CHAPTER 2

RETAIL INDUSTRY

2.1 INDIAN RETAIL

The international consulting firm, A.T. Kearney, annually ranks emerging market economies based on more than 25 macroeconomic and retail-specific variables through their Global Retail Development Index (GRDI). For the last three years (2005, 2006, and 2007) India has been ranked as number one indicating that the country is the most attractive market for global retailers to enter. The high economic growth during the last few years raising disposable incomes rapidly, favourable demographics placing incomes on younger population with less dependency, and urbanization are some of the major factors fueling the Indian retail market.

2.1.1 MARKET ANALYSIS

The Indian food retail industry has experienced rapid growth in recent years and although a deceleration is forecast, strong growth should continue towards 2014 (DATAMONITOR, 2010).

The Indian food retail industry had total revenue of $306.1 billion in 2009, representing a compound annual growth rate (CAGR) of 11.7% for the period spanning 2005-2009. In comparison, the Chinese industry increased with a CAGR of 7.1%, and the Japanese industry declined with a CARC of 0%, over the same period, to reach respective values of $359.3 billion and $339.4 billion in 2009.
Convenience stores and gas stations sales proved the most lucrative for the Indian food retail industry in 2009, with total revenues of $200.2 billion, equivalent to 65.4% of the industry's overall value. In comparison, food and drinks specialists generated sales of $100.7 billion in 2009, equating to 32.9% of the industry's aggregate revenues.

The performance of the industry is forecast to decelerate, with an anticipated CAGR of 7.7% for the five year period 2009-2014, which is expected to drive the industry to a value of $443.7 billion by the end of 2014.

<table>
<thead>
<tr>
<th>Year</th>
<th>$ billion</th>
<th>Rs. billion</th>
<th>€ billion</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>196.6</td>
<td>9,604.6</td>
<td>141.4</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>222.2</td>
<td>10,853.0</td>
<td>159.8</td>
<td>13.0</td>
</tr>
<tr>
<td>2007</td>
<td>251.9</td>
<td>12,303.4</td>
<td>181.1</td>
<td>13.4</td>
</tr>
<tr>
<td>2008</td>
<td>278.5</td>
<td>13,606.4</td>
<td>200.3</td>
<td>10.6</td>
</tr>
<tr>
<td>2009(e)</td>
<td>306.1</td>
<td>14,952.4</td>
<td>220.1</td>
<td>9.9</td>
</tr>
</tbody>
</table>

Compounded Annual Growth Rate during 2005–09: 11.7%
(Source: DATAMONITOR)

2.1.2 MARKET SEGMENTATION

Convenience Stores & Gas Stations is the largest segment of the food retail industry in India, accounting for 65.4% of the industry's total value. The food and drinks specialists segment accounts for a further 32.9% of the industry.
Table 2.2: Indian Food Retail Industry: % share by value

<table>
<thead>
<tr>
<th>Category</th>
<th>% Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convenience Stores &amp; Gas Stations</td>
<td>65.4%</td>
</tr>
<tr>
<td>Food and Drinks Specialists</td>
<td>32.9%</td>
</tr>
<tr>
<td>Hypermarket, Supermarket, &amp; Discounters</td>
<td>1.3%</td>
</tr>
<tr>
<td>Cash &amp; Carries &amp; Warehouse Clubs</td>
<td>0.1%</td>
</tr>
<tr>
<td>Drug Stores &amp; Health and Beauty Stores</td>
<td>0.0%</td>
</tr>
<tr>
<td>Other</td>
<td>0.3%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>

(Source: DATAMONITOR, September, 2010)

2.1.3 COMPETITIVE LANDSCAPE

The food retail market has been analyzed taking supermarkets, hypermarkets and specialist retailers as players. The key buyers are taken as end-consumers, and food manufacturers, farmers, agricultural co-operatives as the key suppliers. In this industry there is a high degree of fragmentation with small convenience stores providing the main channel for the food retail industry.
Retailers in the Indian food retail industry range widely in size yet unlike many other nations large chain supermarkets or hypermarkets have a somewhat moderate force than smaller independent retailers. Specialty or luxury food outlets grip on the industry is relatively limited. The supermarket and hypermarket sectors are still developing and are set to rapidly expand as U.S. giant Wal-Mart opened its first store in July 2009 after a 2005 lifting of legislation. Major players in the market are Pantaloon Retail Ltd and Big Bazaar. Another giant Subhiksha which had 1600 outlets across the country collapsed in 2009. The Indian retail industry is expected to double in size by 2015. Many small stores are independently run, often by families and without technical or accounting standardization. The ratio of such retailers to consumers is high, allowing the latter great freedom to switch at will, strengthening buyer power.

Price and convenience are two central concerns however they are not necessarily the principle factors. A rise in health consciousness has driven a growing demand for nutritional quality in food products. The culture of convenience now faces the challenge of a counter-trend in which a shift back towards fresh, simple or traditionally prepared foods undermines the retail position of frozen foods and similar products. The response of food retailers must accommodate such diverse interests. A number of retailers operate incentive schemes for frequent shoppers and this can help secure customer retention. By discouraging movement across retail outlets, consumer mobility is reduced and, in the long term, buyer power can be weakened. Although high brand recognition does not automatically translate into consumer loyalty,
if it is supported by a product range in which popular food products are central, the retailer can often draw indirectly on the loyalty base that manufacturers have established. Buyer power overall is moderate.

Large-scale, established retailers hold a natural advantage in operating businesses that benefit significantly from economies of scale, employing aggressive pricing schemes that cannot be matched by smaller retailers. However, the industry is fairly fragmented with convenience stores acting as a key channel to the end-consumer. Exit and entry costs within the industry are relatively low, encouraging potential entrants. The rapid growth of health consciousness and a swell of ethical goods form attractive avenues for new entrants seeking to move into a niche area that offers inbuilt protection from pricing pressures and mainstream marketing. The growing presence of many large-scale retailers with the security of heavy branding acts as a barrier to entry. Strong growth makes the market attractive to prospective new entrants. Overall, the threat of new entrants is strong.

The chief alternative to food retail is food service. Supported by strong marketing campaigns in the case of fast food companies, and cultural traditions with respect to sit-down restaurants, both types represent a relevant alternative for many consumers. However, for the vast majority of people, these accompany food retail rather than replace it. A more direct substitute is found in subsistence agriculture in which individuals or families farm food to provide for their own personal needs. This is no longer common, however, since the emergence of market capitalism and the impact of this substitute on food retail is fractional. Environmental concerns, increasing health
consciousness, and fears over political or economic instability may, in the long term, give this substitute a more significant role. However, it is unlikely to threaten food retailers in the foreseeable future being both labor intensive and often involving considerable start-up capital. The threat from substitutes is weak to moderate.

Competition is often fierce within the food retail industry. The lack of substantial switching costs for consumers places pressure on retailers to secure their custom and loyalty. The limited level of differentiation across the basic product range pushes larger retailers into competitive pricing policies. The close similarity of players increases rivalry as they attempt to differentiate themselves through products and price to attract customers. Whilst some companies operate in other industries and can absorb the temporary impact of declining food sales, or high supply prices, for many, food retail lies at the heart of the business. This basic dependency gives rise to aggressive competition. Rivalry is strong overall.

2.1.4 MARKET FORECASTS

In 2014, the Indian food retail industry is forecast to have a value of $443.7 billion, an increase of 45% since 2009. The compound annual growth rate of the industry in the period 2009–14 is predicted to be 7.7%.

<table>
<thead>
<tr>
<th>Year</th>
<th>$ billion</th>
<th>Rs. billion</th>
<th>% Growth</th>
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</thead>
<tbody>
<tr>
<td>2009</td>
<td>306.1</td>
<td>14,952.4</td>
<td>9.9%</td>
</tr>
<tr>
<td>2010</td>
<td>332.0</td>
<td>16,216.8</td>
<td>8.5%</td>
</tr>
</tbody>
</table>
2011  360.0  17,585.1  8.4%
2012  387.5  18,928.7  7.6%
2013  416.0  20,320.3  7.4%
2014  443.7  21,676.2  6.7%

Compounded Annual Growth Rate during 2009–14: 7.7%
(Source: DATAMONITOR)

2.2 Organized V/s Unorganized Retail

Indian retail is dominated by a large number of small retailers consisting of the local kirana shops, owner-manned general stores, chemists, footwear shops, apparel shops, paan and beedi shops, hand-cart hawkers, pavement vendors, etc. which together make up the so-called “unorganized retail” or traditional retail. The last 3-4 years have witnessed the entry of a number of organized retailers opening stores in various modern formats in metros and other important cities. Still, the overall share of organized retailing in total retail business has remained low.

While total retail sales have grown from Rs. 10,591 billion (US$ 230 billion) in 2003-04 to Rs. 14,574 billion (US$ 322 billion) in 2006-07, which is at an annual compound growth rate of about 11 per cent, the organized retail sales grew much more at about 20 per cent per annum from Rs. 350 billion (US$ 7.6 billion) in 2003-04 to Rs. 598 billion (US$ 13.2 billion) in 2006-07. As a result, the share of organized retail in total retail grew, although slowly, from 3.3 per cent in 2003-04 to 4.1 per cent in 2006-07.
Food and grocery constitutes the bulk of Indian retailing and its share was about two thirds in 2003-04 gradually falling to about 60 per cent in 2006-07. The next in importance is clothing and footwear, the share of which has been about 7 per cent in 2003-04 and rose to 9 per cent in 2006-07. The third biggest category is no institutional healthcare whose share has slowly reduced from 9 per cent in 2003-04 to 8 per cent in 2006-07. The next is furniture, furnishing, appliances and services, whose share rose from about 5 per cent in 2003-04 to 7 per cent in 2006-07. The category of jewellery, watches, etc. constituted about 6 per cent of total Indian retailing in 2006-07, rising from 5 per cent in 2003-04.

While the overall share of organized retailing remains low, its share in certain categories is relatively high and in certain other categories quite low. Thus, for clothing and footwear, the share is already in the range of 19-22 per cent, for the category of sports goods, entertainment, equipment and books the share is 12-16 per cent, and for furniture, furnishing, appliances and services, the share is 10-13 per cent. In contrast, the share of organized sector in the largest category of food and grocery retailing, although growing, remains just below one per cent. The growth in organized retailing in recent years can also be gauged by the rise of shopping malls as well as the rising number of modern retail formats. In 1999, India had just three shopping malls measuring less than one million sq. ft. By the end of 2006, the country had 137 shopping malls equivalent to 28 million sq. ft. The pace of construction of shopping malls is progressing rapidly and the number of malls is expected to
be about 479 by the end of 2008 with a capacity of 126 million sq. ft. (ICICI Property Services-Technopak Advisers Pvt. Ltd., 2007).

2.2.1 Expansion of Organized Retail by Format

The total number of organized retail outlets rose from 3,125 covering an area of 3.3 million sq. ft. in 2001 to 27,076 with an area of 31 million sq. ft. in 2006. Small-sized single-category specialty stores dominated the organized retail in the beginning with almost two-thirds of total space in 2001. Departmental stores came next with nearly a quarter of total space and supermarkets accounting for the balance of about 12 per cent of organized retail space. There were no hypermarkets in India in 2001. Speciality stores are still the most common modern retail format with over a half of total modern retail space in 2006. Supermarkets and department stores occupied nearly an equal space of 15-16 per cent each in 2006. In 2006, India had about 75 large-sized hypermarkets carrying a tenth of the total modern retail space in the country. This format is expected to gain more prominence in the future.

2.3 EVOLUTION OF INTERNATIONAL RETAIL

Supermarkets started in the United States in the 1920s and 1930s and became dominant in the late 1950s. The traditional food retail system that dominated the country before supermarkets looked in essence the same as India’s traditional retail system. It consisted of (a) wet markets (similar to those in Asia, with many small stalls) for fresh produce, fish, and meats; (b) tiny “mom and pop” stores (man at the till taking orders, wife pulling down
products from little shelves and measuring out and packing orders) with no self-service by customers; (c) street hawkers with pushcarts or shoulder or head burdens; and (d) home delivery of milk and mobile (cart) delivery of dry goods—for example, by the famous Jewel Tea Company horse carts. Today, however, supermarkets have about 80 per cent of food retail in the United States.

The advent of modern retail (i.e., chain stores) started in the late 1870s, long before the supermarket format emerged as large self-service stores in the 1930s. Several important trends in the development of modern retail over the past 130 years might interest Indian readers.

Three key demand-side socio-economic changes occurred over a century. First, the United States was mainly rural in 1900 (the urban share was 40 per cent) and mainly urban by 1990 (urban share, 75 per cent). Second, few American women worked outside the home in 1900, and even by 1970 only 15 per cent of married women were counted among the national workforce. A massive societal change occurred in just a few decades, and by 2000 the share of working women was 75 per cent. Third, incomes per capita increased substantially over the century. All three changes are taking place in India today, except they are happening much faster than they did in the United States.

Modern retail started with chains of stores that were about the size of kirana stores. Called “five and dime” or “five and ten cent” stores, they bought nonfood goods in volume and sold at discount. They further cut costs by
moving to self-service. These chain stores were an innovation of the tiny shop owners. As a major format, they lasted into the 1950s. The most famous example was Woolworths, started in the 1870s in big cities in the boom zones. From one tiny store in 1878, a chain was born that built to the first global retail multinational of medium-sized nonfood shops, with 2,866 stores in five countries (including the United Kingdom) 50 years later.

The non-food five-and-dime stores acted as an “idea spark” model for chain-store formation by food stores that were formerly just small stand-alone grocery shops. The owner of a little tea shop (selling the ingredients for the main beverage of the day) got an idea in 1878 to build a chain of stores in big cities in boom zones and buy tea directly from Chinese plantations to cut the cost and beat the competition. That chain was A&P. From selling just tea in the 1870s, it grew to a grocery store format (dry foods) that opened as the first A&P Economy Store, the same size as a “neighborhood store” format in India today, and focused on oils, packaged foods, soap, and so on. A&P procured in large volumes, drove down costs, and standardized store layouts. By 1915 the chain comprised 1,600 stores, and by 1925 it had 13,961 stores; in the early 1930s, A&P was operating approximately 16,000 stores with combined revenue of US$1 billion (equivalent to US$10 billion in 2000 dollars).

In 1936, A&P opened its first “supermarket” (just a few times larger than a neighborhood store). By 1950, A&P ranked second in sales in the world (after General Motors). In the mid-1950s, A&P was by far the number one food retailer and had moved from small-to-medium-sized supermarkets. However, by 2000, A&P had become a minor chain because its retailing and
procurement strategic positioning had not kept up with chains that arose in the 1970s and 1980s, like Wal-Mart.

Sam Walton is an important example of a kirana man who used entrepreneurial spirit in a situation of opportunity. He started in 1950 with a tiny five-and-dime store in a rural Arkansas village with a population of 3,000. It was one of the most underdeveloped regions of the United States, bypassed by the boom development of the past 100 years. Walton started by building a chain of kirana stores in the surrounding towns and then states, and by 1962 he had decided to open a small supermarket called Wal-Mart. He hit on an idea to buy directly from suppliers and cut costs by building a distribution centre network. While other chains had started in big cities in boom zones, Walton focused his effort on villages and small towns, considered an impossible strategy at the time. Walton opened large-format discount stores (big supermarkets with cheap nonfood items and dry foods) in the 1970s. In the late 1990s, he added small-format neighborhood stores. Wal-Mart grew from two kirana employees in 1950 to 1,500 in 1970, 21,000 in 1980, 200,000 in 1987, and 1,140,000 in 1999. By 2002, Wal-Mart had become the largest private employer in the world, with 2 million employees. The company's annual revenue totaled US$350 billion in 2006.

Several trends characterized the development of chain stores over the past century in the United States, with similar trends seen in the United Kingdom and France. The salient features were the following:
1. The trend was from nonfood chains to dry-food chains to full-line chains offering fresh foods. Supermarkets did not sell much fresh produce until the 1960s because it was considered impossible to move beyond the American tradition of buying in wet markets and tiny fruit shops.

2. The trend was from clerk service to self-service.

3. The format trend was from the traditional system described earlier to chain nonfood shops, to chain grocery shops, to small supermarkets and food sections in department stores, to medium and large supermarkets in towns, to hypermarkets in the suburbs, to convenience stores and neighbourhood stores in dense inner-city areas and small towns.

4. The trend was from large cities and economic boom areas to second- and third-tier cities and second-tier areas and to suburban areas when those developed in the 1950s. Wal-Mart’s development in the opposite direction was a clear exception.

5. Individual chains and the overall supermarket sector underwent massive growth over seven decades, and that growth cycle eclipsed an earlier cycle of growth in self-service chain grocery stores.

6. Chain stores mimicking and then improving on the credit system that the small traditional shops had used for customers by developing credit cards, loyalty cards, and banking services. They also took on other services, such as health clinics and banks for poor consumers.
7. Chain stores modernized their procurement systems. Woolworths and A&P had historically focused on cutting costs through bulk buying, self-service, and efficiencies in inventory handling. As competition increased, the importance of modern logistics and cost cutting intensified, and from the 1990s onwards, those strategies took centre stage. The remaining traditional retail sector (now about 20 per cent of food retail) was in reality mainly a modernized small-shop sector. In remote areas, some small traditional groceries survive, but the mainstream is specialty shops (defendable niches) that are far more modern and upgraded than the general-line mom and pop store of years gone by. Also, many small stores themselves started chains (as previously noted) or became franchisees of larger chains.

Apart from a few cases, such as A&P into the 1960s and then Krogers and Wal-Mart today, most supermarket chains were regional rather than national. The trend, however, is toward establishing national-level chains and catching up with Europe on consolidation. It is important to keep in mind that the United States has a history of the strongest and longest anti-supermarket regulatory history of any country in the world. Wrigley and Lowe (2002) concluded that the body of stiff regulations and competition laws enacted in the United States resulted in a significantly slower spread of supermarkets and national-level concentration from the 1930s to the 1980s than the United Kingdom experienced.
The main difference between the retail transformations in developing countries and in the United States and Western European is the extreme speed with which it is occurring in developing countries.

2.4 SUPERMARKETS IN DEVELOPING COUNTRIES

Supermarkets have been around for half a century in several developing countries, but the phenomenon was limited mainly to large cities, upper-middle-class or rich consumer segments, and domestic capital chains. In contrast, a supermarket revolution in developing countries took off in the early-to-mid-1990s. The patterns and determinants of that revolution are detailed in the following subsection.

Diffusion of Modern Retail over Regions and Countries

The spread of supermarkets has taken place in three established waves and continues in a fourth emerging wave. The first-wave countries experienced supermarket sector take-off in the early-to-mid-1990s. Included in that group are much of South America and East Asia (outside China and Japan), north-central Europe and the Baltic countries, and South Africa. In those countries, the average share of supermarkets in food retail went up from roughly 10–20 per cent in 1990 to 50–60 per cent on average by the early 2000s (Reardon and Berdegué 2007). Comparing that to the roughly 75–80 per cent share that supermarkets had in food retail by 2005 in the United States and Western Europe, it appears a process of convergence was taking place. The first-wave countries saw supermarket diffusion in a single
decade that took some five decades in the United States and the United Kingdom.

The second-wave countries are Mexico and much of Southeast Asia, Central America, and South-Central Europe. In those areas, the share went from about 5–10 per cent in 1990 to 30–50 per cent by the early 2000s, with the take-off occurring in the mid-to-late 1990s.

In the third-wave countries, the supermarket revolution started in the late 1990s or early 2000s, reaching about 5–20 per cent of national food retail today. These areas include parts of Eastern and Southern Africa, some countries in Central and South America, “transition” East Asia (China and Vietnam), Russia, and India. It is somewhat anomalous that they are late comers in the third wave, because their demand-side characteristics (income, absolute size of the middle-class population, urbanization rate, and share of women in the workforce) make them similar to many countries in the second wave, which had supermarket take-off some five to seven years earlier. The main reasons for the lag were policies imposing severe constraints on retail FDI that were progressively relaxed in China and Russia in the 1990s. It is worth noting that the growth rates of supermarket food sales and retail FDI are inversely correlated with the waves. Thus, the fastest growth occurred in the supermarket sector in China (about 40 per cent a year), whereas the more mature, relatively saturated supermarket sectors in Brazil and Taiwan saw growth of only 5–10 per cent.

2.5 IMPLICATIONS FOR INDIA
The organized retail in food and grocery segment in India is growing fast; although the exact numbers on its growth differ widely (16–50 per cent) is depending on the source and definition being used. The growth rates projected by Planet Retail for the next five years indicate that the growth in organized food retail is likely to be accelerating, and it may turn out to be akin to the information technology revolution but so far has been well rooted in domestic demand and domestic capital. The current and projected growth rates in organized food retail are quite high, albeit from a very small base. Organized retail in all commodities constitutes about 4 per cent of total retail, while in the food and grocery segment the ratio is less than one per cent.

Notwithstanding this small share, if these high growth rates continue, or accelerate further, it might not be long—say, by 2015—before the share of organized retail in food and grocery segment accounts for at least 15–20 per cent; by then it would start having some noticeable impact not only on unorganized retail in food but all along the food supply chain.

As the share of organized retail increases, the sector is likely to experience major consolidation, with large retailers and processors taking over smaller players or joining hands with other large retailers to exploit greater economies of scale. In 2007, Reliance took over Adani Retail in Gujarat; and Trinethra stores were bought by the retail segment of the AV Birla group under the banner More. Also, Mumbai-based Spinach retail stores took over Delhi’s Sabka Bazaar and Home Store. Recently, media reported Bharti is likely to take over Big Apple, which started in 2005 and now has 65
stores covering an area of more than 100,000 sq. ft. (Chakravarty and Kurian 2007).

Since the story is just unfolding in India, it would be useful to draw some lessons from the experience of other countries that are way ahead on this path and then manage this change to the best advantage of most of the stakeholders in the supply chain. There are several key stakeholders in the supply chain, if we look at it from “plate to plough” in a demand-driven, consumer-dominated transformation: the consumers, retailers, processors, wholesalers, commission agents, logistics people, and primary producers (farmers). Extending this supply chain brings in input dealers, bankers, insurance companies, and others that support the supply chain in numerous ways. As organized retail grows and occupies a larger space, almost all the stakeholders in the supply chain are likely to be affected, some less and some more, some favorably and some adversely. This happens in any major structural transformation. Normally, stakeholders who experience gains quietly support the change, while those who lose try to either stop the change or adapt their own situation in such a way that they can minimize the losses. For the policymaker, this is often a complex and difficult situation. But then the art of successful policymaking is minimizing the negative impact and, if possible, compensating the losers, while maximizing the gains for majority of stakeholders and even taxing them marginally to generate resources to compensate the losers or assist them in acquiring other jobs or opening other businesses.
The following discussion concentrates primarily on three major stakeholders: the consumers, traditional retailers, and farmers. The reason for this focus is that the numbers of these three stakeholders in society are very large, and in a democratic society like India, these numbers exert influence through the ballot box. Thus, policymakers cannot ignore it while managing change. However, before one looks at the likely impact on these three major stakeholders, it might be worth looking at their basic structural characteristics and how they are likely to change.

2.6 TYPES OF DISTRIBUTION CHANNELS

Normally goods and services pass through several hands before they come to the hands of the consumer for use. But in some cases producers sell goods and services directly to the consumers without involving any middlemen in between them, which can be called as direct channel. So there are two types of channels, one direct channel and the other, indirect channel. From the above diagram it can be found that there is just one direct channel i.e. from producer to the consumer. There are many indirect channels like:

(i) Producer =>Agent =>Wholesaler =>Retailer =>Consumer,

(ii) Producer =>Wholesaler =>Retailer =>Consumer

(iii) Producer =>Agent =>Consumer

(iv) Producer =>Wholesaler =>Consumer

(v) Producer =>Retailer =>Consumer

Let us discuss about some of the common channels.
(i) Direct Channel

In this channel, producers sell their goods and services directly to the consumers. There is no middleman present between the producers and consumers. The producers may sell directly to consumers through door-to-door salesmen and through their own retail stores. For example, Bata India Ltd, HPCL, Liberty Shoes Limited has their own retail shops to sell their products to consumers. For certain service organizations consumers avail the service directly. Banks, consultancy firms, telephone companies, passenger and freight transport services, etc. are examples of direct channel of distribution of service.

(ii) Indirect Channel

If the producer is producing goods on a large scale, it may not be possible for him to sell goods directly to consumers. As such, he sells goods through middlemen. These middlemen may be wholesalers or retailers. A wholesaler is a person who buys goods in large quantities from producers; where as a retailer is one who buys goods from wholesalers and producers and sells to ultimate consumers as per their requirement. The involvement of various middlemen in the process of distribution constitutes the indirect channel of distribution. Let us look into some of the important indirect channels of distribution. This is the common channel for the distribution of goods to ultimate consumers. Selling goods through wholesaler may be suitable in case of food grains, spices, utensils, etc. and mostly of items,
which are smaller in size. Under this channel, the producers sell to one or more retailers who in turn sell to the ultimate consumers.

This channel is used under the following conditions –

(i) When the goods cater to a local market, for example, breads, biscuits, patties, etc.

(ii) When the retailers are big and buy in bulk but sell in smaller units, directly to the consumers.

Departmental stores and super bazaars are examples of this channel.

2.7 WHOLESALERS AND RETAILERS

Wholesalers and retailers are important middlemen who generally facilitate flow of goods from the producers to the consumers. Let us study in details about them.

i) Wholesalers

Wholesalers are one of the important middlemen in the channel of distribution who deals with the goods in bulk quantity. They buy goods in bulk from the producers and sell them in relatively smaller quantities to the retailers. In some cases they also sell goods directly to the consumers if the quantity to be purchased is more. They usually deal with a limited variety of items and also in a specific line of product, like iron and steel, textiles, paper, electrical appliances, etc. Let us know about the characteristics of wholesaler.

Characteristics of Wholesalers
The followings are the characteristics of wholesaler:

(i) Wholesalers buy goods directly from producers or manufacturers.

(ii) Wholesalers buy goods in large quantities and sells in relatively smaller quantities.

(iii) They sell different varieties of a particular line of product. For example, a wholesaler who deals with paper is expected to keep all varieties of paper, cardboard, card, etc.

(iv) They may employ a number of agents or workers for distribution of products.

(v) Wholesalers need large amount of capital to be invested in his business.

(vi) They generally provide credit facility to retailers.

(vii) He also provides financial assistance to the producers or manufacturers.

(viii) In a city or town they are normally seen to be located in one particular area of the market. For example, you can find cloth merchants in one area, book publishers and sellers in one area; furniture dealers in one area etc.

2.7.1 FUNCTIONS OF WHOLESALERS

You have well understood the meaning of wholesaler and listed their characteristics. Now let us know about the functions of wholesalers. Following are the functions, which a wholesaler usually performs.
(a) **Collection of goods**: A wholesaler collects goods from manufacturers or producers in large quantities.

(b) **Storage of goods**: A wholesaler collects the goods and stores them safely in warehouses, till they are sold out. Perishable goods like fruits, vegetables, etc. are stored in cold storage.

(c) **Distribution**: A wholesaler sells goods to different retailers. In this way, he also performs the function of distribution.

(d) **Financing**: The wholesaler provides financial support to producers and manufacturers by sending money in advance to them. He also sells goods to the retailer on credit. Thus, at both ends the wholesaler acts as a financier.

(e) **Risk taking**: The wholesaler buys finished goods from the producer and keeps them in the warehouses till they are sold. Therefore, he assumes the risks arising out of changes in demand, rise in price, spoilage or destruction of goods.

II) RETAILERS

Retailers are the traders who buy goods from wholesalers or sometimes directly from producers and sell them to the consumers. They usually operate through a retail shop and sell goods in small quantities. They keep a variety of items of daily use.

**Characteristics of Retailers**

The following are the characteristics of retailers:
(i) Retailers have a direct contact with consumers. They know the requirements of the consumers and keep goods accordingly in their shops.

(ii) Retailers sell goods not for resale, but for ultimate use by consumers. For example, you buy fruits, clothes, pen, pencil etc. for your use, not for sale.

(iii) Retailers buy and sell goods in small quantities. So customers can fulfill their requirement without storing much for the future.

(iv) Retailers require less capital to start and run the business as compared to wholesalers.

(v) Retailers generally deal with different varieties of products and they give a wide choice to the consumers to buy the goods.

2.7.2 FUNCTIONS OF RETAILERS

Retailers provide important functions that increase the value of the products and services they sell to consumers and facilitate the distribution of those products and services for the manufacturers that produce them. These value-creating functions include

1) **Providing Assortments:** Retailers typically carry different items made by more number of companies. Offering an assortment enables their customers to choose from a wide selection of brands, designs, sizes, colors, and prices at one location. Manufacturers specialize in producing specific types of products. If each of these manufacturers had its own stores that only sold its own products, consumers would
have to go to many different stores to buy the groceries needed to prepare a single meal. All retailers offer assortments of products, but they specialize in the assortments they offer. Most consumers are well aware of the product assortments retailers offer; even small children tend to know where to buy different types of products. But new types of retailers, offering unique assortments, appear each year.

2) **Breaking Bulk:** To reduce transportation costs, manufacturers and wholesalers typically ship products in bulk quantities to retailers. Retailers then offer the products in smaller quantities tailored to individual consumers’ and households’ consumption patterns in a process called *breaking bulk*. Breaking bulk is important to both manufacturers and consumers, because it provides cost efficiencies for manufacturers that can package and ship merchandise in larger, rather than smaller quantities and it gives consumers the chance to purchase merchandise in the smaller, more manageable quantities they prefer.

3) **Holding Inventory** A major function of retailers is to keep inventory that has been broken into user-friendly sizes so that the products will be available when consumers want them. Thus, consumers can keep a smaller inventory of products at home because they know local retailers will have the products available when they need more. By maintaining an inventory, retailers provide a crucial benefit to consumers: They reduce the cost consumers would have to pay to store products. This function is particularly important to consumers with
limited storage space and those who want to purchase perishable merchandise, like meat and produce, just before they consume it.

4) **Providing Services** Retailers provide services that make it easier for customers to buy and use products. For example, they offer credit so consumers can have a product now and pay for it later. They display products so consumers can see and test them before buying. Some retailers employ salespeople in stores or maintain Web sites to answer questions and provide additional information about products.

5) **Risk bearing**: The retailer has to bear many risks, such as risk of:

   (a) Fire or theft of goods

   (b) Deterioration in the quality of goods as long as they are not sold out.

   (c) Change in fashion and taste of consumers.

6) **Display of goods**: Retailers display different types of goods in a very systematic and attractive manner. It helps to attract the attention of the customers and also facilitates quick delivery of goods.

7) **Supply of information**: Retailers provide all information about the behaviour, tastes, fashions and demands of the customers to the producers through wholesalers. They become a very useful source of information for marketing research.

   **Table 2.4: Distinction between Wholesaler and Retailer**

<table>
<thead>
<tr>
<th>Wholesaler</th>
<th>Retailer</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Buys goods in large quantities.</td>
<td>(i) Buys goods in small quantities.</td>
</tr>
<tr>
<td>(ii) Buys goods directly from suppliers.</td>
<td>(ii) Generally buys goods from the source of goods.</td>
</tr>
</tbody>
</table>
producers. wholesalers.
(iii) Deals with limited variety of goods. (iii) Deals with wide range of products.
(iv) Requires more capital to start and run the business. (iv) Requires less capital to start and run the business.
(v) Sell goods for resale purpose. (v) Sell goods for consumption.
(vi) No direct contact with consumers. (vi) Direct contact with consumer.
(vii) No special attention is given to decoration of shop. (vii) In order to attract the attention of customers retailers give more attention to decoration of shop.
2.8 WHAT IS RETAILING?

**Retailing** is defined as a conclusive set of activities or steps used to sell a product or a service to consumers for their personal or family use. It is responsible for matching individual demands of the consumer with supplies of all the manufacturers. The word retail is derived from the French word *retailier*, meaning ‘to cut a piece off’ or ‘to break bulk’.

A retailer is a person, agent, agency, company, or organization which is instrumental in reaching the goods, merchandise, or services to the ultimate consumer.

**Retailing** consists of the sale of goods or merchandise from a fixed location, such as a department store, boutique, or kiosk, or by mail, in small or individual lots for direct consumption by the purchaser. Retailing may include subordinated services, such as delivery. Purchasers may be individuals or businesses. In commerce, a "retailer" buys goods or products in large quantities from manufacturers or importers, either directly or through a wholesaler, and then sells smaller quantities to the end-user. Retail establishments are often called shops or stores. Retailers are at the end of the supply chain. Manufacturing marketers see the process of retailing as a necessary part of their overall distribution strategy.

Retailing is a dynamic industry – constantly changing due to shifts in the needs of the consumers and the growth of technology. Retail formats and the companies that were unknown three decades ago in India are now the major forces of Indian economy.
In India, the retail sector is the second largest employer after agriculture. The retailing sector India is highly fragmented and consists predominantly of small, independent, and owner-managed shops. There are some 12 million retail outlets in India.

2.9 VARIETY AND ASSORTMENT IN A RETAIL OUTLET:

**Variety** represents the number of merchandise categories a retailer offers. Variety is often referred to as the breadth of merchandise carried by a retailer.

**Assortment** is the number of different items in a merchandise category. Assortment is also referred to as the depth of merchandise.

**Stock keeping unit:** - Each different item of merchandise is called an SKU (stock keeping unit).

2.10 BASIC KINDS OF RETAILERS IN THE WORLD

2.10.1 INTERNATIONAL RETAIL FORMATS

The format of a retailer is the overall appearance and feels that it presents to customers, primarily its look and layout, the sort of range it stocks and the approach taken to pricing. Format is distinct from front which, strictly speaking, refers solely to external appearance. Retailers occasionally use it as as a synonym for format.

The format, together with range, pricing and marketing, is one of the key determinants of a retailer's success. Of these, the format is very often the hardest to get right. A good format will both draw in customers
(generating footfall) and help present products well to generate sales. Because the format is so important, growth investors can often benefit by identifying smaller retailers who have recently developed formats that are good enough to provide a platform for sustained growth.

SUPERMARKETS: A Conventional supermarket is a self-serviced food store offering groceries, meat, and produce with limited sales of non food items, such as health and beauty aids and general merchandise. Whereas conventional supermarkets carry about 30,000 SKUs, Limited assortment supermarkets, also called extreme value food retailers, only stock 1,250 SKUs. Rather than carrying twenty brands of laundry detergent, limited assortment stores offer one or two brands and sizes, one of which is a store brand. Stores are designed to maximize efficiency and reduce costs.

The set of programs supermarket chains have undertaken to achieve this inventory reduction is called efficient customer response (ECR) and includes just-in-time inventory management and better assortment planning. To complete successfully against intrusions by other food retailing formats conventional supermarkets are differentiating their offering by

• Emphasizing fresh perishables,

• Targeting health-conscious and ethnic consumers,

• Providing a better in-store experience, and

• Offering more private label brands.
• Fresh merchandise categories, the areas around the outside walls known as the “power perimeter,” have long been the mainstays of conventional supermarkets. These include the dairy, bakery meats, florist, produce, deli, and coffee bar departments - high traffic; profitable departments that help pull shoppers through the store.

**SUPERCENTERS:** The fastest growing retail category, are large stores that combine a supermarket with a full-line discount store. By offering board assortments of grocery and general merchandise products under one roof, super centers provide a one-stop shopping experience.

**HYPERMARKETS:** are also large (100,000 – 300,000 square feet) combination food and general merchandise stores. Hypermarkets typically stock fewer SKUs than supercenters - between 40,000 and 60,000 items ranging from groceries, hardware, and sports equipment to furniture and appliance to computers and electronics. Hypermarkets are not common in the United States, though hypermarkets and supercenters are similar. Both hypermarkets and supercenters are large, carry grocery and general merchandise categories, offer self-service, and are located in warehouse-type structures with large parking facilities. However, hypermarkets carry a larger proportion of food items than supercenters with a greater emphasis placed on perishables – produce, meat, fish, and bakery. Supercenters, on the other hand, have a larger percentage of nonfood items and focus more on dry groceries, such as breakfast cereal and canned goods, instead of fresh items
WAREHOUSE CLUBS: Warehouse clubs are retailers that offer a limited and irregular assortment of food and general merchandise with little service at low prices for ultimate consumers and small businesses. Warehouse clubs are large (at least 100,000-150,000 square feet) and typically located in low-rent districts. They have simple interiors and concrete floors. Aisles are wide so forklifts can pick up pallets of merchandise and arrange them on the selling floor. Little service is offered. Customers pick merchandise off shipping pallets, take it to checkout lines in the front of the store, and usually pay with cash. Warehouse clubs can offer low prices because they use low-cost locations, inexpensive store designs, and little customer service and keep inventory holding costs low by carrying a limited assortment of fast selling items. Most warehouse clubs have two types of members: wholesale members who own small businesses and individual members who purchase for their own use.

CONVENIENCE STORES: Convenience stores provide a limited variety and assortment of merchandise at a convenient location in 2,000-3,000 square foot stores with speedy checkout. They are the modern version of the neighborhood mom-and-pop grocery/general store. Customers can shop very quickly. Due to their small size and high sales, convenience stores typically receive deliveries every day. Convenience stores only offer limited assortments and variety, and they charge higher prices than supermarkets. In response to competitive pressures, convenience stores are taking steps to decrease their dependency on gasoline sales, tailoring assortments to local markets, and making their stores even more convenient to shop. To increase
convenience, convenience stores are opening smaller stores close to where consumers shop and work.

**GENERAL MERCHANDISE RETAILERS:** The major types of general merchandise retailers are department stores, full-line discount stores, specialty stores, category specialists, home improvement centers, off-price retailers, and extreme value retailers.

**DEPARTMENT STORES:** Department stores are retailers that carry a broad variety and deep assortment, offer customer services, and organize their stores into distinctly separate departments for displaying merchandise. Traditionally, department stores attracted customers by offering a pleasing ambience, attentive service, and a wide variety of merchandise under one roof. They sold both soft goods (apparel and bedding) and hard goods (appliances, furniture, and consumer electronics). But now most department stores focus almost exclusively on soft goods. Department store chains can be categorized into three tiers. The first tier includes upscale, high fashion chains with exclusive designer merchandise and excellent customer service. The second tier of upscale traditional department stores, in which retailers sell more modestly priced merchandise with less customer service. The value oriented tier caters to more price-conscious consumers. Retail chains in the first tier have established a clearly differentiated position and are producing strong financial results, while the value oriented tier is facing significant competitive challenges from discount stores. Department stores still account for some of retailing’s traditions – multistoried downtown stores, special events, parades, Santa Claus lands, and holiday decorations – and offer
designer brands that are not available from other retailers. Department stores have not been as successful as discount stores and food retailers in reducing costs by working with their vendors to establish just-in-time inventory systems, so prices are relatively high. The performance of department stores is linked to the strengths of the brands they sell.

a. In light of the decline in department store patronage, many of these brands, previously sold exclusively through department stores, are pursuing other growth opportunities.

b. To deal with their eroding market share, department stores are attempting to increase the amount of exclusive merchandise they sell, undertaking marketing campaigns to develop strong images for their stores and brands, and

c. Building better relationships with their key customers.

In recent years, department stores’ discount sales events have increased dramatically to the point that consumers have been trained to wait for items to be placed on sale rather than buy them at full price. Finally, department stores are using technology and information systems to improve customer service in a cost effective manner.

FULL-LINE DISCOUNT STORES: Full-line discount stores are retailers that offer a broad variety of merchandise, limited service, and low prices. Discount stores offer both private and national label, but these brands are typically less fashion oriented than the brands in department stores. Target is becoming
one of the most successful retailers in terms of sales growth and profitability. Target succeeds because its stores offer fashionable merchandise at low prices in a pleasant shopping environment.

**SPECIALTY STORES**: Specialty stores concentrate on a limited number of complementary merchandise categories and provide a high level of service in relatively small stores. Specialty stores tailor their retail strategy toward a very specific market segment by offering deep but narrow assortments and sales associate expertise. Because specialty retailers focus on specific market segments, they are vulnerable to shifts in consumer tastes and preferences.

**DRUGSTORES**: Drugstores are specialty stores that concentrate on health and personal grooming merchandise. Pharmaceuticals often represent over 50 percent of drugstore sales and an even greater percentage of their profits. Drugstores, particularly the national chains, are experiencing sustained sales growth because the aging population requires more prescription drugs. Drugstores are also being squeezed by considerable competition from pharmacies in discount stores and supermarkets, as well as from prescription mail-order retailers. Drugstore retailers are using systems to allow pharmacists time to provide personalized service.

**CATEGORY SPECIALISTS**: Are big box discount stores that offer a narrow but deep assortment of merchandise. These retailers are basically discount specialty stores. Most category specialists use a self-service approach, but some specialists in consumer durables offer assistance to customers. For example, office depot stores have a warehouse atmosphere, with cartons of
copying paper stacked on pallets plus equipment in boxes on shelves. By offering a complete assortment in a category at low prices, category specialists can “kill” a category of merchandise for other retailers and thus are frequently called category killers. Due their category dominance, they use their buying power to negotiate low prices and are assured of supply when items are scarce. One of the largest and most successful types of category specialist is the home improvement center. A home improvement center is a category specialist offering equipment and material used by do-it-yourselfers and contractors to make home improvements.

**EXTREME VALUE RETAILERS:** They are small, full-line discount stores that offer a limited merchandise assortment at very low prices. The largest extreme value retailers are dollar general and Family dollar stores. Extreme value retailers are one of the fastest growing segments in retailing. Like limited assortment food retailers, extreme value full-line retailers reduce costs and maintain low prices by offering a limited assortment and operating in low-rent, urban, or rural locations.

**OFF-PRICE RETAILERS:** They offer an inconsistent assortment of brand name merchandise at low prices. America’s largest off-price retail chains are TJX companies, Ross Stores, and Burlington Coat Factory. Off-price retailers sell brand name and even designer label merchandise at low prices through their unique buying and merchandising practices. Most merchandise is bought opportunistically from manufacturers or other retailers with excess inventory at the end of the season. Due to this pattern of opportunistic buying, customers
can't be confident that the same type of merchandise will be in stock each time they visit the store.

**CLOSEOUT RETAILERS:** are off-price retailers that sell a broad but inconsistent assortment of general merchandise as well as apparel and soft home goods. The largest closeout chains are Big Lots Inc. and Tuesday Morning. Outlet stores are off-price retailers owned by manufacturers or department or specialty store chains. Those owned by manufacturers are frequently referred to as Factory Outlets. Out stores are typically found in one of the fastest growing types of malls – the outlet mall.

**NON-STORE RETAILERS:**

In the preceding sections, we examined retailers whose primary channel is their stores. In this section, we will discuss types of retailers that operate primarily through non-store channels.

a) **ELECTRONIC RETAILERS**

Electronic Retailing (also called e-tailing, online retailing, and Internet retailing) is a retail format in which the retailers communicate with customers and offer products and service for sale over the Internet. Even though online retail sales continue to grow much faster than retail sales through stores and catalogs, we now realize the internet is not a revolutionary new retail format that will replace stores and catalogs. While the Internet continues to provide opportunities for entrepreneurs in the retail industry, it is now primarily used by traditional retailers as a tool to complement their store and catalog offerings, grow their revenues, and provide more value for their customers.
Most of the retailers that sell merchandise exclusively over the Internet target niche markets – markets that are so small and dispersed that they cannot be economically serviced by stores.

b) CATALOG AND DIRECT-MAIL RETAILERS

Catalog retailing is a non-store retail format in which the retail offerings are communicated through a catalog, whereas direct-mail retailers communicate with their customers using letters and brochures. Historically, catalog and direct-mail retailing were most successful with rural consumers who lacked ready access to retail stores. In 2003, $125 billion of merchandise and services were sold through catalogs, and over 17 billion catalogs were distributed in the United States. The merchandise categories with the greatest catalog sales are apparel, gifts, books, and home décor.

TYPES OF CATALOG AND DIRECT MAIL RETAILERS

General merchandise catalog retailers offer a broad variety of merchandise in catalogs that are periodically mailed to their customers. Specialty catalog retailers focus on specific categories of merchandise, such as fruit, gardening tools, and seeds and plants. Direct mail retailers typically mail brochures and pamphlets to sell a specific product or service to customers at one point in time. Catalog retailing is very challenging. First, it is difficult for smaller catalog and direct-mail retailers to compete with large, well-established firms with sophisticated CRM and fulfillment systems. Second, the mailing and printing costs are high and increasing. Third, it is difficult to get customers’ attention as they are mailed so many catalogs and
direct mail promotions. Forth, the length of time required to design, develop, and distribute catalogs makes it difficult for catalog and direct mail retailers to respond quickly to new trends and fashions.

DIRECT SELLING

Direct selling is a retail format in which salespeople, frequently independent businesspeople, contact customers directly in a convenient location, either at the customer’s home or at work; demonstrate merchandise benefits and/or explain a service; take an order; and deliver the merchandise or perform the service. Direct selling is a highly interactive form of retailing in which considerable information is conveyed to customers through face-to-face discussions with salespeople. However, providing this high level of information, including extensive demonstrations, is costly.

Two special types of direct selling are the party plan and multilevel selling. About 30 percent of all direct sales are made using a party plan system, in which salespeople encourage customers to act as hosts and invite friends or coworkers to a “party” at which the merchandise is demonstrated. Sales made at the party are influenced by the social relationship of the people attending with the host or hostess, who receives a gift or commission for arranging the meeting.

TELEVISION HOME SHOPPING

Television home shopping is a retail format in which customers watch a TV program that demonstrates merchandise and then place orders for the
merchandise by telephone. The three forms of electronic home shopping retailing are

- Cable channels dedicated to television shopping
- Infomercials

**DIRECT-RESPONSE ADVERTISING**

- Direct-response advertising includes advertisements on TV and radio that describe products and provide an opportunity for consumers to order them.
- Infomercials are TV programs, typically 30 minutes long that mix entertainment with product demonstrations and then solicit orders placed by telephone.
- The major advantage of TV home shopping compared with catalog retailing is that consumers can see the merchandise demonstrated on their TV screen.

**VENDING MACHINE RETAILING**

Vending machine retailing is a non-store format in which merchandise or services are stored in a machine and dispensed to customers when they deposit cash or use a credit card. Vending machines are placed at convenience, high-traffic locations, such as in the workplace or on university campuses, and primarily contain snacks and drinks. Due to increasing labor and gasoline costs, vending machine operators are increasing their prices and retrofitting machines to accept higher denomination bills. Technological
developments in vending machine design may result in long-term sales growth. Some retailers are experimenting with vending machines as another channel to service their customers.

2.11 MAJOR RETAIL FORMATS IN INDIA

In the past, the Indian retail sector has been dominated by small independent players such as traditional and small grocery stores. It is in the recent times that organized, multi-outlet retail concept has gained acceptance and has since then gained momentum. As per the study conducted by the Indian Council for Research on International Economic Relations (ICRIER), on the subject 'Impact of Organized Retail on Unorganized Sector', the retail business is estimated to grow at 13% per annum from US $ 322 billion in 2006-07 to US $ 590 billion in 2011-12.

A report by FICCI on the "Indian retail: on the fast track" shows that various organized retailers are currently experimenting with different formats of retail trade. It is difficult to predict which format will have a winning edge over all others in view of the fact that the Indian market is yet to mature.
The different sorts of retail formats that retailers could adopt are mom-and-pop or kirana stores, specialty stores, department stores, discount stores, convenience stores, hypermarkets, supermarkets, malls, category killers, e-tailers and vending machines.

**MOM-AND-POP OR KIRANA STORES:** They are retail outlets owned and operated by individuals. The range of products are very selective and few in numbers. These stores are seen in local community often are family-run businesses. The square feet area of the store depends on the store holder.

**SUPERMARKETS:** A supermarket is a format store with 3000-5000 sq ft in size; catering to the daily, weekly and monthly shopping needs of consumers. The product offerings include a wide range of fresh fruits & vegetables, groceries, personal care, home care and general merchandise. Supermarkets provide a limited variety and assortment of merchandise at a convenient location in with speedy checkout.

**SPECIALTY STORES:** A typical specialty store gives attention to a particular category and provides high level of service to the customers. A pet store that specializes in selling dog food would be regarded as a specialty store. However, branded stores also come under this format. For example if a customer visits a Reebok or Nike store then they find just Reebok and Nike products in the respective stores.

**SHOPPING MALLS:** has a range of retail shops at a single outlet. They endow with products, food and entertainment under a roof. Example: Central, Forum, Sigma mall and Garuda mall in Bangalore.
CATEGORY KILLERS OR CATEGORY SPECIALIST: By supplying wide assortment in a single category for lower prices a retailer can "kill" that category for other retailers. For few categories, such as electronics, the products are displayed at the center of the store and sales person will be available to address customer queries and give suggestions when required. Other retail format stores are forced to reduce the prices if a category specialist retail store is present in the vicinity. For example: Pai Electronics store, Girias in Bangalore.

E-TAILERS: The customer can shop and order through internet and the merchandise are dropped at the customer's doorstep. Here the retailers use drop shipping technique. They accept the payment for the product but the customer receives the product directly from the manufacturer or a wholesaler. This format is ideal for customers who do not want to travel to retail stores and are interested in home shopping. However it is important for the customer to be wary about defective products and non secure credit card transaction. Example: Amazon and Ebay.

VENDING MACHINES: This is an automated piece of equipment wherein customers can drop in the money in machine and acquire the products. This kind of system is currently widely used in India.

Retailers can opt for a format as each provides different retail mix to its customers based on their customer demographics, lifestyle and purchase behavior. A good format will lend a hand to display products well and entice the target customers to spawn sales.
2.11 MAJOR SUPERMARKETS CONSIDERED FOR THE STUDY

The major supermarkets considered for the present study are Spencer’s, FoodWorld, KB’s Fair Price Shop, More for you, Food Bazaar and Reliance Fresh. A brief profile of the retailers is given below.

2.11.1 RPG RETAIL:

FOODWORLD SUPERMARKET STORE:
Foodworld Supermarket store is a format store with 3000-5000 sq ft size. Foodworld reinforces brand fundamentals, through back into store upgrade program, improving the Fresh offers, re-focusing store operating standard and innovative marketing program.

Foodworld now operates over 67 supermarkets stores across Bangalore, Chennai and Hyderabad. The first concept store of Foodworld Gourmet was opened in Bangalore in May 2007. It offered a wide range of international and premium products. Foodworld also pioneered private label development in the value-added food and non-food areas in India, following the trend of successful retailers worldwide. In May 2007, Dairy Farm own brand products – No Frills and First Choice was exclusively launched in Foodworld stores. In July 2007, the first Foodworld Superstore with about 15000 sq ft was opened in Hyderabad. It provides extensive range from fresh food, grocery products and up to household needs. Foodworld has become the leading supermarket chain in India consistently delivering ‘Convenience’, quality ‘Fresh Foods’, wider ‘Range’, Friendly ‘Service’ and ‘Lowest Prices’. 
The three prime variables that the Company sticks to are stock turn, volumes and efficiency. Foodworld is now a known chain to offer a complete range of fresh foods, which includes Fruits, Vegetables, and Bakery etc. It also offers a 100% Unconditional Replacement Guarantee.

Vision:

“To be A Leading Retailer in India in Terms of Sales and profitability and Brand Recall”

Mission:

“To Offer Superior and Unique Retail Propositions in All their Channels”

- Product
- Range
- Quality
- Value
- Systems
- Effectiveness
- Customer Service
- People
- Accessibility

And Leverage on their Combined Strength and Size for Increased Profitability and providing what Customer wants rather than what they want to sell.

Culture:
• One of Mutual respect, Fairness, Openness, Support and Fluid Communication throughout and between Businesses.

• To have a Winning Spirit, Continuously Striving for Excellence and Service to Customers.

Other Format stores of RPG Group

1. FOODWORLD GOURMET STORE:

   Foodworld Gourmet is a new concept store with 2800 sq ft size in Bangalore, India. It caters our well-informed customers who expect their food
to combine flavor with high nutritional value products from around the world. And also to offer the customers the extensive range of international food in India. They source the highest quality; and most healthy foods for the customers. They aim to provide fresh products everyday displayed in appetizing and appealing ways at reasonable prices for the customers.

2. FOODWORLD SUPER STORE:

Foodworld Super Store is the first superstore with 15,000 sq ft large footprint shopping area for the customers, in Hyderabad. It offers full Fresh,
including service counters like seafood, fresh meat, bakery, sweet, candy and imported cheeses, and also with extensive Grocery ranges and strong household need products. Wider promotions are arranged in the store.

3. FOODWORLD EXPRESS STORE:

FoodWorld Express is a convenience store and mini marts with 1000-1500 sq. ft. It carries basic Fresh range offers, wider ranges in drinks, snacks, bakery, confectionary and impulse products.
Services offered by Foodworld

Foodworld offers free home delivery for purchases over Rs.500, within 3km from the store. In some of its outlets, gift vouchers in the denominations of Rs.100, Rs.250 and Rs.500 are available for the customers to be gifted to their dear ones.

2.11.2 ADITYA BIRLA GROUP
A US $28 billion premium conglomerate, the Aditya Birla Group is in the League of Fortune 500. It is anchored by an extraordinary force of 100,000 employees, belonging to 25 different nationalities. The Group has been adjudged "The Best Employer in India and among the top 20 in Asia" by the Hewitt-Economic Times and Wall Street Journal Study 2007. Over 50 per cent of its revenues flow from its overseas operations.

The Group operates in 25 countries - India, UK, Germany, Hungary, Brazil, Italy, France, Luxembourg, Switzerland, Australia, USA, Canada, Egypt, China, Thailand, Laos, Indonesia, Philippines, Dubai, Singapore, Myanmar, Bangladesh, Vietnam, Malaysia and Korea.

Globally the Aditya Birla Group is

- A metals powerhouse, among the world's most cost-efficient aluminium and copper producers. Hindalco-Novelis is the largest aluminium rolling company. It is one of the 3 biggest producers of primary aluminium in Asia, with the largest single location copper smelter
- No. 1 in viscose staple fibre
- The 4th largest producer of insulators
- The 4th largest producer of carbon black
- The 11th largest cement producer
- Among the world's top 15 BPO companies and among India's top 4
- Among the best energy efficient fertiliser plants
In India

- A premier branded garments player
- The 2nd largest player in viscose filament yarn
- The 2nd largest in the Chloride-alkali sector
- Among the top 5 mobile telephony companies
- A leading player in Life Insurance and Asset Management
- Among the top 3 super-market chains in the Retail business

Rock solid in fundamentals, the Aditya Birla Group nurtures a culture where success does not come in the way of the need to keep learning afresh, to keep experimenting.
Aditya Birla Retail Limited

Aditya Birla Retail Limited is the retail arm of Aditya Birla Group, a USD 28 billion Corporation. The Company ventured into food and grocery retail sector in 2007 with the acquisition of a south based Trinethra supermarket chain. Subsequently Aditya Birla Retail Ltd. expanded its presence across the country under the brand "more." with two formats, Supermarket & Hypermarket.

SUPERMARKETS (more. for you):

more. for you – is Conveniently located in neighborhoods. more. For you supermarkets cater to the daily, weekly and monthly shopping needs of consumers. The product offerings include a wide range of fresh fruits & vegetables, groceries, personal care, home care, general merchandise & a basic range of apparels. more. for you provides a one stop solution for grocery shopping needs. Also in store are essentials such as, innerwear, kids essentials, and a pharmacy, bakery and a mobile store. With a range of over 4,000 products, more. for you is able to fulfill your daily shopping needs all under one roof, at a convenient location close to customers. The more. for you promises a world class shopping experience, with a modern store layout, easy to shop with friendly staff at hand to provide assistance, electronic billing facilities and a colorful ambience. At more. for you, it offers branded food and grocery products sourced from the leading brands from all over India, along with private label brands from our own portfolio - available in a broad selection for customers, always giving them the best possible value for their
money. *more.* for you is your neighborhood supermarket which takes care of your everyday household needs and more. Currently, there are over 600 *more.* for you supermarkets across the country.

**Hypermarket**

With the launch of *more.MEGASTORE* - a hypermarket, in March 2008, Aditya Birla Retail Ltd. expanded its footprint in large format retailing, which features both food and non-food products.

*more.MEGASTORE* - is a one-stop shopping destination for the entire family. Besides a large range of products across fruits & vegetables, groceries, FMCG products, *more.MEGASTORE* also has a strong emphasis on general merchandise, apparels & consumer durables. electronics, computers, mobile phones, apparel, footwear sports and FMCG products, with national, international and house brands all under a single roof.

Currently, nine hypermarkets operate under the brand *more.MEGASTORE* in Mysore, Vadodara, Aurangabad, Indore, Bengaluru, Mumbai, New Delhi, Hyderabad and Vashi. The *more.* Supermarkets and Megastores have a loyalty program called *Clubmore.*, currently a strong membership base of over 1 million members. For the benefit of customers, services like consumer Finance on electronics products such as Audio & Video and Large White Appliance are available at *more.MEGASTORE*
Quality & Value through own labels:

Aditya Birla Retail Ltd provides customers a wide choice of products under its own labels. The objective is to provide quality products at attractive price points to customers. Since quality of the products is of prime importance, stringent quality norms have been set and are followed. All manufacturing partners are the best in their class. The own label food brands are Feasters, Kitchen's Promise, and Best of India. In Home & Personal care, they have their own like Enriche, 110%, Pestex, Paradise, and Germex.

Vision & Values

Vision: "To consistently provide the Indian consumer complete and differentiated shopping experiences and be amongst India’s Top retailers, while delivering superior returns to all stakeholders".

Values:

- Integrity
- Commitment
- Passion
- Seamlessness
- Speed

Offers and Promotions

- At more. for you, the company has adopted a competitive pricing policy ensuring that the customers receive the best possible value. It retails a wide range of products below MRP. They also have a wide selection of
products on attractive offers and promotions that help customers to get more from their shopping.

- Customers can expect to be pleasantly surprised at every visit to more. for you stores with attractive promotions such as "Buy and Get Free", discounts and special offers.
- From time to time, they also run festival promotions that help customers shop for special and festive occasions. They also promote traditional favorites and local specialties during festivals to make customers’ shopping experience convenient.
- more. for you stores also run such promotions that give customers an opportunity to win attractive prizes such as cars, two wheelers, holiday packages, gift hampers and much more.

Friendly Return & Exchange Policy at more.MEGASTORE

- Hassle free Return & Exchange policy at more.MEGASTORE
- In case the customer changes his mind, people at more.MEGASTORE would be pleased to exchange the same for the customer without asking much questions as long as it is in its original packaging and accompanied by its invoice.
- In case, an exchange is not required, the customer is issued a gift card equal to the billed value, which can be utilized within the store as per the convenience of the customer.
2.11.3 SPENCER’S - HERITAGE

Since 1863, Spencer’s has been a part of the Indian retail landscape. At one time, the Spencer’s Empire stretched from Peshawar to Cochin, from Karachi to Chittagong, spanning the length and width of undivided India. Originally owned by a British gentleman – yes, there was a Mr. Spencer (John William Spencer, to be precise) – it acquired Indian ownership in the 1960s, and became part of the RPG Group in 1989.

In 1995, RPG Enterprises, the flagship company of the RPG Group, launched Foodworld as a joint venture with Hong-Kong based Dairy Farm International. The joint venture, which operated supermarkets under the name “Foodworld” and hypermarkets under the name “Giant”, was terminated in 2006. RPG retained 48 of the 93 stores it owned. These were re-furbished and their launch under the brand name, Spencer’s, kicked off a new phase in both the history of the Spencer’s brand, and the retailing India.

Since inception Spencer’s has been a consumer-centric brand, constantly innovating, pioneering formats, evolving over time but always keeping consumer needs and satisfaction center-stage. Back in 1920, we were the first grocery chain in India. In 1980, we became the first supermarket chain, and in 2001, we introduced India to the joys of hypermarket shopping.
What has remained unchanged almost 150 years is the trust the Spencer’s brand evokes. To the consumer, it carries the promise of innovation, quality, and service; the confidence that they will always be able to find a Spencer’s at a convenient location; that it will have a pleasant ambience; and that it will offer a wide range of products at affordable prices.

As the pioneer in organized food retailing in India, the modern-day Spencer’s started operations back in the early 90s, in South India. We run more than 200 stores across 35 cities in India. Currently, Spencer’s has two retail store formats:

- Convenience stores, called Spencer’s
- Hypermarkets, called Spencer’s hyper

Spencer’s are neighborhood stores that cater to the daily and weekly top-up shopping needs of consumers. Ranging from 1,500 to 15,000 sq. ft. in size, they stock, at minimum, an assortment of fruits and vegetables, food and non-food Fast Moving Consumer Goods, staples and frozen foods. The larger of these stores, having a floor area of more than 10,000 sq ft sometimes offer a selected range of baked, chilled and frozen foods; personal and home care products; baby care; basic apparels and electronics and electrical. Spencer’s hyper are megastores, which combine a supermarket with a department store. At least 15,000 sq. ft in size, they stock, on average, 70,000 items, giving shoppers fantastic deals across food, fashion, home and entertainment and etc. all under one roof.
Spencer’s hyper are destinations for more than just shopping. Country and theme festivals, the Spencer’s Chef Corner with master chefs showing you how to prepare exotic dishes, Modern Menu – our in-store food court, wine or cheese tasting sessions … there’s always something extra happening at a Spencer’s hyper.

The following characteristics distinguish the Spencer’s brand and create memorable shopping experiences for consumers:

- **Products** – Spencer’s offers the widest range of food and lifestyle (fashion, home, entertainment) brands, with a special expertise in food

- **Quality** – It lays a huge emphasis on all-round quality: in products, stores, service standards, and customer engagement programs and that too since our inception at 1863

- **Heritage** – They are India’s oldest retailer, with many firsts to their credit

- **Multiple Formats** – from daily to weekly and specialty shopping, they fulfill every need and provide maximum convenience

- **Promotions** – They seek to offer the right products at the right time at the right price, with promotions carefully designed to suit the buying cycle and shopping basket of the consumers
• Brand Imagery – The stores and their staff seek to make their customers feel right at home, being international, contemporary, accessible, empathetic and trusted

**Innovations at Spencer’s**

Throughout its long history (the first ever Spencer’s store opened in 1895), Spencer’s has been a recognized and respected player in the Indian grocery business, synonymous with quality goods and services, trusted by India’s exploding population of the upwardly mobile middle class. Spencer’s has continually helped reshape the retail landscape in India, introducing a host of innovations to make shopping even more convenient and enjoyable for the consumer. These include:

**Retail Design Initiatives**

The Retail Design team helps Spencer’s deliver its brand promise in a way that is sophisticated, but not snobbish. This result in differentiation without alienation of loyal customers or loss of the brand equity acquired over the years.

Central to the retail design strategy is a unique brand position - Taste the World, derived from the consumer’s own transition from a price-conscious purchaser to a global-minded, well-travelled citizen of the world, looking out for authentic international flavors and experiences. Spencer’s has consequently evolved from being a preferred grocery retailer to being a passport to a stimulating world. This is evident in:
• Storefront Design – the store entrance resembles that of an entrance arch, leading in the shopper to a world that is welcoming and exciting.

• Interior Design – to ensure that shoppers enjoy a warm and friendly ambience, an upscale look and feel, the joy of exploring and the convenience of locating what they want.

• Shop fit Design – from chef’s tables to signage aids, the emphasis is on attractive, space-efficient, and low-maintenance presentation of modern, international goods alongside local flavors and product experiences.

• Innovative Use of Materials, Finishes, and Lighting - from color-corrected lighting warming up the foods and vegetables area, to carefully selected veneers and textures that complement the attractive, color palette of bright orange, white, and Swiss coffee, our store interiors have a fresh, cheerful, and expansive feel.

• Graphics & Signage - shopping at Spencer’s is a visual treat, enhanced by bright orange “Heritage boards” that tell the Spencer’s story, curved signage featuring the signature “Taste the World” tagline, and category-specific color arches suspended over zones and departments to provide visual relief and act as navigational aids.

Originally rolled out at the Spencer’s hypermarket at South City Mall, Kolkata, the new retail design program is being implemented at all stores.
VISUAL MERCHANDISING INITIATIVES

The Visual Merchandising program uses a mix of theatre and edutainment to depict Spencer’s as a “Food First” retailer with a “Taste the World” mindset. This is evident in:

- **Feature Displays** - Hotspots and focal points around the store carry thematic product displays to welcome shoppers and give them the opportunity to pause and absorb the ambience that constitutes a “Taste the World” experience, before continuing their journey of exploration.

- **Presentation of Merchandise** - Category-specific color coding (fresh green for food, sophisticated violet for fashion, blue for electronics and multimedia, and red for furniture and home goods) make for easy navigation, while visual metaphors of “farm-fresh” and “Taste the World” drive home our brand promise. An Eiffel Tower and Big Ben here, a Chinese pagoda and Thai hut there - frame highly stylized displays at focal points. Fiberglass models of aquatic food, breads, and cheese denote the fish counter and delicatessen.
PRODUCT INITIATIVES

- Gourmet Centre - Run by an expert Food Scientist cum Cordon Bleu Chef, Spencer’s food innovation wing researches world cuisines and develops recipes for a wide range of popular and trendsetting dishes. These form the basis for developing their own range of products, which include delicious cookies and sauces, pickles and jams. Ingredients for these dishes are also retailed through their stores, for those who like to prepare the dishes at home.

- Spencer's Patisserie - The Fresh Baked Daily - Spencer's Patisserie is Spencer's LIVE Bakery offering simple, specialty and exotic range of freshly made bakery and confectionery items. The recipes are authentic, gathered from the best ones from all across the world, including Indian favorites. The products are an ideal mix of simple, specialty and exotic varieties from all across the world, including Indian favorites. Be it Focaccia—the Italian flat bread, Baguette—the French classic, Spicy Salsa Picante Bread—the Mexican twist, Masala Bread—pure Indian, White Bread—the simple one, Multigrain & Whole Wheat Bread—for the health conscious are some of the breads. Hot Puffs, the dry fruit cakes, Exotic cookies, mouth-watering cakes and pastries like Blueberry Cheese Cake, Trio of Chocolate, Black Forest cater to all.
• Gourmet store - Kolkata’s first Gourmet store is spread over an area of 1500 sq. ft. It is has more than 4000 products to choose from and offers the finest ingredients of gourmet cuisine and recipes to guide in the making of lip smacking delicacies from across the world. The store offers a wide range and assortment of gourmet breads, biscuits, 500 different types of beverages, chocolates, 100 variants chilled & frozen food items, 200 variants of 300 types of cheese, cold-cuts, 60 variants in vegetarian and non-vegetarian convenience foods, exotic and organic fresh fruits and vegetables, 300 types of pastas and noodles, oils and vinegars. The products serve as ingredients to cuisines of Thailand, China, Indonesia, America, Chile, Argentina, Italy, France, Spain, Sri Lanka and UK to name a few.

• Wine & Spirits - Wine ignoramuses or aficionados … we cater to both, with a wide range of wines expertly selected from as many as 181 countries. Spencer’s was, in fact, the first Indian retailer to offer a
selection of Wine & Spirits in its stores, and the first to present an in-store wine and cheese tasting experience to shoppers.

- Meat, Chicken, Fish - our counters for fresh non-vegetarian items truly represent the finest fresh cuts a shopper can get. Seafood lovers, be sure to take your pick from the live fish-tanks on display.
**STORE EVENT INITIATIVES**

In-store event initiatives ensure that a visit to Spencer’s is always a memorable experience.

- **Live Kitchen** - Live Counters with Master Chefs preparing gourmet delights are always popular at buffets … we brought the concept to our stores in the form of the Spencer’s Chef Corner, a first-of-its-kind in-store experience that involves customers even as it showcases the ingredients displayed in our Specialty Bays. From Salads to Sushi, from Pastas to Satays and from Cheese Fondue to Cool mocktails, **Spencer’s Chef Corner** gives customers an opportunity to learn more about their favorite world cuisines.

**Modern Menu** – Footsore and still not done with your shopping? Stop by at our food court and treat yourself to a shake, swirl or savory
<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
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<tbody>
<tr>
<td>1863</td>
<td>John William Spencer and Charles Durrant open the first ever Spencer store in Chennai.</td>
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<tr>
<td>1920</td>
<td>Spencer's becomes the first grocery store in India.</td>
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<tr>
<td>1980</td>
<td>Spencer's becomes the first supermarket chain under Food World in India.</td>
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<tr>
<td>1989</td>
<td>RPG Enterprises buys a majority stake in Spencer's.</td>
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<td>1995</td>
<td>Spencer's enters into a Technology Assistance Agreement with Dairy Farm International Holdings Ltd., Hong Kong, to set up the Foodworld chain of supermarkets in India.</td>
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<tr>
<td>1996</td>
<td>First Foodworld store inaugurated in R A Puram, Chennai, by M. S. Subbulakshmi, renowned Karnatic musician.</td>
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<tr>
<td>2001</td>
<td>First hypermarket inaugurated in Musheerabad, Hyderabad, by Krishna Yadav, Labour Minister of Andhra Pradesh.</td>
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<tr>
<td>2006</td>
<td>100th Foodworld store inaugurated in Pondicherry.</td>
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<tr>
<td>2008</td>
<td>First standalone retail store inaugurated at Vadodara. Exclusive tie-up with £3 billion Woolworths plc, UK, for retailing their internationally acclaimed toy brand, Chad Valley, and their Ladybird brand of kids wear; the latter is Woolworths' first international tie-up in the children's apparel segment. Tie-up with Au Bon Pain, the Boston-based fast casual dining and bakery café chain having more than 200 outlets in America, South Korea, Taiwan and Thailand. Alliance with Beverly Hills Polo Club – its first international tie-up in fashion.</td>
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<tr>
<td>2009</td>
<td>Launch of the first exclusive brand outlet of Beverly Hills Polo Club in Delhi. Launch of Bangalore's first hyper store on 35000 sq. ft in up-market Sarjapur. Launch of a 12000 sq. ft hyper in Andhra Pradesh's rich town, Warangal (photo not available). Launch of the first café and bakery outlet under the Au Bon Pain brand in Bangalore, MG Road. Foray into Punjab with the launch of three Beverly Hills Polo club outlets in Amritsar and Jalandhar. Announcement of a change in brand positioning from &quot;Taste-the-World&quot; to &quot;Makes Fine Living Affordable&quot;. Announcement of the exclusive tie-up with Marc Ecko Enterprises of USA for Ecko Ultd and Ecko Red apparel brands. The first store launched in up-market DLF Promenade Mall in Vasant Kunj, New Delhi. Announcement of exclusive tie-up with Ladybird brand of kids-wear from the house of UK-based Shop direct Group. The first store was launched in MGF Metropolitan, Gurgaon (photo not available).</td>
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<tr>
<td>2010</td>
<td>Launch of the Guntur's first hyper store on 13000 sq. ft (photo not available).</td>
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</table>
Pantaloons, a chain of fashion outlets, Big Bazaar, a uniquely Indian hypermarket chain, Food Bazaar, a supermarket chain, blends the look, touch and feel of Indian bazaars with aspects of modern retail like choice, convenience and quality and Central, a chain of seamless destination malls. Some of its other formats include Brand Factory, Blue Sky, all, Top 10 and Star and Sitara. The company also operates an online portal, futurebazaar.com.

Future Value Retail Limited is a wholly owned subsidiary of Pantaloon Retail (India) Limited. This entity has been created keeping in mind the growth and the current size of the company’s value retail business, led by its format divisions, Big Bazaar and Food Bazaar.

The company operates 148 Big Bazaar stores, 169 Food Bazaar stores, among other formats, in over 70 cities across the country, covering an operational retail space of over 6 million square feet. As a focused entity driving the growth of the group’s value retail business, Future Value Retail
Limited will continue to deliver more value to its customers, supply partners, stakeholders and communities across the country and shape the growth of modern retail in India.

A subsidiary company, Home Solutions Retail (India) Limited, operates Home Town, a large-format home solutions store, Collection i, selling home furniture products and eZone focussed on catering to the consumer electronics segment.

Pantaloons Retail is the flagship company of Future Group, a business group catering to the entire Indian consumption space.

**FUTURE GROUP**

Future Group, led by its founder and Group CEO, Mr. Kishore Biyani, is one of India’s leading business houses with multiple businesses spanning across the consumption space. While retail forms the core business activity of Future Group, group subsidiaries are present in consumer finance, capital, insurance, leisure and entertainment, brand development, retail real estate development, retail media and logistics.

Future Group believes in developing strong insights on Indian consumers and building businesses based on Indian ideas, as espoused in the group’s core value of ‘Indianness.’ The group’s corporate credo is, ‘Rewrite rules, Retain values.’
FUTURE GROUP MANIFESTO

- “Future” – the word which signifies optimism, growth, achievement, strength, beauty, rewards and perfection. Future encourages us to explore areas yet unexplored, write rules yet unwritten; create new opportunities and new successes. To strive for a glorious future brings to us our strength, our ability to learn, unlearn and re-learn, our ability to evolve.

- Future Group does not wait for the Future to unfold itself but create future scenarios in the consumer space and facilitate consumption because consumption is development. Thereby, they effect socio-economic development for our customers, employees, shareholders, associates and partners.

- Its customers do not just get what they need, but also get them where, how and when they need.

- It is not just post satisfactory results, it writes success stories.

- It is not just operating efficiently in the Indian economy, it evolves it.

- It not just spots trends; it sets trends by marrying its understanding of the Indian consumer to their needs of tomorrow.

Group Vision

Future Group shall deliver Everything, Everywhere, Everytime for Every Indian Consumer in the most profitable manner.
Group Mission

- It shares the vision and belief that its customers and stakeholders shall be served only by creating and executing future scenarios in the consumption space leading to economic development.
- It will be the trendsetters in evolving delivery formats, creating retail realty, making consumption affordable for all customer segments — for classes and for masses.
- It will infuse Indian brands with confidence and renewed ambition.
- It will be efficient, cost-conscious and committed to quality in whatever we do.
- It will ensure that our positive attitude, sincerity, humility and united determination shall be the driving force to make us successful.

Core Values of Future Group

- Indianness: confidence in ourselves.
- Leadership: to be a leader, both in thought and business.
- Respect & Humility: to respect every individual and be humble in our conduct.
- Introspection: leading to purposeful thinking.
- Openness: to be open and receptive to new ideas, knowledge and information.
- Valuing and Nurturing Relationships: to build long term relationships.
- Simplicity & Positivity: Simplicity and positivity in our thought, business and action.
• Adaptability: to be flexible and adaptable, to meet challenges.

• Flow: to respect and understand the universal laws of nature.

AFFILIATE COMPANIES OF FUTURE GROUP

Home Solutions Retail (India) Limited: Home Solutions Retail (India) Limited (HSRIL) offers complete retailing solutions for all products and services related to home building and home improvement. The key product categories are Consumer Durable & Electronics (CDE), Furniture, Home furnishing & decor, Home improvement and Home services. HSRIL operates retail format Collection-i, Furniture Bazaar, Electronics Bazaar, Home Town and e-zone.

Future Brands Limited: Future Brands Limited (FBL) has been incorporated on November, 2006 and is involved in the business of creating, developing, managing, acquiring and dealing in consumer-related brands and IPRs (Intellectual Property Rights).

Future Media (India) Limited: Future Media (India) Limited (FMIL) was incorporated as the Group’s media venture, aimed at creation of media properties in the ambience of consumption and thus offers active engagement to brands and consumers. FMIL offers relevant engagement through its media properties like Visual Spaces, Print, Radio, Television and Activation.

Future Supply Chain Solutions Limited: Future Supply Chain Solutions Limited (FSCS) has been incorporated as a separate entity and is involved in
the business of providing logistics, transportation and warehousing services for all group companies and third-parties.

**Future Axiom Telecom Limited:** Future Axiom Telecom Limited is a Joint Venture with Axiom Telecom LLC, UAE. The Company has a 50% stake in Future Axiom Telecom Limited (FATL) which is a joint venture Company with Axiom Telecom LLC, UAE. The Company would be engaged in sourcing and wholesale distribution of mobile handsets, accessories and in setting up service centres for mobile handsets in India.

**Pantaloons Food Product (India) Limited:** Pantaloons Food Product (India) Limited (PFPIL) was incorporated with the object of sourcing and backward integration of food business of the Company. PFPIL has sourcing and distribution bases at all key cities across the country.

**Future Knowledge Services Limited:** Future Knowledge Services Limited (FKSL) was incorporated on January, 2007 and is engaged in the business of business process outsourcing and knowledge process outsourcing.

**Future Capital Holdings Limited:** Future Capital Holdings Limited (FCH) was formed to manage the financial services business of Pantaloon Retail (India) Limited and other group entities. FCH is one of the fastest growing financial services company in India, with presence in Asset Advisory, Retail Financial Services and Proprietary Research. The company operates a consumer finance retail format, Future Money and manages assets worth over US$ 1 Billion through Indivision, Kshitij, Horizon and Future Hospitality.
Funds. FCH subsidiary companies include Kshitij Investment Advisory Company Ltd., Ambit Investment Advisory Company Ltd., and Indivision Investment Advisors Ltd.

**Future Generali India Insurance Company Limited**: Future Generali India Insurance Company Limited (FGIICL) was incorporated on October 30, 2006 to undertake and carry on the business of general insurance. The approval for carrying on General Insurance Business has been received from the Insurance Regulatory and Development Authority of India (IRDA) on September 4, 2007.

**Future Generali India Life Insurance Company Limited**: Future Generali India Life Insurance Company Limited (FGILICL) was incorporated on October 30, 2006 to establish and conduct the business of life insurance in India, which comprises of whole life insurance, endowment insurance, double benefit and multiple benefits insurance etc. The approval for carrying on Life Insurance Business has been received from the IRDA in September, 2007.

**Futurebazaar India Limited**: Future bazaar India Limited (FBIL) is set up as the e-Retailing arm of the Future Group for providing on-line shopping experience. Futurebazaar.com was launched on January 2, 2007, and has emerged as one of the most popular online shopping portals in India. It was awarded with the “Best Indian Website” award, in the shopping category, by the PC World Indian Website Awards.
**Staples Future Office Products Private Limited:** Staples Future Office Products Private Limited (SFOPPL) was incorporated on January, 2007 and is involved in the business of dealing in all kinds of office supplies, office equipments and products. SFOPPL is a joint venture between the Company and Staples Asia Investment Limited (a subsidiary of Staples Inc USA). The company’s first retail outlet opened in Bangalore in December, 2007.

**Big Bazaar:** Big Bazaar is not just another hypermarket. It caters to every need of your family. Where Big Bazaar scores over other stores is its value for money proposition for the Indian customers.

At Big Bazaar, customers definitely get the best products at the best prices. With the ever increasing array of private labels, it has opened the doors into the world of fashion and general merchandise including home furnishings, utensils, crockery, cutlery, sports goods and much more at prices that surprise customers. And this is just the beginning. Big Bazaar plans to add much more to complete your shopping experience.

**Brand Factory:** Brand Factory brings to the Indian consumers the promise of revolutionizing value shopping by offering the best Indian and International brands at Smart Prices. Brand Factory promises its customers that value shopping is not about seconds’ experience, it’s not about a garage sale environment and it’s not about buying cheap. Instead, it’s all about an amazing experience of ‘Buying Smart’.
The thought behind Brand Factory is to raise the bar of expectation and experience when it comes to ‘Brand + Bargain Shopping’. Over the years Factory Outlets have become distinct shopping destinations with distinct audiences. With fashion cycles reducing, larger quantities of stocks are reaching factory outlets. But then what gets compromised in the process is the brand and its image.

The emphasis at Brand Factory is to offer the customer the widest range of brands and categories possible at absolutely great prices, in an ambience that befits the brand. Brand Factory presents the brands in a fully air-conditioned, slick environment varying between 70,000 to 1,50,000 square feet. The stores offers a wide range of products including apparels for men and women; infant wear; accessories; cosmetics; footwear; sportswear, luggage; home linen and much more. Brand Factory hosts several Indian and International fashion brands including Levis, Pepe Jeans, Dockers, Wrangler, ProVogue, Arrow, Nike, Adidas, Reebok, Louis Phillip, Allen Solly, Reid and Taylor, Gini and Jony amongst others.

**CENTRAL: Shop, Eat and Celebrate**

Launched in May, 2004 at Bangalore, Central is a showcase, seamless mall and the first of its kind in India. The thought behind this pioneering concept was to give customers an unobstructed and a pure shopping experience and to ensure the best brands in the Indian market are made available to the discerning Indian customer. Central offers everything for the urban aspirational shopper to shop, eat and celebrate. Located in the heart of
the city, Central believes its customers should not have to travel long distances to reach us; instead we must be present where customers frequently visit.

Central houses over 300 brands across categories, such as apparels, footwear and accessories for women, men, children and infants, apart from a whole range of Music, Books, Coffee Shops, Food Courts, Super Markets (Food Bazaar), Fine Dining Restaurants, Pubs and Discotheques. The mall also has a separate section for services such as Travel, Finance, Investment, Insurance, Concert/Cinema Ticket Booking, Bill Payments and other miscellaneous services. In addition, Central houses Central Square, a dedicated space for product launches, impromptu events, daring displays, exciting shows, and art exhibitions. Central is an integral part of the city and in the long run a City should become part of CENTRAL!

In a short span of its existence Central has revolutionized and redefined the shopping experience in India. At Central, customers no longer only shop, they get SHOP-ATAINED! Central malls are located in Bangalore, Hyderabad and Pune cities.

**PANTALOONS** *(Celebrate the Fresh Look, Fresh Feel & Fresh Attitude at Pantaloons Fresh Fashion!)*

The first Pantaloons was opened in Gariahat in 1997. Over the years, it has undergone several transitions. When it was first launched, this store mostly sold external brands. Gradually, it started retailing a mix of external
brands while at the same time introduced its own private brands. Initially positioned as a family store, it finally veered towards becoming a fashion store with an emphasis on 'youth' and clear focus on ‘fresh fashion’.

Fashion is all about the now. That is the thought behind 'Fresh Fashion'. It is an idea that has captured the imagination of young India. With a focus on the youth of today, Pantaloons offers trendy and hip fashion that defines the hopes and aspirations of this demography. Pantaloons Fresh Fashion stands out as a fashion trendsetter, on the lines of how fashion is followed internationally. The ‘look’ and ‘what’s in’ today for the season is sacrosanct.

All Pantaloons stores reflect the new ideology -- Fresh Feeling, Fresh Attitude, Fresh Fashion. The stores offer fresh collections and are visually stimulating thanks to appealing interiors and attractive product display!

Today, the fashion store extends to almost all the major cities across the country. Pantaloons has established its presence with stores not just in the metros, but also in smaller towns. Pantaloons stores have a wide variety of categories like casualwear, ethnicwear, formalwear, partywear and sportswear for Men, Women and Kids.

**KB'S FAIR PRICE:** ‘KB’s Fair Price’ are neighborhood stores, spread across an average area of 1,000 to 1,500 sq. ft. These are simple but modern, self service ration shops. These stores retail only 300 essential products, at simply the lowest prices in town. A cluster approach is used to open these stores, as
it helps build awareness in the locality. Costs for logistics, transportation of products to the stores etc., also get spread out in a similar fashion.

KB’s Fair Price are no frills stores. They are not air-conditioned, products are displayed in cartons and not even the ubiquitous shopping bag is provided free of cost to shoppers. This format with a tagline “Bachat Hi Bachat” (Savings and Savings), is structured in a fashion that allows it pass on maximum savings to the customers. KB’s Fair Price, with its innovative pricing and locations, is a completely new face of modern retail touching the lives of scores of people.
**NAVARAS: (Jewellery for all emotions and occasions)**

Navaras, a fine 22 carat pure gold and diamond jewellery brand, retailed from Big Bazaar stores, offers nine unique rational benefits to the consumer namely – BIS Hallmark jewellery, free cleaning and polishing, insurance cover against theft and burglary, transparent making charges, a buyback if unsatisfied, 0% weight loss if jewellery is exchanged, diamond certification, free karatmeter check and a range of designs.

The Navaras product range and store look is in keeping with the needs of contemporary women. It is emotions and occasions that lead women to buy jewellery, they buy jewellery to express emotions like pyaar (love), during occasions like tyohaar (festivals) and as uphaar (gifts). Navaras jewellery has been conceptualised with this thought - jewellery for all emotions and occasions.

Future Group has revolutionized the Indian jewellery market with the launch of Navaras, which offers branded, pure and design differentiated jewellery at competitive prices in a hypermarket set-up in line with the evolving buying behaviour of consumers. The rationale behind this is that with higher disposable incomes, for consumers today gold and other jewellery purchases too have become impulsive buying activities. Hence, Navaras with in Big Bazaar. But, certain criteria still remain constant like carat, price, trust and purity – all strong deciding factors while purchasing jewellery. Thus, the format’s brand positioning and offerings have been tailored to suit the modern day consumer.
Navaras offers a complete fine jewellery shopping experience, despite being within the confines of a hyper market. This is ensured by the segregation of the Navaras section via glazed glass walls to provide a comfortable and secluded ambience. The sit-down arrangement, as opposed to stand alone counters, further ensures that shoppers try out the Navaras products in a peaceful and comfortable environment before they make their final shopping decision.

**Major Milestones**

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<thead>
<tr>
<th>Year</th>
<th>Event</th>
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<tbody>
<tr>
<td>1987</td>
<td>Company incorporated as Manz Wear Private Limited. Launch of Pantaloons trouser, India’s first formal trouser brand.</td>
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<tr>
<td>1991</td>
<td>Launch of BARE, the Indian jeans brand.</td>
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<td>1992</td>
<td>Initial public offer (IPO) was made in the month of May.</td>
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<tr>
<td>1994</td>
<td>The Pantaloons Shoppe – exclusive menswear store in franchisee format launched across the nation. The company starts the distribution of branded garments through multi-brand retail outlets across the nation.</td>
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<tr>
<td>1995</td>
<td>John Miller – Formal shirt brand launched.</td>
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<tr>
<td>1997</td>
<td>Company enters modern retail with the launch of the first 8000 square feet store, Pantaloons in Kolkata.</td>
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<tr>
<td>2001</td>
<td>Three Big Bazaar stores launched within a span of 22 days in Kolkata, Bangalore and Hyderabad.</td>
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<tr>
<td>2002</td>
<td>Food Bazaar, the supermarket chain is launched.</td>
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<td>2004</td>
<td>Central - India’s first seamless mall is launched in Bangalore.</td>
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<tr>
<td>2005</td>
<td>Group moves beyond retail, acquires stakes in Galaxy Entertainment, Indus League Clothing and Planet Retail. Sets up India’s first real estate investment fund Kshitij to build a chain of shopping malls.</td>
</tr>
<tr>
<td>2006</td>
<td>Future Capital Holdings, the company’s financial is formed to manage over $1.5 billion in real estate, private equity and retail infrastructure</td>
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funds. Plans forays into retailing of consumer finance products.

Home Town, a home building and improvement products retail chain is launched along with consumer durables format, Ezone and furniture chain, Furniture Bazaar.

Future Group enters into joint venture agreements to launch insurance products with Italian insurance major, Generali.

Forms joint ventures with US office stationery retailer, Staples.

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<th>2007</th>
<th>Future Group crosses $1 billion turnover mark.</th>
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<td></td>
<td>Specialised companies in retail media, logistics, IPR and brand development and retail-led technology services become operational.</td>
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<td>Pantaloon Retail wins the International Retailer of the Year at US-based National Retail Federation convention in New York and Emerging Retailer of the Year award at the World Retail Congress held in Barcelona.</td>
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<td>Futurebazaar.com becomes India’s most popular shopping portal.</td>
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<th>2008</th>
<th>Future Capital Holdings becomes the second group company to make a successful Initial Public Offering in the Indian capital markets.</th>
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<td>Big Bazaar crosses the 100-store mark, marking one of the fastest ever expansion of a hypermarket format anywhere in the world.</td>
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<td>Total operational retail space crosses 10 million square feet mark.</td>
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<td>Future Group acquires rural retail chain, Aadhar present in 65 rural locations.</td>
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2.11.5 RELIANCE FRESH (Growth through Value Creation)

With a vision to generate inclusive growth and prosperity for farmers, vendor partners, small shopkeepers and consumers, Reliance Retail Limited (RRL), a subsidiary of RIL, was set up to lead Reliance Group’s foray into organized retail.

Since its inception in 2006, Reliance Retail Limited (RRL) has grown into an organisation that caters to millions of customers, thousands of farmers and vendors. Based on its core growth strategy of backward integration, RRL has made rapid progress towards building an entire value chain starting from the farmers to the end consumers.

In the last year, Reliance Retail Limited (RRL) continued to fulfill its commitment of enriching Indian consumer’s shopping experience and providing quality merchandise at an attractive value proposition. More than 3 years into operation, RRL has now expanded its presence in more than 85 cities across 14 states in India. RRL forged ahead with its expansion plans and rolled out stores across the country. RRL’s footprint now spans a network of more than 1,000 stores.

RRL operates several ‘value’ & ‘specialty’ formats. The ‘value’ formats that RRL operates are: ‘Reliance Fresh’, a neighborhood concept, ‘Reliance Mart’, an all under one roof supermarket concept & ‘Reliance Super’, a mini-mart concept. The ‘value’ formats offer a wide range and assortment of products required for daily household needs. The ‘specialty’ formats are:

RRL rapidly expanded the stores network it operates through strategic partnerships with world-class companies such as Marks & Spencer and Pearl Europe. RRL also entered into an exclusive distribution arrangement with Asics Corporation Japan to market Asics brands of shoes and accessories in India. RRL has recently opened its flagship store under its franchise agreement with Hamleys and plans to expand the store network in the coming year. RRL has also expanded its presence in business-to-business office supplies through its joint venture with Office Depot.

Through ‘Reliance One’, RRL’s loyalty membership program, RRL enjoys the patronage of over 5.5 million customers. In the coming year, RRL will continue on its mission to delight the customers every visit. RRL will continue to provide unprecedented value to customers across all its formats and stores.

**Growth of Reliance Fresh:** The first ever a Reliance Fresh store was established in Hyderabad, wherein the company, mainly focused on the fresh
produced vegetables and fruits at comparatively low price along with an introduction of farm to fork theory. It also comprises more than 560 reliance fresh stores all over the country. The outlet sells fresh fruits, staples, dairy products, fresh juice bars, groceries and vegetables. A distinctive Reliance Fresh outlet is around 3000 to 4000 sq. feet and accommodates catchment area of one to three Kilometers.

This was the idea, which was anticipated by the company was to take the supply direct from the farmers and then sell straightaway to the consumers removing the middle-men off the beaten track. Reliance introduced several formats in the marketplace to cater to needs of common people, which includes Reliance Fresh, Reliance Super, Reliance Footprint, Reliance Timeout, Reliance Jewels, Reliance wellness, Reliance Mart and Reliance Digital, to name a few.

In addition to this, the Reliance Retail also entered into a treaty with Apple, which is a leading Information Technology company, to set up a series of Apple Specialty Outlets branded as IStore, with its first ever store in Bangalore.

With an idea to produce inclusive prosperity and growth for farmers, consumers, small shopkeepers and vendor partners, Reliance Retail was set up in order to lead the foray of Reliance Group into an organized retail.

The Reliance Retail had to face various difficulties before the launch of Reliance fresh, because of the various circumstances prevailing in Orissa, West Bengal and UP, along with the news focusing on the dearth of
vegetables and fruits stocks. The retail business of Reliance then minimized its exposure in vegetable and fruit business, as a result established Reliance fresh positioning a pure super market play focusing on various categories like IT, consumer durables, home, FMCG and food.

The retail company of Reliance may not supply the vegetables and fruits in a few states, the Reliance Fresh decided to not to race with local wholesalers partly because of the political reasons as well as its incapability to maintain a healthy supply chain.

FARM TO FORK

The Reliance retail company sources say it is setting aside Rs 50,000 crore to build its farm-to-fork linkage. Reliance has drawn up plans for a presence in 784 towns and 6,000 mandi (wholesale market) towns with 1,600 rural business hubs to service them. It has already rolled out 177 Reliance Fresh stores across major towns in 11 states. According to a company report, RIL is targeting a turnover of Rs 40,000 crores in the next few years.