits and lifestyles are some of the factors contributing to the growth of organized retail.

The changing trends in the organized retail sector are aiding and abetting the growth. The market or the buyers are continuously changing the way they shop. The buyers find it an enjoyable experience. Shopping centres with a number of Cineplex’s called “Hybrid Centres” are now emerging. The formats are becoming bigger and specialized to make them places of frequent visits. The concept of “One stop shop” offers the buyer almost everything that they are looking for along with a wide variety of food and entertainment.

Currently the retail landscape is filled with Supermarket chains with over 1000 outlets all over the country to increase to around 5000 by the year 2005. The success of a couple of hyper marts indicate the evolution of hypermarkets in the country, prominent among which are Giant, Metro, Big Bazaar models. While the average bill value at a supermarket is in the range of Rs.300 per bill, the average bill amount at a Hypermarket is in the range of Rs.750-1000, indicating that the model is in tune with the global models where the average spend is increasing with the shopping experience.

Indian market offers tremendous advantage for retail investment. The mindset of people in India is changing. People are paying more attention towards the design and quality of the product than the price. Visual advertisements have a tremendous effect on
the young in terms of brands. Emergence of organized retailing has led to change in the tastes of the consumers. They are more quality driven. Low price quality goods appeal to the consumers. So, nowadays, malls and shops in the organized sector offers ‘good deals’ to consumers to stay in the competition and consumers to stay in the competition and consumers are very eager to take advantage of the same. The Organized retail segment offers the advantage of low price quality products to the consumers as compared to the unorganized retail segments.

Organized retail is set to grow by leaps and bounds in India, from $14 billion now to $30 billion in three years. The sector would account for 30% of a market of $280 billion in the next 10 years, said the report of the Federation of Indian Commerce and Industry (FICCI) and Ernst and Young. Changing lifestyle and family structure, changing food habits and buying patterns of the buyers are some of the main reasons attributes to the retail boom. In an organized retail store, a shopper gets a wide choice of products in various brands, variety, entertainment, an enjoyable ambience all of which put together offer a good package for a family’s day out, as the hypermarket or the malls offers something for everybody in the family. The whole family enjoys the convenience, the ambience, competitive pricing, display touch and feel facility, attention, at times bargains and in general, the value for money.

According to the said survey, convenience and merchandising are the main reasons followed by ambience and service. Shoppers prefer to save time in reaching a store and also during shopping. The shopper’s choice of a store also gets influenced by factors such as perceived risk of purchase, quality and attitude of staff, variety of brands available, parking space and after sales services. A customer looking for apparel would place emphasis on store design, ambience and visual merchandising. He wants to touch and feel the products. Thus the stores constantly keep coming with schemes to attract customer, to make them to have frequent visits to the shop for purchase. One can conclude that organized retail sector will grow by leaps and bounds. There will be exciting times, growth, competition for the players in the industry and the customer will surely be treated like a king and would benefit by getting the best deals in the years to come.
3.3. EVOLUTION OF RETAIL MARKET IN INDIA

In the beginning there were only kirana stores called Mom and Pop Stores, the Friendly neighbourhood stores selling everyday needs. In the 1980’s, manufacturers retail chains namely DCM, Gwalior Suitings, Bombay Dyeing, Calico, Titan and so on. They started their business and making their appearance in metros and small towns. Multi-brand retailers came into the picture in the 1990’s. In the food and FMCG sectors retailers namely Food world, Subhiksha, The Nilgiris are some of the examples. In the music segment, Planet M, Music world and in books, Crossword and Fountainhead are some others. Shopping Centres began to be established from 1995 onwards. A unique example was the establishment of margin-free markets in Kerala. The millennium year saw the emergences of Super markets and hyper-markets. Now big players like Reliance, Bharti, Tatas, HLL, and ITC are entering into the organized retail segment. The big international retail bigwigs are waiting in the wings as the present FDI guidelines do not allow them to own retail outlets in the country. Walmart is testing the waters by agreeing to provide back end and logistic support to Bharti for establishment of retail chains with a view to study the market for future entry when the FDI guidelines change and to establish a backbone supply chain. Table 1.1 shows the different phases in the growth of organized retailing in India.

**TABLE 1.1**

**JOURNEY OF ORGANIZED RETAIL IN INDIA**

<table>
<thead>
<tr>
<th>Year</th>
<th>Growth</th>
<th>Function</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>First Phase</td>
<td>Entry Growth, Expansion, Top line focus</td>
</tr>
<tr>
<td>2005</td>
<td>Second Phase</td>
<td>Range Portfolio, Former options</td>
</tr>
<tr>
<td>2008</td>
<td>Third Phase</td>
<td>End to end supply chain management, Backend operation Technology, Process</td>
</tr>
<tr>
<td>2011</td>
<td>Fourth Phase</td>
<td>M&amp;A, Shakeout, Consolidation, High investment</td>
</tr>
</tbody>
</table>

**Source: Ernst & Young**

The drivers for the impending retail boom or ‘R’ revolution are many. The increasing purchasing power of the Great Indian Middle Class is the major reason for retail rush that is being witnessed. Fuelling this fact is the changing demography of the
Indian populace. The percentage of young people in the country is increasing. It pretends well for the retail business as it is the young people who buy more than the old. Again the percentage of women in the population is showing an increasing trend. This again is good news for the retail market as women are more avid shoppers compared to men folk. The spread of the visual media is contributing its might in spreading visibility of various consumer goods to the public which heighten their aspirations to consume more and to shop in more congenial and luxurious environment. The increasing number of double-income families who have more disposable income is another contributing factor for this phenomenon.

3.4. GROWTH OF ORGANIZED RETAIL IN INDIA

Organized retailing in India initially began in the south. The availability of land at the prime locations coupled with lower real estate prices (compared to Mumbai and Delhi) made multi-stored shopping complexes possible. And now, South India - notably Chennai and, to a lesser extent, Bangalore and Hyderabad- has emerged as a centre of organized retailing. In fact, in Chennai, nearly 20 per cent of food sales now is accounted for by Supermarket and an equal shares of consumer durables is sold through speciality chains such as Vivek’s.

India is rapidly evolving into an exciting and competitive marketplace with potential target consumers in both the niche and middle class segments. Manufacturer-owned and retail chains stores are springing up in urban areas to market consumer goods in a style similar to that of malls in more affluent countries. Big retail chains like Crossroads, Saga, and Shopper’s stop are concentrating on the upper segments and selling products at higher prices, some like A.V.Birla Retail’s More, RPG’s Spencer, Food World and Big Bazaar are tapping the huge middle class population.

The retailing configuration in India is fast developing as shopping malls are increasingly becoming familiar in large cities. When it comes to development of retail space specially the malls, the Tier II cities are no longer behind in the race. If development plans till 2007 is studied it shows the projection of 220 shopping malls, with 139 malls in metros and the remaining 81 in the Tier II cities. The government of states like Delhi and National Capital Region (NCR) are very upbeat about permitting the use of land for commercial development, thus increasing the availability of land for retail space; thus
making NCR render to 50 per cent of the malls in India. India is being seen as a potential goldmine for retail investors from over the world and latest research has rated India, the top destination for retailers for an attractive emerging retail market.

India’s vast middle class and its almost untapped retail industry are key attractions for global retail giants wanting to enter newer markets. Even though India has well over 5 million retail outlets, the country sorely lacks anything that can resemble a retailing industry in the modern sense of the term. This presents international retailing specialists with a great opportunity. The organized retail sector is expected to grow stronger than GDP growth in the next five years driven by changing lifestyles, burgeoning income and favourable demographic outline.

Retailing is one of the fastest growing industries in India, catering to the world’s second largest consumer market. A sunrise industry, it offers tremendous potential for growth and contributes 8-10 per cent to overall employment. The number of retail outlets is growing at about 8.5 per cent annually in the urban areas, and in towns with a population between 100,000 to one million, the growth rate is about 4.5%. With the increasing assertiveness of the Indian consumer, and a growing supply base - both from within India as well as from other countries.

However, the boom in retailing has been confined primarily to the urban markets. There are two main reasons for this. Firstly, Modern retailers are yet to exhaust the opportunities in the urban market and have therefore probably not looked at other markets seriously. Secondly, the modern retailing trend, despite its cost-effectiveness, has come to be identified with lifestyles. In order to appeal to all classes of the society, retail stores need to identify with different lifestyle. In a sense, this trend is already visible with the emergence of stores with an essentially “value of money” image. The attractiveness of the other stores actually appeals to the existing affluent class as well as those who aspire to be part of it. Hence, one can assume that the retailing revolution is emerging along the lines of the economic evolution of society.

A four-gear path for the organized retail trade suggested by KSA Technopak places India in the second-gear and predicts that it will reach the global standards by 2010.
**Gear I: Stage of Infancy**

The Super Bazaar, as the concept focusing on price control, was started during the inflationary period of the 1960’s. The development of the modern retail industry began when the Indian shoppers upgraded from local shops to Super Bazaars. The open layout and self-service concepts were new to the Indian consumers, who was used to being served while shopping. Gear-I was driven by entrepreneurs like Subhiksha and Vivek’s in the South, real estate owners like the Rahejas (who started Shopper’s Stop) and marketers who integrated forward from manufacturing to retailing. This gave the new breed of retailers an opportunity to differentiate on the basis of good quality products, services, and ambience.

**Gear II: Meeting customer expectations**

It is a consumer-driven, where buyers are exposed to new retail formats. This led to the first generation retailers expanding to multiple location (Shopper’s stop, Food World, and Subhiksha expanded their network as well as their location, convenient timings, dial-n-order, free parking, provision for trial and taste, prices below MRP (Maximum Retail Price), free home delivery. Pure retailers like West side and Lifestyle, provide a USP (Unique selling proposition of choice and width. They capture a higher chare of the organized retail formats and cut across all categories. For example, Barista in coffee, Pizza Hut and McDonald’s are quick in service formats. Global retailers like Marks & Spencer and Mango show their interest in India. Gear II is the period of growth. India is currently in this stage.

**Gear III: Power equation between manufacturers and retailers**

In the third and fourth stage retailers exert more influence than manufacturers and therefore have stronger bargaining power. Furthermore, the third gear involves efficient back-end management. Retailers exploit economies of scale and offer the best prices to their customers. The focus is on customer acquisition and category management. Cost savings in terms of initiating vendor partnerships and increasing stock turns take priority. Retailers expand into no-metros and look at various customer loyalty programmes. Many retailers in China and South Asia are in this phase.
Gear IV: Period of Consolidation

The Fourth and last gear is a Period of Consolidation. The organized sector acquires a significant share of the retail pie. It is the start of a cross-border movement, with mergers and acquisitions gaining in importance. Retailers in North America and Europe like Wal-Mart, Tesco, M & S and Carrefour are in Gear four, where they are looking for cross-border movement. Furthermore, companies start adding more stores and newer markets to their portfolio.

Thus retailing in India has very long haul ahead. The process of getting into newer forms of purchasing has been gradual because of traditional buying habits and the manner in which traditional retailers manage relationships. India is going through that phase in retailing which the US experienced in the 80’s and 90’s. In order to develop the right proposition one needs to go through the learning curve. The growth and development of organized retailing in India will be driven mainly by two factors - low price and the benefits the consumers cannot resist.

3.5. EMERGENCE OF TAMIL NADU-THE CHENNAI CITY AS A HUB OF RETAIL ACTIVITY

The total retail market in terms of consumption off-take in the four southern states of India viz. Tamil Nadu, Andhra Pradesh, Karnataka, and Kerala constitute US$ 94 billion per annum and out of that, organized retail is expected to be in the region of US$ 8.9 billion. Thus the share of organized retail is around 9 per cent of total retailing in South India. The growth of modern retailing happened in the Southern part in India much faster than in any other region. It is now estimated that organized retailing in South India is growing at around 35 per cent per annum.

Chennai especially is a pioneer in the adoption of modern retail in India. 12% of Tamil Nadu’s retail market is estimated to be organized. Chennai came to be known as a hub of speciality retailing in India, as organized retailing evolved from there for more than three decades. India’s retail capital, Chennai, saw the emergence of most of India’s malls in the 1980’s and in the early 1990’s. India’s first mall was arguably, Spencer Plaza and Alsa Mall.
The majors retailers have targeted Chennai to launch their stores considering the demographic and psychographics variables, which are pretty favourable. There has been a series of entrants in the last few years.

The emergence of organized formats in home electronics and household appliances retailing gained momentum in Tamil Nadu long ago with the establishment of Vivek’s, Vasanth &co, Rathna etc. There are around 200 customer durable outlets in Chennai city. In fact the first large formats in food and healthcare retail Spencer’s was established in Chennai, followed by the Nilgris expansion into Chennai from Bangalore. In addition RPG establishes its supermarket Food World few years ago. Reliance retail launches Reliance fresh stores in Chennai in January 2007.

The malls have bundled on the maximum and there are good numbers of them around the city. The profile of Chennai has been such that the acceptance towards the changing trends is overwhelming. Theme restaurants like Pizza Corner, Dominos, Pizza Hut, and Marry brown are doing well in Chennai. With two anchor stores, Lifestyle and Landmark, the City centre is the new mall scientifically planned and developed in Dr.Radhakrishnan Road in Chennai. Yet another mall newly opened is the state-of-the-art mall ‘Express Avenue’ adjacent to Mount Road opening into Whites Road. In the premium mall category, it started with Lifestyle international’s Lifestyle, followed by Raheja’s Shopper’s Stop. These malls have brought a glorious change into shopping in Chennai, in turn adding to India’s calibre.

Chennai is becoming a South Indian Hub of Indian retail sector .Some of the recent growth in the Chennai retail market are Mc Donald’s, one of the India’s leading fast food franchisees has plan of opening 40 restaurants across India. Around 25 restaurants they are planning to open in Tamil Nadu region. Pantaloon retail India ltd has made plans to expand its southern operation by increasing the number of apparels outlets in South India especially in Tamil Nadu. About 10 stores are in process to open soon in Chennai. Pantaloon Retail has two store formats viz. Lifestyle and Value retail space. Pantaloon Fresh fashion and Central Mall are sub formats of Life style whereas Big Bazaar, food bazaar, and Fashion Station are those of Value retail space.
3.6. PHASES OF GROWTH OF RETAIL FORMATS IN INDIA

Retail, one of India's largest industries, has presently emerged as one of the most dynamic and fast paced industries of our times with several players entering the market. Accounting for over 10 per cent of the country's GDP and around eight per cent of the employment retailing in India is gradually inching its way towards becoming the next booming industry. As the contemporary retail sector in India is reflected in sprawling shopping centres, multiplex- malls and huge complexes offer shopping, entertainment and food all under one roof, the concept of shopping has altered in terms of format and consumer buying behaviour, ushering in a revolution in shopping in India. This has also contributed to large-scale investments in the real estate sector with major national and global players investing in developing the infrastructure and construction of the retailing business. While multi-national retail chains are looking for new markets, manufacturers are identifying, redefining, or evolving new retail formats. The existing retail houses are also gearing up to face the emerging competition from the organized sector and the changing outlook of the consumers. Over the last five years due to mall revolution and westernized impact, various new retail formats have been emerging.

With this, the retail sector in India is witnessing rejuvenation as traditional markets (mom-and-pop store and traditional kirana store) make way for new formats such as Departmental stores, Supermarkets, Convenience store, Combination or Superstore, Discount stores, Category killers, Factory outlet, Membership club retailing, Hypermarkets, Specialty stores and Malls.

**Traditional or Kirana Store**

Kirana is a kind of retail store which comes under the category of unorganized retail sector. This type of retail format was owned by the owner managing the store, small floor footage and usually no aisles. Stores in this format are very similar to the mom-and-pop stores in Western Countries except for the absence of aisles. It is a small independent store, across product categories, is a very common retail formats in India. Particularly small township, but with the emergence of new retail formats they also undertaking large scale renovations to appeal and attract their target consumer segments.
**Departmental store**

Departmental stores are large retailers that carry wide breadth and depth of products. In addition, they offer more customer service than their general merchandise competitors. They are large retail outlets that offer variety and is organized into separate departments for the purpose of selling, display and promotion, customer service and control. Departmental store often are the anchors of major shopping centres. Macy’s, Nordstrom, Bloomingdale and J.C.Penney, are some of the large departmental stores worldwide. In order to attract more customers, departmental stores are being more innovative. For example, Macy’s invested $100 million to make over 42 of its store. The renovations included shopping carts, bright signage, customer price-scanner stations, and lounges. In India, apparel and furnishing are two common categories in most of the departmental stores. The major Indian departmental stores like Ebony, Shopper’s stop, West side, Music World, Globus.

**Conventional Supermarkets**

A conventional supermarket is a departmentalized grocery store with a wide range of dairy products and household items such as soft and hard drinks, household cleaning products, shampoos, soaps, clothes, medicines and plastic items. A supermarket offers a large retail facility with huge range of merchandise under same roof at low prices by shrinking margins. Supermarkets usually rely on high inventory turnover and built either near a residential area or on the outskirt of the city. Customers in supermarkets use ‘trolleys’ or ‘baskets’ for collecting their desired products and pay for the same at the checkout counters near exists. Supermarkets in India are one of the fast growing segments, but so far there is no standard criterion that makes a supermarket formats. Even many kirana stores are refurbishing their shop/retail outlet and advertising themselves as supermarkets. They use Every Day Low pricing (EDLP) selling policy to build store traffic and provide one-stop shopping.

**Convenience store**

There are small retailers that offer a limited variety of merchandise at small scale but convenient locations ranging from 2000-3000 sq.ft. These outlets/stores are modern versions of the traditional kirana stores. The future of this category is better as they enable
shoppers to shop quickly with a speedy checkout. The convenience stores are becoming popular in metro cities where generally both husband and wife are employed and have no spare time to shop. Secondly, convenience stores as per their name are located alongside busy roads, parking area or at petrol filling stations. These stores usually have long shopping hours and are spreading near densely populated colonies and residential societies. As compared to supermarket, convenience stores usually charge higher price.

**Combination or Super store**

Combination store basically are food-based retailers that combine their supermarket and general merchandise sales at one place. While in India, there is as such no standardization on the parameters of what makes a supermarket, is one of the fastest growing retail formats. In a combination store, general merchandise sales usually accounts for 30-40% of total store sales. As economies of scale are higher in a combination store, therefore, these stores offer low pricing policy and make profits on account of impulse sales. Combination stores provide one-stop shopping experience, and therefore, customer do not consider distance factor to come to these stores.

**Discount store**

A Discount store generally offers limited customer services but have merchandise priced below that of departmental stores. In addition, the products sold at some discount store tend to be less fashionable than similar merchandise carried at larger departmental stores. Wal-mart, Tesco, and K-mart are the world’s largest discount retailers. Discount stores are two types: Limited-line discount store and Full-line discount stores.

**Limited-line discount store:** Limited line discount store sell limited lines of merchandise at low prices but the brands offered are well reputed. Limited line discount store may be located near the residential area, out of city to take advantage of suburban site like easier access and lower rent.

**Full-line discount store:** A full line discount store offers broad merchandise assortment in high volume but at low cost. Besides the general products line it includes house wares, kitchen wares, gardening, sports accessories with centralized check out service system.
**Speciality Store**

A speciality store concentrates on a narrow product line, with a deep assortment in that product line, such as apparel and accessories, furniture, consumer electronics, etc. The speciality stores have very clearly defined target market and therefore provide a top level of consumer service and sales expertise in the concerned category. These stores operate in a area typically not more than 8000 sq.ft in contrast to a mass marketing approach, speciality store offer limited variety but full range of merchandise. These stores generally have discount competitive pricing strategy. In the recent years the speciality stores have seen the emergence of category killer. Category Killers are generally discount specially stores that offers a deep assortment of merchandise in particular category. Some shoppers do not want a ‘huge’ store atmosphere.

**Factory outlets**

A Factory outlet is a retail store, owned and managed by a retail firm, for the purpose of selling defected items, close outs, irregular, cancelled orders and season-end items. These are off-price retail stores and are commonly known as factory outlets. In India, they are usually found at the outskirt of the city, reducing storing, operational and distribution expenses. They usually create threat to existing retailers by offering heavy discounts. Some of the factory outlets are in permanent covered sheds/locations and offer additional facilities such as parking, restaurant, and recreational facilities.

**Warehouse club or stores**

Warehouse club and store were developed to satisfy customers who want low prices everyday and are willing to give up service needs. These retailers offer a limited assortment of goods and services, both food and general merchandise, to both end users and small to midsize business. The stores are very large and are located in the lower rent areas of cities to keep their overhead costs low. Generally warehouse clubs offers varying types of merchandise because they purchase products that manufacturer have discounted for a variety of reasons. Warehouse clubs rely on fast-moving, high turnover merchandise. One benefit of this arrangement is that the store purchases the merchandise from the manufacture and sell it prior to actual, having to pay the manufacturer.
Hyper-markets

A Hyper-market is a variation of a supermarket that offers a variety of non-food items, such as appliances, clothing, and services, in a vast space much larger than a regular supermarket, sometimes in excess of 200,000 square feet; also called superstore. The grocery items are often priced below market to draw traffic into the store; however, the grocery selection is also more limited than in a regular supermarket. Originated in France, the hypermarket has had limited success in the U.S. Due to consumer resistance to the limited grocery selection and the warehouse atmosphere. Success in Europe is attributed to the fact that fewer alternatives are available. Compared to regular supermarkets, a large volume of goods must be sold to reasonable price.

In commerce, hypermarkets are characterized by large store size, low-running costs and margins, low-prices and very large range of merchandise. A hypermarket usually is a very large retail unit offering merchandise at low price and combines various departmental store. In India, the hyper-market has floor area of more than 50,000 sq.ft. These have their own multi-level spacious car parking facilities for their customers and employees. In fact, hyper-market are giants that offer long range of merchandise in varied quantity and quality under one roof. Big bazaar and reliance retail are two major hypermarket chain stores.

Malls

The largest form of organized retailing today is located mainly in metro cities, in proximity to urban outskirts ranging from 60,000 to 700,000 sq ft and above. They lend an ideal shopping experience with an amalgamation of product, service and entertainment, all under a common roof. The shopping malls provide the penultimate shopping cum entertainment experience. A hyper-mall goes beyond all ‘all-under-one-roof’ concepts. It includes imported leather, electronics, and other lifestyle goods. It will incorporate multiples cinema, lavishly scaled food courts and restaurants, multilevel car parking facilities, airline booking counters and IT –related outlets, grocery stores and in some cases even hotel facilities, The presence of hyper-mall in any particular location brings any locality to the cynosure of public attention. This convenience it provides in terms of shopping services results in a rise in the property prices.
3.7 OPPORTUNITY AND CHALLENGES IN INDIAN RETAIL MARKET

Favourable demographic and psychographic changes relating to India’s consumer class, international exposure, availability of quality retail space, wider availability of products and brand communication are some of the factors that are driving the retail in India. Over the last few years, many international retailers have entered the Indian market on the strength of rising affluence levels of the young Indian population along with the heightened awareness of global brands, international shopping experiences and the increased availability of retail real estate space.

Development of India as a sourcing hub shall further make India as an attractive retail opportunity for the global retailers. Retailers like Wal-Mart, GAP, Tesco, JC Penney, H&M, Sears (Kmart), etc stepping up their sourcing requirements from India and moving from third-party buying offices to establishing their own wholly owned / wholly managed sourcing & buying offices shall further make India an attractive retail opportunity for the global players.

Though lucrative opportunities exist across product categories, food and grocery, nevertheless, presents the most significant potential in the Indian context as consumer spending is highest on food. Further, ‘wet groceries’ i.e. fresh fruits and vegetables is the most promising segment within food and grocery though initially all retailers foraying in to this segment had to face had wide spread protest from traders, small shop keepers.

The next level of opportunities, in terms of product retail expansion, lies in categories such as apparel, jewellery and accessories, consumer durables, catering services and home improvement. These sectors have already witnessed the emergence of organized formats though more players are expected to join the bandwagon. There are immense opportunities in Indian retail and global marketers are aware of it. The International retailer’s community has taken notice of the fact that the country’s consumer culture, business practices and industry dynamics are forces quite unto themselves. The segment of India’s more affluent shoppers is 6 million strong. India ranks as the fifth most attractive emerging retail market in the world and represents goldmine. Some of the niche categories like Leisure and entertainment (Books, Music and Gifts in particular) offer interesting opportunities for the retail players. Currently the fashion sector in India commands a
lion’s share in the organized retail pie. This is in line with the retail evolution in other parts of the world, where fashion led the retail development in the early stages of evolution and was followed by other categories like Food & Grocery, Durables etc. Fashion across lifestyle categories makes up for over 50 per cent of organised retail and with the kind of retail space growth that India is witnessing we can certainly foresee a very healthy prospect for the fashion industry.

The fragmented nature of Indian retail had earned it the unflattering label of a nation of shopkeepers. Consumer preference is now the accent is on the organized retailing experience of global standard. The sector is witnessing the new revamping exercise. New formats are making way to the western style mall appearing in metros and second-rung cities. Today we have 300 full-fledged malls in India. Moreover, several multiplexes and shopping centres are under construction. Large corporate sectors like ITC, Raheja’s, Reliance, Tata and others have staggering amounts of capital into the organized retail sector.

There are several challenges that the Indian retailing has to face; prominent amongst these are real estate issues, capital availability, legal frameworks, human resources and supply chain development and management. Bottleneck in the supply chain result in limited assortment and increased costs of sourcing. The high cost of real estate owing to constrained supply is also a major factor inhibiting the growth of large format stores. New rules are required to enable retail stores to operate every day with longer hours and utilization of part-time employees, without incurring any extra cost. At present, varying Sales Tax and Octroi Tax rates in different states remain a substantial hindrance to the growth of this sector. Retailing, as a major sector of the economy has yet to receive any over political or bureaucratic support. Its success and growth in the future largely depend on the initiatives of the government.

In spite of these constraints, Indian retail has bright prospects, propelled by the fast lifestyle changes taking place in the Indian household. Over the last decade, India’s middle and high income population has grown at a rapid pace of over 10 per cent per annum, even as the large low-income base has shrunk. Customers are demanding better store ambience and are looking for solution providers and external guarantors of quality and usability. The Indian consumer is increasingly focusing on value, convenience,
variety and a better shopping experience. The raise in variety, quality, and availability of products as well as the increase in spending power has resulted in consumers increasingly using supermarkets and hyper-markets for their personal shopping. Malls that offer shopping with entertainment are springing up in many parts of the country.

There is a significant number of new competitors in the retail market and the established players are seeking opportunities to expand rapidly. Currently the government does not allow 100% Foreign Direct Investment (FDI) in the retail sector. However, it is on the anvil and the entry of multi-national retail chains would change the entire retail scenario of the country. Wal-mart, which took the franchising route to enter the country, has now entered into joint venture. The retail industry in India is in a phase of transition and hence is likely to face a whole new set of challenges. For one, generating large, free cash inflows for expansion is not easy. Retail margins are already wafer-thin, compared to those in other markets like the middle-east. The management of Lifestyle, which runs over 200 stores there, says its net profit margins after tax in India are 4 to 5 per cent compared to about 10 per cent in the Middle East.

There are enough recent examples of chains that tried ramping up too fast too soon. Barista, Domino’s and Shoppers’ Stop all fell into cash trap. So, deciding the right pace of expansion is quite critical. Most retailers are trying to increase margins. For instance, RPG groups have started sourcing its fresh produce directly from the farmers. Also, in apparel, it is not easy to find supplies who can match the capacities that a fast-expanding chain like Shopper’s stop needs. Then there’s the other bugbear: too many departmental stores, too many exclusive outlets, all too close to each other. There is also a lack of sufficient differentiation. This could make it hard to build store loyalty. Besides, customer does not prefer to travel for more than 20 min to visit a store. So, building higher level of traffic when catchments are shrinking is a tough challenge. Retailers in India also face certain challenges in terms of the real estate, legal, workforce related and certain other issues. They have an impact on the costs and efficiency of operations of the retail business.
3.8 PROFILE OF THE TOP HYPER-MARKET RETAILERS

The concept of Hypermarket introduced. All-in-one store - this can roughly be the definition of a hypermarket. Since they offer value on the retail purchase, their being located a little away is not a deterrent because the savings would still justify that travel cost in case of bulk buying. A little between wholesale and retail, a little between supermarket and a mall, hypermarkets are also making their presence felt, adding to the choice available. 'Hypermarket' is a large-format, discount retailer, with a large emphasis on the food and grocery category. "In India, 'large-format' refers to store-sizes over 25,000 sq ft, and the term 'discount retailer' refers to the fact that they sell most items below MRP. Their business model is based on large volumes," explains Yatish C. Ballolla, Head - India Practice of The Friedman Group, an American Retail Consulting and Training Firm. In addition to food, grocery and everyday requirement for the family, hypermarkets also carry apparel, household articles and other general merchandise at 'great value'. Big Bazaar, More Mart, Spencer's Hyper and Reliance Mart fall under this category.

Today, the coming up of multi-format retail outlets is an indication of the maturing retail market. Consumers want the best, at the best prices, and are willing to explore options. The success of these multi-formats is really a result of the perceived value they provide. Major attributes of shopping mall attractiveness include comfort, entertainment, diversity, mall essence, conveniences and luxury from the perspective of shoppers. Thus the Indian retailers looked around long enough to learn from the developed world markets and decided that it was time to revolutionize the retailing sector. The result is there for everyone to see the fast development in the retailing sector. Some of the top hyper-market retailers in the retailing sector are:

RELIANCE RETAIL

The Reliance Group, India’s largest company, is founded by Dhirubhai H.Ambani and has a total revenue of over Rs 99,000 crore. Its retail arm, Reliance Retail India (RRL) has revolutionizes the retail industry and will spearhead organized retail revolution. Reliance industries will have 100% stake in RRL, save for employee stock options. Reliance Retail’s business plans would focus on ‘competitive offerings’ to Indian consumers across several verticals viz. integrated food and grocery, daily household items,
apparels and footwear, electronic goods, lifestyle products, home essential and improvements, farm implement and others. Reliance, the first retail store, opened in the year 2006. The company plans to set up various formats like hypermarkets, supermarkets and convenience stores across 1500 Indian cities. With the first set of 11 retail stores under the ‘Reliance Fresh’ format at Hyderabad, the company entered recently the NCR market with nine new food stores branded as ‘Reliance Fresh’ in Noida, Gurgaon, Ghaziabad, Faridabad. This company’s investment plan in NCR is worth around Rs 2500 crores. In Chennai, many retail markets locted such as Nanganallur, Tambaram, Alwarpet, Adayar, Anna Nagar, Mogappair, etc. Nevertheless there is a nice arrangement of fresh fruits and vegetables. It is one of the supermarkets where one gets good quality for reasonable prices.

RRL is a multi-format retailers that operates Reliance Fresh - a neighbourhood store concept, Reliance Digital - a consumer durables and information technology concept, Reliance Mart - a hyper-market concept, Reliance Trends- an apparel specialty concept, Reliance Wellness- a health, wellness and beauty concept, iStore by reliance Digital- an Apple Speciality store, Reliance Footprint- a footwear concept, Reliance Super - a minimart concept, Reliance Home Kitchen- a Kitchen solution speciality store, Reliance Auto Zone- an automotive speciality concept.

Reliance is expecting a revenue target of approximately Rs 94,000 Crore through its retail operation by 2014; and RRL is expecting a 20% return on investment within 5 years of time. RRL also launches other retail formats like ‘Reliance Fresh Plus’, where people would get apparel, consumer electronics, FMCG medicines, in addition to the fresh fruits and vegetables and also a format for retailing groceries and condiments called ‘Reliance Select’. The company is strengthening the Reliance Logistics; a multi-brand car station. A GSM-Wimax rollout for its mobile and enterprise communication needs and Rs. 25,000 crore telecom deal of Reliance with Bharti.

WAL-MART - BHARTI RETAIL JOINT VENTURE

Wal-mart Stores Inc. operates Wal-mart discount stores, Supercentres, Neighborhoood markets and Sam’s club location in the US and in many other countries. Bharti Enterprisees is also one of India’s leading business groups with interest in telecom, agri business and insurance. On November 27, 2006, Wal-mart stores and Bharti Enterprises
announced that they had signed an MoU to jointly explore business opportunities in India. This will allow both companies to evaluate the retail market in India and identify business opportunities together. Analyst note that the success of the joint venture would depend on how successful Wal-mart is in building a cost efficient supply chain and sourcing network so that the cost savings are passed on the last consumer through its trademark “Every Day Low Price”. Some retail pundits felt that Wal-mart may find it difficult to achieve economies of scale in items such as personal consumer products and may be able to achieve more success in fruits and vegetables.

**PANTALOON RETAIL (INDIA) LTD**

The group was founded in 1987 as a garment manufacturing unit and it forayed, under the leadership of Kishore Biyani, into modern retail in 1997, by establishing Pantaloon Fresh Fashion chains. His pan-Indian, classless model - Big Bazaar, a hypermarket chain - led to the democratization of shopping in India. It is Mumbai based retail company, operates multiple retail formats in both the value and lifestyle segment of the Indian consumer market. With a turnover of Rs. 2018 crore in 2005-06, the company recorded a year-on-year growth of 98.31 per cent. Launching in 2006 large number of new concepts and formats like E-Zone (consumer durables and electronic store), Star and Sitara (beauty salon) and future bazzar.com, the company also entered into joint venture with several retailers. Currently Big Bazaar has 43, Pantaloon has 28, Food bazaar has 43, Central has 4, Fashion station has 6, Collection I has 5, Shoe Factory has 9, E-Zone has 4, and Independent Depot has 5 outlets.

The company operates over 12 million sq.ft. of retail space, and has over 1000 stores across 71 cities in India and employs over 31,000 people. For the period of July 2008-2009 Pantaloon Retail generated a revenue of Rs 6342 crore. Pantaloon Retail received the award for “International Retailers of the Year 2007” by the US-based National Retail Federation and the “Emerging Market Retailer of the Year 2007” at the World Retail Congress held in Barcelona.

**LANDMARK GROUPS - LIFESTYLE**

Lifestyle International Pvt. Ltd. is a part of Dubai-based Landmark Group. It is the leading retailers in the Gulf region with more than 30 years of retailing experience.
Lifestyle India began operation in 1998 with its first store in Chennai in 1999, and now it has 12 stores across Ahmedabad, Chennai, Hyderabad, Bangalore, Gurgaon, Delhi, and Mumbai in 2005. The Company has upgraded its retail standard and shop-fits to offer to the customers a good retail experience. As a group, it has launched MAX fashions, a mid-market value brand and the international brands. The Company’s presence in India is getting stronger and it had also formed two new divisions Hyper-market and Hospitality in the year 2006.

Lifestyle international there are retail brands like Lifestyle, Home Centre, Bossini, Splash and Max Retail, a value format retail chain in the space of footwear and apparel. In the next 5 years, they would expand to 100 stores in the top 20 cities and become a leading player in the value fashion segment in India. Max is already the largest value fashion brand in the middle-east and caters to the middle segment of the society. The offering in apparel, footwear, and accessories are fashionable and are priced between Rs.199 – Rs.599 making it affordable in terms of consumer pricing.

The present growth rate of Lifestyle is 23.8% and Max Retail has pegged a growth rate at 87.3% The total business size of Lifestyle and Max Retail, taken together is Rs 1,186.4 crore. This year the lifestyle has planned to have a total number of outlets of 32 and for Max Retail it is 35. Lifestyle International presently covers a retail space of 1,470,819 sq.ft. including Max Retail, and plans to acquire a space of 23,06,557 sq.ft. by 2013.

TRENT LIMITED

Trent, a part of Tata Group, is a retail operation company that owns and manages a number of retail chains in India. It was established in 1998 with various consumer product categories, and it has different companies to retail its brand. Trend currently operates 3 national retail brands, namely Lifestyle Chain, Westside, one of India’s largest and fast growing chains of lifestyle store with 24 stores located in 13 cities. Star Indian Bazaar is Trend’s foray into hyper-market business, providing a large assortment of products made available at the lowest price. In 2005, Trent acquired ‘Landmark’, a retail chain offering a vast assortment of books, music, movies and stationery. During the year 2005-06 the company witnessed a rapid expansion, opening 6 West side stores across the country.
Trent forayed into the hypermarket business launching Star Indian Bazaar in Ahmedabad, with 50,000 sq.ft. of retail space. Trent’s net profit for the quarter ended September 30 rose by 39.8 percent to the 8.02 crore up from 5 crore in the last fiscal.

The Company strategy is to be present in malls in some of the target cities. Skywalk rightly known as the “Mall for All” stretches over 3.15 Lakhs sq.ft. and is perfectly complemented with 3.50 Lakhs sq.ft. of parking facility, ensuring a complete shopper’s experience. The mall’s anchor tenants include Westside sprawling over 25,000 sq. ft. provide customers one stop shopping experience Tata Star Bazaar, spreading over 56,000 sq. ft is Chennai’s first hyper market providing a complete end-to-end solution on all house hold requirement.

For the fiscal year 2008-2009, the company achieved the target of Rs. 885 crore and is expecting to grow by over 30 per cent to Rs. 1200 crore. Westside has a plan to add another 8-10 sores is fiscal year. Star bazaar plans for 4 Stores in the current fiscal year and Landmark plans to have 4-5 large stores a year.

**INDI SHOPEE (PIONEER GROUPS RETAIL ARM)**

The newly launched retail arm of Pioneer Group, Indi Shopee, is all set to give Chennai its first hypermarket with a total retail space of around 200,000 sq.ft.

Pioneer Group, which is basically into construction, textiles and shrimp farming, has invested around Rs 65 crore in setting up the store in the property owned by the company. The funds have been mainly raised through internal accruals and the company has sought bank loans for working capital requirements, said R.Narayanan, Vice-President, Indi Shopee. The company plans to have a few more stores in the city within a year. However, the size of the future stores will be determined by the availability of real estate, added Narayanan. If the Chennai project is successful, Indi Shopee hopes to replicate the model in other cities too.

The one-stop value store will have around 400,000 store-keeping units (SKU) across categories ranging from building materials to groceries and from furniture and electrical appliances to apparel. The six-storied store will also have a food court over 30,000 sq ft. “Indi Shopee hopes to use Pioneer Group’s decades-old experience in sourcing and merchandising to give the unique value proposition to customer’s money,”
said Sarath Kakumanu, director of Indi Shopee. “The supply chain has been worked out well to provide the best product in a good ambience,” he added. Along with branded products, including imported ones, the company plans to give equal importance to private labels to provide quality products at affordable prices, Kakumanu said.

NILGIRIS

Nilgiris is South India’s leading chain of retail stores providing consumers a shopping experience that hinges around freshness of produce, superior quality and better value. From humble beginnings in the hills around Ooty and Coonoor at the turn of the twentieth century, Nilgiris has grown from being a Dairy Farm specializing in butter to a supermarket chain of over 90 stores spread across India’s southern states.

It is the only supermarket chain that lays special emphasis on its own products, sold under the brand name of Nilgiris 1905. With in-house capabilities centering on Bakery and Dairy products, Nilgiris has grown to become a household name in the south with consumers spanning successive generations.

Nilgiris is one of India’s pioneering champions of organized retail and has ushered in the age where consumers now seek more value in their shopping experience than before. Beginning with a single store on Brigade Road in Bangalore with butter as its mainstay, Nilgiris has scripted a story of success with multiple stores across cities each delivering unmatched value in terms of range and shopping experience to the consumer, offering a wide range of grocery, general merchandise and personal care products.

With the mission of constantly improving and upgrading capacities to satisfy consumers through a wide range of food products and service offered at the right quality, quantity and price supported by innovative solutions, Nilgiris is all set to embrace emerging technologies and be recognized for its integrity, customer focus and commitment to quality.

SHOPPER’S STOP

It is no exaggeration to say that the evolution of Indian retail began in 1991, in Andheri with Shopper’s stop retail venture of K. Raheja Corp. The store progressed from the level of a single brand shop to becoming a fashion and lifestyle store for the family.
Being amongst India’s biggest hospitality and real estate players, the Group crossed yet another milestone with its lifestyle venture Shopper’s Stop. Shopper’s Stop sells international and domestic brands of various categories in apparel, accessories, cosmetics, home and kitchen products.

Shopper Stop Limited has over 7 lakhs consumers and a growing base of loyal customer through the first citizen program. Leading retailers of all the brands and single largest retailers. Shopper’s stop also serves as the launching pad for non apparel brands like Walt Disney, Tencel, Clarins and Elizabeth Arden, Crossword, Inorbit Mall and Hyper-city have set new bench marks on the basis of information and adaption of worldwide changes, innovations and new techniques in retailing practices. The business size of shoppers stop is Rs. 1300 crore with 28 department stores and covering an area of 1.8 million sq ft across all formats. The Shoppers Stop also owns the hypermarket format “Hypercity”. The company is growing at 7% and is planning to add another 18 stores, approximately 1 million sq.ft., in the next three years. The plan is also there to raise the store count of Hypercity from 5 to 10.

RPG RETAIL

RPG Enterprises, one of India’s largest industrial houses, has a turnover of US$1.6 billion and assets worth US$ 1.8 billion. RPG Enterprises has been one of India’s fastest growing groups and is today a major player in retailing, entertainment, life science, information technology, power and tyres. RPG Enterprises has worked out a plan for its retail activities using the brand Spencer. Spencer’s Hypermarket will be managed by Great Wholesale Club Ltd (GWCL), which is currently a wholly owned subsidiary of Spencer. The formats of RPG includes Supermarket chain-Food world, a joint venture with Dairy farm, Hongkong, Health & Glow- chain of stores for pharmaceutical and personal care products, a joint venture with Dairy farm. India’s first hypermarket, branded Giant, the first unit located in Hyderabad is a big success.

The company plans focus on the larger formats stores in the identified growth clusters with higher market potential value and stronger brand equity for Spencer’s. It would also focus on high margin verticals like private label and fashion. Hypermarket is retail formats of a RPG, which operates on the format of cash and carry or discount
store. With its existing stores-seven Spencer’s Hyper, 90 store across Spencer’s Super, Spencer’s Daily and Spencer’s Fresh’ express formats and 256 Music World outlets, covering about 8 lakh sq.ft retail space.RPG Retail is expected to reach an annual turnover of 700cr this march end. Spencer’s Retail is the largest supermarket chain in India. Spencer’s retail offers a complete gamut of products and durables ranging from bread to television. Spencer’s Retail will add about 10 larger format stores by March 2010 and equal number by March 2011.

ADITYA BIRLA RETAIL LIMITED

The Aditya Birla Group figures among India’s multinational corporations. Aditya Birla Retail limited the retail arm of Aditya Birla Group, ventured into food and grocery retail sector in 2007 with the acquisition of a south based supermarket chain. It is a $28 billion company which has its presence across the country under the brand “more” in two formats of supermarket and hypermarket. Presently, Aditya Birla Retail Ltd operates a network of 650 supermarkets and 5 hypermarkets across the country with an annual turnover of Rs 1500 crore in 2010.

The company has been growing at around 100 percent and 35 percent over the last two years in supermarket and hypermarket space respectively with healthy double digit same store sales growth year on year. The company expects to maintain this trajectory over the next few years. The key focus of the company in the coming year would be on profitable growth across both the formats-hypermarket and supermarkets. In the Supermarket domain, the company is already a large pan India player and it expects to consolidate this position. In the hypermarket space, it expects to continue its growth, but in line with its business model.

PIRAMYD RETAIL LTD

Piramyd Retail Ltd (PRL) is a part of Ashok Piramal Group and Piramyd retail operates two branded as Piramyd megastore and TruMart. Piramyd Megastore basic model is a departmental store and aspires to be one of the top three players in the departmental store segment. Leading in organized retail, the company presently runs six Piramyd megastores, fashion, and lifestyle chains of pan-Indian presence, which offers a wide range of trendy merchandise for men, ladies, kids, home and accessories.
Piramyd Megastore’s loyalty program offers a host of benefits to the consumer. TruMart, supermarket retail chains with outlets mainly in Western India currently runs 14 stores, which offers genuine value and service to customer. The brand’s promise is stated as ‘Fresh and More’ and attracts customer loyalty through the TruSmart program. The management has chalked roll-out plans to expand TruMart.

**3.9 E-RETAILING GROWTH IN THE CURRENT RETAIL SECTOR**

Globalization is a key reason why India becoming more westernized in culture and choice. Since the dot-com boom, younger population started traveling to different parts of the world for business trips. Indians started liking the life style and products that are readily available in Western countries. When they come back to India, they have this inclination to look for same or similar products in the local market. This change in choice and taste for western culture were the driving force behind the upsurge in Indian retail industry. Consumers started looking for branded products with better quality, even the price is bearable. Independent study by Mckinsey and Forrester found that BRIC nations (Brazil, Russia, India and China) will be the driving economic forces in 2020.

The idea of social media networking started with Facebook, opening the networking between college students in U.S. Soon by late 2008, Facebook opened its gateway to the Public. In 2011, independent statistics says that Facebook has around 25 million users in India. This shows how social media can dominate the everyday life of the individual. During the financial recession in 2008, lot of retailers had to cut down their marketing campaigns in T.V., Internet and Radio because of the cost. During this period, free ad banners in their face book page, provided the retailers a vehicle to reach out to their customers with no cost.

E-commerce started with the dot-com boom in 2000. In the U.S., companies such as Amazon, eBay, Yahoo were early invaders of e-commerce. By 2008, e-commerce took a steady stand in the Indian market too. Amazon and eBay started operating their delivery centres in India, catered to Indian local customers. The number of customer shopping online has increased markedly each year since the beginning of e-commerce in the mid 1990s. While opening new physical retail outlets can expand the geographical reach of a business and add convenience for consumers, retailing online not only carries these benefits, but also offers further returns that are more specific to online trading.
Other broad benefit include the ability to trade 24/7 and operate with lower overheads in terms of staff and space, while more particular advantage include the ability to increase the number of customer ‘touch points’ and build more personalized customer experience, products and relationships. While the common e-retail interface remains Web browser running on a personal computer, many companies have investigated alternative method of interfacing with the customer. T-commerce, that is e-commerce is an important e-retail alternative, not least because 97 per cent of Indian homes have television and take-up of TV continue to rise.

In comparison, penetration of Internet via PC has been predicted to level off at 53 percent by 2004. Dominos Pizza had early success in T-commerce using satellite, cable and Web to achieve 99 per cent brand recognition in multi-channel homes, and other retailers, including Dixons and W. H. Smith have followed. Other developments that strengthen the opportunities for e-retail exist in advances I mobile phone technology. Recent development include 3G, with data transfer speed up to 2Mbps that can support video-level interactivity, and the growing deployment of Wi-Fi network couples with widespread prediction that Wi-Fi is a key growth area that will fundamentally change the Internet access.

As a part of dynamic retail environment, incorporating an intelligent buildings system and multi-Gigabit cabling infrastructure, the 130 new shops are supplemented in the mall by 27 touch screen (Interactive Kiosk), 25 plasma screen and 155 thin client terminals linked to one of the largest Wi-Fi network in Europe. Shopping through the net has never been so easy and satisfying. With the festivals like Diwali, shoppers get busy filling their shopping carts abundantly and using their plastic money profusely. Not only are there secure online transaction, but also festivals offers like ‘Buy two for the price of one’ ‘X percent more’ or irresistible schemes from the click and mortar store which keep the net traffic on the e-commerce websites buzzing and ever increasing. The surprising increase in online shoppers shows how the internet has reduced physical boundaries in a manner much more convenient than imaginable.

Online retailing has become a special medium to communicate your feelings very conveniently and securely. Promotion offers and discounts scheme are key differentiations in online retailing. Online buyers deserve to attract premium for shopping online. Retailers attract online shoppers with different seasonal product range, heavy discount and offers...
that they just cannot refuse. From the technology point of view, we have separate promotional module that empowers these online offerings and seasonal promotions. Festivals have a special impact on sales on the net as well. While Christmas and New Year have a universal appeal, a lot of the selling business progresses during this time. Festival season gets the maximum crowd and this is one huge opportunity for sellers to target niche customers and maintain their loyalty by giving the best products at the best price.

In the recent development the retailing industry is using different technology in order to attract the more customers. One among them is M-commerce. M-commerce has already surfaced as an easy and convenient method of purchasing the product and a host of services through the mobile phone. M-commerce is an advanced generation of E-commerce. The emerging technology behind m-commerce is wireless application protocol (WAP). M-commerce requires the customer to access the Internet through the mobile phone. This mean the customer does not require the Internet connection and can shop from wherever he or she is. With the host of mobile connectivity (like WAP, GPRS and EDGE) already available in India and the introduction of 3G services, m-commerce is all set to make a mark.

Retail is set to be one of the biggest gainers of m-commerce. According to a research by the Neilsen Company, more people are using m-payments to pay for a variety of expenses from shopping to utility bill payments. These users are getting more comfortable with this new technology and its ways of conducting transactions. M-commerce possesses numerous advantages over its counter parts. M-commerce boast of ubiquity, high level of personalization, increased flexibility and great penetration and distribution. Due to these factors it shows immense market potential with greater efficiency and higher fruitfulness. With a high number of mobile phone subscribers in India, retailers have a better reach with m-commerce. Only a small percentage of retailers are equipped with pos devices that enable electronic payments. With M-commerce, retailers will be able to tap into credit/debit cards market. This increased flexibility in modes of payment will result in a larger number of customers.

The future of M-commerce looks extremely bright, thanks to the technological advancements in mobile communication. With the advent of 3G, more and more sophisticated applications will be available to people on their mobile phones. Numerous m-commerce application can be used on GPRS enabled Java and Brew mobile phones.
An increasing number of mobile phone users have made this shopping format attractive for retailers. The current registered user base m-commerce in India is 2.5 million. With over 400 million mobile users, the growth rate will be exponential. The ability of the mobile phone to provide access anywhere and anytime will change the way people shop in the future.

3.10 CONSUMER SHOPPING BEHAVIOUR

Consumers are often a frequent purchaser in the day to day life. Consumer research and retailing acknowledge that consumer interact with retailers at every step of the consumer decision-making process, from the need recognition to post purchase satisfaction. They are of a varied mood that changes from time to time and place to place. Ambience of a retail store plays a predominant position in keeping the consumer energetic. The success of a retail store hence depends on maintaining ambience and thereby maintaining the mood of the consumer. Generally noisy and overcrowded retail chains are disliked by aristocrats, hence they prefer secluded unique shopping atmosphere whereas other people consider these unique unoccupied retail chain as a sub-standard one and the one which has swarm of people is believed to be good. Most of the retail stores concentrate on welcoming the consumers with a dignified smile welcome drink and help desk. These retail stores have gained the momentum from the people of various genres. The elevator facility and food court are inevitable to give a great shopping experience. The external features like size and shape of the shop also counts a lot. Hence many retail stores construct their building with an innovative shape and structure. All in one place is the slogan of almost all the retail chains that is they see to that from pen to flight everything seems to be available in that shop so that consumers of all ages and all varieties are targeted.

Today consumer are demanding and choosy. It is becoming quite difficult to attract the consumer to a particular format. Hence a retailer has to takecare the following steps so as to attract the customer.

Proper segmentation, Target and Positioning (STP) approach

Segmentation of marketing is done on demographic basis (age, gender, income, education, Marital status, occupation), geographic basis (area type, area density), usage pattern basis (heavy users, brand loyal users and switchers) and psychographic and lifestyle basis (activities, interest and opinion of the customer).
**Targeting**

It refers to the target market to which a retailer wants to serve. The retail organization has to assess its ability to meet the needs of the market (segment, size, and future growth). Kind of investment requires and kind of profit that could be earned.

**Retail image**

Various components such as pricing, promotion, place, product, merchandise feature, presentation on one hand and customer service, shopping experience. Brand association and people on the other, constitute the retail image. Retail image creates and gives a personality to the store.

**Proper Store design and Layout**

Store design requires that the image being created be tuned to merchandise. Advertising and service offered by the store. Both the interior and exterior store design plays the important role. Exterior store design is responsible for ‘first impression’ that a customer has of the store. Interesting windows display, impressive buildings, architecture, location of retailing outlet and inviting entrance etc – all work together to entice the customer and make them enter the store. Fixtures, Flooring, ceiling, lighting, signage and graphics forms the components of interior store design.

**Atmospherics**

It refers to the design of an environment via visual communication, lighting, colours, music and scent to stimulate customers’ perpetual and emotional responses and ultimately to effect their purchase behaviour.

**Point of purchase (POP) display**

POP displays help reinforce the store, product image, enhance retail store, product image, enhance retail sales through floor communication and provide information to the customer. The role of POP changes significantly with the type of product being sold and customer’s involvement in purchase.

**Convenient shopping at retail outlet**

Credit/Debit cards facilities to shoppers make the purchase convenient. In case of grocery, fruits and chemists, customer prefers buying the nearby area. Time requires to reach the retail outlets is becoming critical. So, the consumers prefer to shop at the nearby places.
Developing and implementing CRM programmes

CRM is a strategy and process of acquiring, retaining and partnering of selected customer to increase the value of the retail outlet as well as of the customer. In order to develop a CRM programmes, retailers use customer retention (frequent shopper programme, special customer service and personalization etc) and converting good customer into high life time value customers, getting rid of unprofitable customer approach.

Making merchandise available for feel and touch

Customers want to see the products closely and want to feel the product by touching. If the shopper cannot reach or touch the product, then much of its appeal can be lost. With help of advertisement and signboard, customer should be made aware of the different scheme launched by the retailers.

Making check out easy

Impulse buying products should be near the cash counter to satisfy impulse buyer’s needs. People love to buy candy when they checkout and satisfy their sweet needs.
REFERENCES


WEB SITES

1. www.atimes.com,

2. www.ksa-technopak.com


5. http://www/fdimagazine.com

6. www.imagesretail.com/

7. www.indianfoline.com,

8. www.domain-b.com

9. www.afferguson.com

10. www.ficci.com

11. www.indiaonestop.com

93

Please purchase PDF Split-Merge on www.verypdf.com to remove this watermark.