

# **CHAPTER NUMBER- ONE**

## **AN OVERVIEW OF THE RETAIL INDUSTRY OF INDIA AND WORLDWIDE**

**CHAPTER ONE**  
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<b>AN OVERVIEW OF THE RETAIL INDUSTRY OF INDIA AND WORLDWIDE</b>
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## **CHAPTER-ONE**

### **AN OVERVIEW OF**

### **RETAIL INDUSTRY OF INDIA AND WORLDWIDE**

#### **1.0: INTRODUCTION:**

Marketing is an applied social science. It has made progress by judiciously borrowing from other social sciences such as Economics, Psychology, Sociology, and Anthropology etc. It has developed into a separate discipline now. The sub-areas of marketing include advertising, retailing, brand management, sales management, and consumer behaviour (Philip Kotler, 2009).

Marketing starts with understanding needs of the customers both stated and unstated, designing products or service to satisfy those needs, informing the target customers about the availability of the product or service, influencing, motivating the customer to buy the product and also making the product available at the place where the customer needs, at an appealing price. In a nutshell, marketing is the organizational process in which decision is taken with respect to what is popularly known as '4Ps': The Product, Price, Place and the Promotion. All businesses that sell goods and services to consumers fall under the umbrella of Retailing. It is the final touch point when the product is available to the end user for his personal consumption (Berman & Evans, 2004).

The shoppers' visiting the retail store view the store attributes as their experience. Retailers' design the store and various in-store elements considering the quality of the experience that they wish to offer for implementing consistent service procedures. The physical environment of the retail store consists of viz., look of store, equipment, and facilities in the store, the layout of the store, the ambience of the store, sales staff behaviour in the store, institutional factors and other evident cues that shall offer evidence of service quality to shoppers while they shop in the store. The frontline employees having positive attitude should be properly trained and well-equipped with required technical and interpersonal skills. Creating and maintaining shopping loyalty has become a strategic directive for brick and mortar retail stores in the era of online shopping. Shoppers' differ in their value to a store, and therefore retention shoppers and loyalty-building efforts call for customized efforts on the part of retailers. Retail in India is an incredible assortment of formats. Over the last decade, the concept of shopping has undergone a radical change in terms of format and consumer buying behaviour, ushering in a new era of modern retail across the country.

Newer avenues of retailing have evolved, leading the retailers to rejoice in the possibility of cracking new frontiers. With the development, augmentation, and modernisation of infrastructure taking place in most of the major Indian cities, the scope of retail has increased manifold (ibid).

Modern retail in India is undergoing a paradigm shift. It is standing at the cusp of unlocking new frontiers, auguring a potential that is riding high on technology. With the advancement of technology and its increasing usage by consumers and retailers, shopping options in present times are not restricted to physical stores anymore. With surprising ease and within a span of few years, e-tailing has become a way of life. While a nation of 1.25 Billion people portended a big consumption market, being one of the youngest country in the world that is increasingly tech-savvy and open to experimentation worked well in favour of the e-tailing phenomenon. However, we are living in an age where fast-paced evolution and innovation is the order of the day. Today, the debate regarding e-tailing versus brick-and-mortar is not even relevant anymore. We have stepped into the era where both e-tailing and brick-and-mortar have been integrated seamlessly to create a satisfying shopping experience known as Omni-channel retailing. This phenomenon has found roots in the connected consumer of today, with technology emerging as the binding element (Knight and Frank Retail Report, 2017).

In this chapter number one an attempt has been made to offer a brief outline of retail industry of India. It is written with an objective of understanding various aspects and details of Indian Retail Industry; its past, present scenarios & expected future growth. The researcher has tried to understand the meaning of 'Retail' and throw light on the term 'Retailing'; while reviewing the current scenario of Retail Market. The researcher has put efforts to provide a birds-eye view of Retail Industry at the global level, along with its Indian context. The researcher has reviewed diverse areas concerning to it viz., the evolution of retail, its growth, characteristics, classification, and finally reviewing the retail industry of India with various other crucial aspects. An attempt was also made to highlight overall trends, emergence of organized retail in India, major Indian retailers, global retail scenario, SWOC Analysis of the India retail industry, understanding shoppers' behaviour in retail stores, and future trends of modern retail in India.

This chapter also entails with the core truth that the shopper remains at the heart of everything in Retail. The consuming and aspirational class in India is growing at a burgeoning rate. The Indian retailers need to capitalize on the demographic dividend to drive consumption and penetration.

## **1.1: MEANING OF RETAIL:**

The term retail has been defined by many authors. Essentially it refers to making the products available to the end user by going for the last mile delivery. Retail is the sale of goods to end users, not for resale, but for use and consumption by the purchaser. Retail involves the sale of merchandise from a single point of purchase directly to a customer who intends to use that product. The single point of purchase could be a brick-and-mortar retail store, an Internet shopping website, a catalog, or even a mobile phone (<https://www.thebalance.com>).

The retail supply chain consists of manufacturers, wholesalers, retailers and the consumer. The wholesaler is directly connected to the manufacturer, while the retailer is connected to the wholesaler, and not to the manufacturer. Here are the roles of the key players in a typical retail supply chain:

**Manufacturers:** Produce the goods, using machines, raw materials, and labor

**Wholesalers:** Purchase finished goods from the manufacturers and sell those goods to retailers in large bulk quantities

**Retailer:** Sell the goods in small quantities to the end-user at a higher price, theoretically at the MSRP (Manufacturers' Suggested Retail Price).

**Consumer:** End user who buys the goods (or "shops") from the retailer for personal use.

### **Categorization of the Retail Stores:**

The different types of brick-and-mortar retail stores where consumers can purchase products for immediate use or consumption are briefly discussed as follows.

#### **Department Stores:**

Sell a wide range of merchandise that is arranged by category into different sections of the physical retail space. Some department store categories include shoes, clothing, beauty products, jewelry, housewares etc.

#### **Grocery Stores and Supermarkets:**

Sell all types of food and beverage products, and sometimes also home products, clothing, and consumer electronics as well.

#### **Warehouse Retailers:**

Large no-frills warehouse-type facilities stocked with a large variety of products packaged in large quantities and sold at lower-than-retail prices

#### **Specialty Retailers:**

Specialize in a specific category of products which may not be generally available elsewhere.

**Convenience Retailer:**

The retailer selling a limited range of grocery merchandise and day to day use products of wide variety.

**Discount Retailer:**

Sell a wide variety of products are often private labeled or generic brands at below-retail prices. These retailers often source close out and discontinued merchandise at lower-than-wholesale prices and pass the savings onto their customers (<https://www.thebalance.com>).

**1.1.1: ETYMOLOGY:**

The actual term ‘retailing’ is derived from the old French word ‘retailier’ that means ‘a piece of’ or ‘to cut up’. This implies the breaking of bulk function of the retailer – that is, acquiring large amounts of the products that they sell and dividing it into smaller amounts to be sold to individual consumers (Gibson G. Vedamani, 2003).

**1.1.2: CONCEPTUAL DEFINITIONS OF RETAILING:**

- “Retailing includes all the activities involved in selling goods or services directly to final consumers for personal, non-business use.” (Philip Kotler, 2012).
- “Retailing encompasses the business activities involved in selling goods and services to consumers for their personal, family, or household use.” It is the final phase in the distribution process (Berman & Evans, 2004).

From these conceptual definitions we can comprehend that retailing is the selling of merchandise from a fixed location where consumers’ will come to buy the goods. The modern day retailers’ are offering store attributes which are offered to the shoppers’ for attracting them in the retail store. It can be concluded that retailing is final activity and steps needed to place merchandise made elsewhere into the hands of the consumer or to provide service to the consumer (ibid).

**2.0: THE RETAIL INDUSTRY OF INDIA: THE MAJOR LANDMARKS:**

In this section the researcher has made an attempt to offer a view of major landmarks of retail industry of India.

India’s consuming class is young working population. Because of the increasing number of working people in a family, household’s disposable income level is also rising at a rapid rate with enough purchasing power. The demand for service-retailing is increasing, there is a shift toward service retailing from goods retailing hence entertainment parks, cafeterias, beauty salons, gyms, health care centers, fast food outlets, spas, etc are emerging (Global Powers of Retailing Deloitte, 2017).

India's retail sector has been undergoing structural changes for the last two decades. Shopping malls, lined with specialty retailers, started dotting the retail markets of the country's top cities during mid-1990s. Since then, the 'mall culture' gradually pervaded the population, especially in the metros and mini-metros, heralding the beginning of the modern retail movement in India (ibid).

From General trade to Modern trade and now going virtual, Indian retail sector is going through its own lifecycle. However, important to note is that the emergence of one mode does not hamper the existence of the other. The kirana stores have reinvented themselves to beat the hype around modern retail trade. The coexistence of both the local kirana store and the organised players is seen in the present day context of the Indian retail sector. Organized players target cities and not the hinterlands (PWC, Retail Report, 2014).

Penetration in tier II and III cities and improvement in business models and operations will be the top themes of growth for the organized sector. Tier-II and tier-III cities such as Jaipur, Nagpur, Ludhiana, Vadodara, Aurangabad, and Kochi are emerging as the new “hot spots” of consumption. Organized retailers are increasingly setting up stores in these smaller cities. There is an increasing focus on profitable growth in the sector.

Most retailers seem to be focusing on the transformation of existing operations rather than introducing new formats. In a nutshell, leading retailers seem to drive the dual themes of expansion and internal improvement for sustainable growth.

Furthermore, retailers expect that the customer sentiments will improve, which will provide further impetus to the growth of the organized sector (ibid).

The retailers can achieve growth only by the configuration of store attributes that they offer to shoppers when they shop in the retail store in order to give them a memorable experience and to build their patronage intentions for the retail stores which were the focal theme of this research study.

The revenue generated from the organised retail was US \$ 15.5 Billion in the year 2009, and was expected to continue growing at an impressive rate to a projected US \$ 94.8 Billion by the end of the year 2009 (Crisil Research Estimates, 2014).

In the year 2011, Indian retail market was generating sales of about Dollar 470 Billion a year, out of which a miniscule Dollar 27 Billion was from organized retail such as supermarkets, chain stores with centralized operations and shops in malls. During this period the unorganised retail sector was gaining popularity amongst consumers'. The clothing and apparel segment was having the highest share in the organised retail segment which was estimated to be around 31 per cent by the year 2015 (AT Kearney Report, 2011).

The India retail market was estimated at US Dollar 470 Billion in the year 2011, accounting for 35 percent of GDP and was expected to grow to the US Dollar 675 Billion by the year 2016, at CAGR of 7.5 percent (Deloitte Global Powers of Retail Report, 2017).

The Indian retail market is complex not only in terms of its geographical limitations but also in terms of unique and distinct shopper base having different preferences that vary according to each region and sub-urban areas. These unique and typical preferences of the shoppers' in India calls for localization and personalisation for gaining adoption of Indian shoppers' (ibid).

### **2.0.1: Future Estimates of Indian Retail Industry:**

In this section the researcher has made an attempt to offer the future of the Indian retail market so as to understand the potentiality and its growth prospects.

One of the biggest opportunities and challenges that characterise the Indian retail is its structure. While, it has matured over the years, it is still highly fragmented, with an estimated 12 to 15 Million retail outlets.

Its overall size is estimated to be US \$ 948 Billion by the year 2018-2019. With over 92 percent of the businesses coming from the fragmented unorganised sector, such as traditionally run mom and pop stores and corner stores, the Indian retail sector offers immense potential for growth and consolidation (Global Powers of Retailing Deloitte, 2017).

The fact that Indian retail is having a huge potential can be supported by the data which indicates that India's retail market will reach to around US Dollar 950 Billion by the year 2018 at a compounded annual growth rate [CAGR] of 13 per cent (ibid).

The Indian retail sector is set to grow rapidly with a gradual shift toward organized retailing formats. Organized retail penetration was expected to increase from 7.5 percent in the year 2013 to 10 percent by the year 2018 at a robust CAGR of 19 to 20 percent during the same period. This will be driven by a combination of demand, supply and regulatory factors, which are expected to be the growth engines of the Indian consumer and retail market (Crisil Research Estimates, 2014).

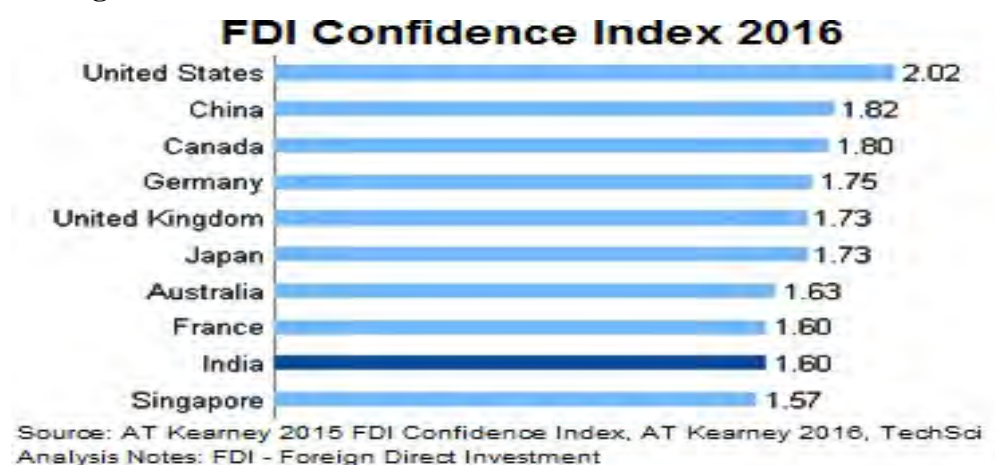
Consumerism in India is witnessing unprecedented growth driven by favorable demographics, a young and working population, rising income levels, urbanization and growing brand orientation. This, in turn, is reflected in India's retail market, which in the year 2013, was estimated at US\$520 Billion and is expected to grow at a Compounded Annual Growth Rate [CAGR] of 13 per cent to reach around US\$950 Billion by the year 2018 (ibid). Organized retail penetration, currently estimated at 7.5 percent, is expected to clock a 19 to 20 percent per annum growth to reach 10 per cent by the year 2018.



Penetration in tier-II and III cities, improvement in business models and operations, coupled with movement from unorganized to organized trade are expected to play an integral role in driving this growth. Furthermore, the liberalization of Foreign Direct Investment [FDI] policy is expected to propel foray of global retailers, which will further fuel the growth of organized retail in India (Ernst and Young Retail Report, 2014).

India has occupied a remarkable position in global retail rankings; the country has high market potential, low economic risk, and moderate political risk as shown in the Figure Number 1.1. India's net retail sales are quite significant among emerging and developed nations; the country is ranked third (after China and Brazil). Overall, given its high growth potential, India compares favourably with global peers among foreign investors. With investment of around US\$ 511.76 Billion, the first half of the year 2016 witnessed the highest annual private equity (PE) in the retail sector, since the year 2008 (AT Kearney Retail Report, 2016).

**Figure Number 1.1: India's Position in FDI Confidence Index**



The retail sector in India has emerged as one of the largest sectors in the economy. By the year 2015, the total market size was estimated to be around USD600 Billion, thereby registering a CAGR of 7.45 per cent since the year 2000. The retail industry is expected to grow to USD1.3 Trillion by the year 2020, registering a CAGR of 9.7 per cent during the period from 2000 to 2020 (CII & BCG Retail Report, 2016) as shown in the Figure Number 1.2.

**Figure Number 1.2: Market size over the past few years (USD Billion)**



Source: CII & BCG Retail Report 2020.

The Indian retail industry has emerged as one of the most dynamic and fast-paced industries due to the entry of several new players. It accounts for over 10 per cent of the country's Gross Domestic Product (GDP) and around 8 per cent of the employment. India is the world's fifth-largest global destination in the retail space (AT Kearney Retail Report, 2014). India's consumer market has experienced unprecedented growth in the last decade. This trend is expected to continue, and India would likely to emerge as one of the fastest-growing economies in the world.

A favorable demographic profile and rising income levels would be the key drivers of this inclusive growth. As a result, the US\$ 500 Billion Indian retail market is expected to grow at a CAGR of 12 percent to reach a value of US\$900 Billion by the end of the year 2017. The relevant organized market, which is currently valued at US\$35 Billion, is expected to grow at a CAGR of 21 percent, to reach a size of US\$90 Billion by the end of the year 2017. The Indian organized retail market is in the growth phase, and the associated stakeholders' viz., retailers, consumers, vendors, mall operators and regulatory bodies are evolving simultaneously (Ernst and Young Retail Report, 2014).

Presently, the modern retail penetration in India is abysmally low compared to the developed and emerging economies. While the share of modern retail is 84 percent, 71 percent, and 53 percent in the US, Singapore and Malaysia, respectively, it is only 19 percent of the value of the total retail spending in the National Capital Region, Mumbai, Chennai, Bengaluru, Pune and Hyderabad cumulatively. Overall, the degree of penetration in the country would be even lower, since the presence of modern retail in smaller cities and rural areas is not significant. In the forthcoming years, the share of modern retail in these top six cities is expected to be a quarter of the total retail spending by the year 2019.

Although the share of modern retail penetration in the country is not flattering, there is still a lot to cheer as consumer spending patterns and increasing disposable income levels continue to evolve at a fast pace. There is ample dynamism at present, with a number of international brands entering the market. The existing brands are also working towards reinventing ways to keep up with the pace of growth in the sector. Currently, the total retail market size in the top six retail markets of the country amounts to INR 4,539 Billion and this is projected to reach INR 7,168 Billion by the year 2019. Out of the total retail spending in the top six retail markets of the country, modern retail amounts to INR 871 Billion and this is projected to reach INR 1,718 Billion by the year 2019. The penetration of modern retail will also witness a substantial rise, from the current 19 percent to 24 percent in the next three years in the top six retail markets of the country, largely driven by the Omni-channel way of retailing (Knight and Frank Retail Report, 2017).

The size of the retail market will reach a mammoth figure of Rs. 47 Trillion by the end of the year 2017, which makes this industry a very lucrative one. It was projected to rise to US Dollar 1,250 Billion by the year 2020 (ibid).

India can be categorised as one of the fastest growing economies in the world and by the year 2030; India would be one of the Top 5 economies in terms of Gross Domestic Production. The retail market in India offers significant opportunities for retailers & brands across categories. This is driven by factors such as a large consumer base, rising incomes & job opportunities, and increasing consumer awareness (Technopak Retail Research Report, 2011).

#### **2.0.2: The Emergence of FDI in Retail Industry in India:**

The emergence of FDI in retail sector has provided impetus for the entry of large international retailers. The first movers are expected to be international retailers in single brand retail across categories like fashion/apparel, watches, shoes, etc. followed by international multi-brand retailers in food and grocery, where there are large domestic players. An attractive mode of entry for international retailers is franchising due to regulatory issues and challenges with state wise approvals and laws. The opportunity of franchising in the next five years lies in the sectors like consumer services, food and beverages, wellness products and apparel retailing (Crisil Research Estimates, 2014).

In India, many retailers are looking beyond the top 20 Indian cities, pro-actively exploring the online space and closely following developments across the country. The recent clarifications on the FDI relaxation in multi-brand retailing provide an interesting dynamic to the Indian retail landscape.

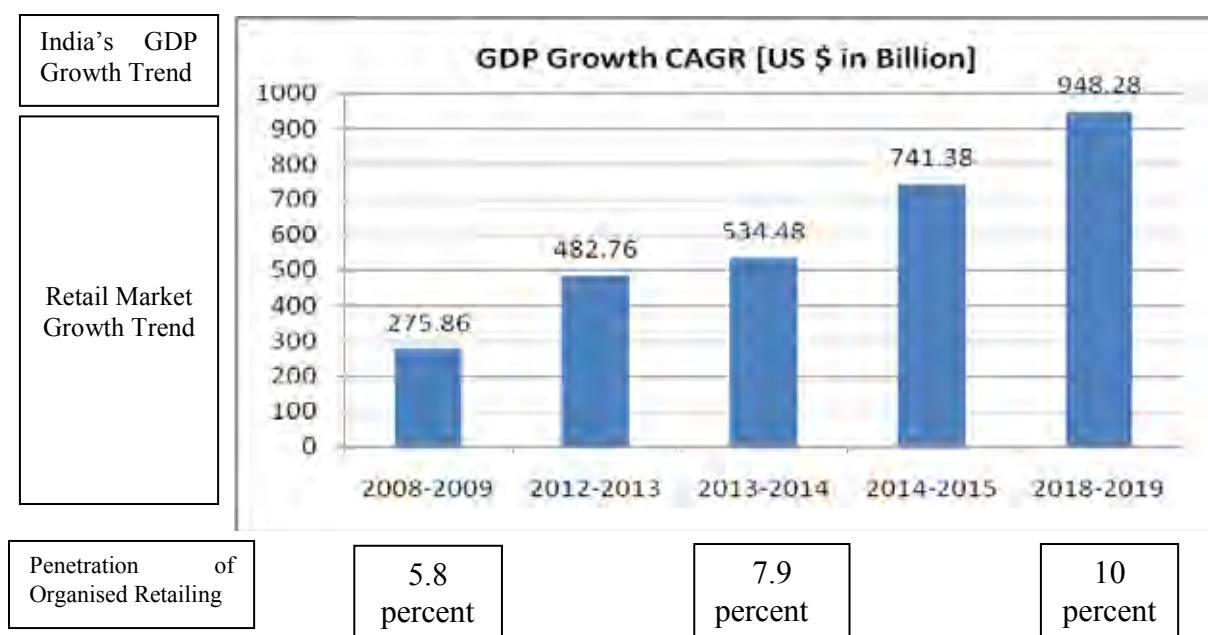
Several large international retailers are contemplating to invest in India to leverage the strong demand potential of the world's fifth-largest consumer market. Currently, a host of large retail chains are undergoing market assessment studies to set-up their operations in India. Irrespective of any of the prevailing teething issues related to regulatory and operating environment, in the coming era Indian retail is likely to evolve as a mature and larger market. Several large international retailers are contemplating to invest in India to leverage the strong demand potential of the world's fifth-largest consumer market (ibid).

### 3.0: INDIA'S RETAIL SECTOR: SIZE AND GROWTH TREND:

In the following section, the researcher has made an attempt to highlight the key trends of the India's Retail Sector by some vital statistics.

From, the Figure Number 1.3 it can be inferred that retail market growth is growing at CAGR 15 percent considering the increase from 275.86 US\$ Billion in the year 2008-2009 to 534.48 US\$ in Billion in the year 2013-2014. Further, it is estimated that this growth rate will be CAGR 13 percent from 741.38 US\$ Billion in the year 2014-2015 to 948.29 US\$ Billion by the year 2018-2019.

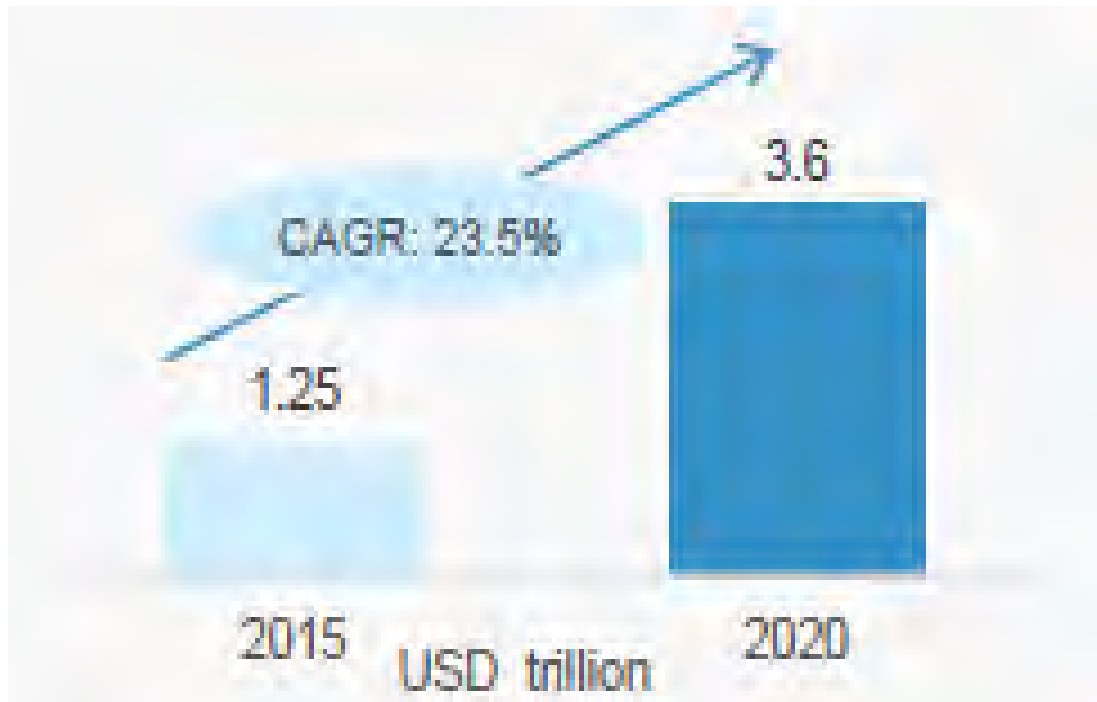
**Figure Number 1.3: Indian Retail Market Sector Size and Growth Trends Considering Gross Domestic Production [GDP]**



Source: Crisil Research Estimates, 2014

The rising income levels and demand for quality products are expected to boost consumer expenditure. Consumer expenditure estimated to be USD 3.6 Trillion by the year 2020 vis-à-vis USD1.25 Trillion in the year 2015 as shown in the Figure Number 1.4.

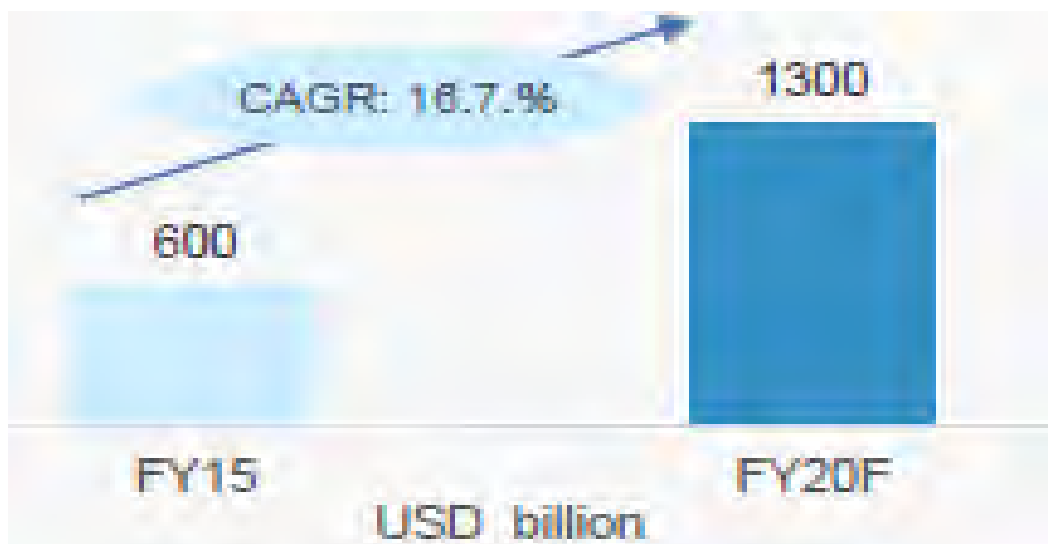
**Figure Number 1.4: Growth in Consumer Expenditure**



Source: [www.indiaretailing.com](http://www.indiaretailing.com)

The Indian retail market is one of the fastest growing markets in the world due to economic growth. The retail market in India to reach USD1.3 Trillion by the year 2020 from USD600 Billion in the year 2015 as shown in the Figure Number 1.5.

**Figure Number 1.5: Growth in Retail Market**



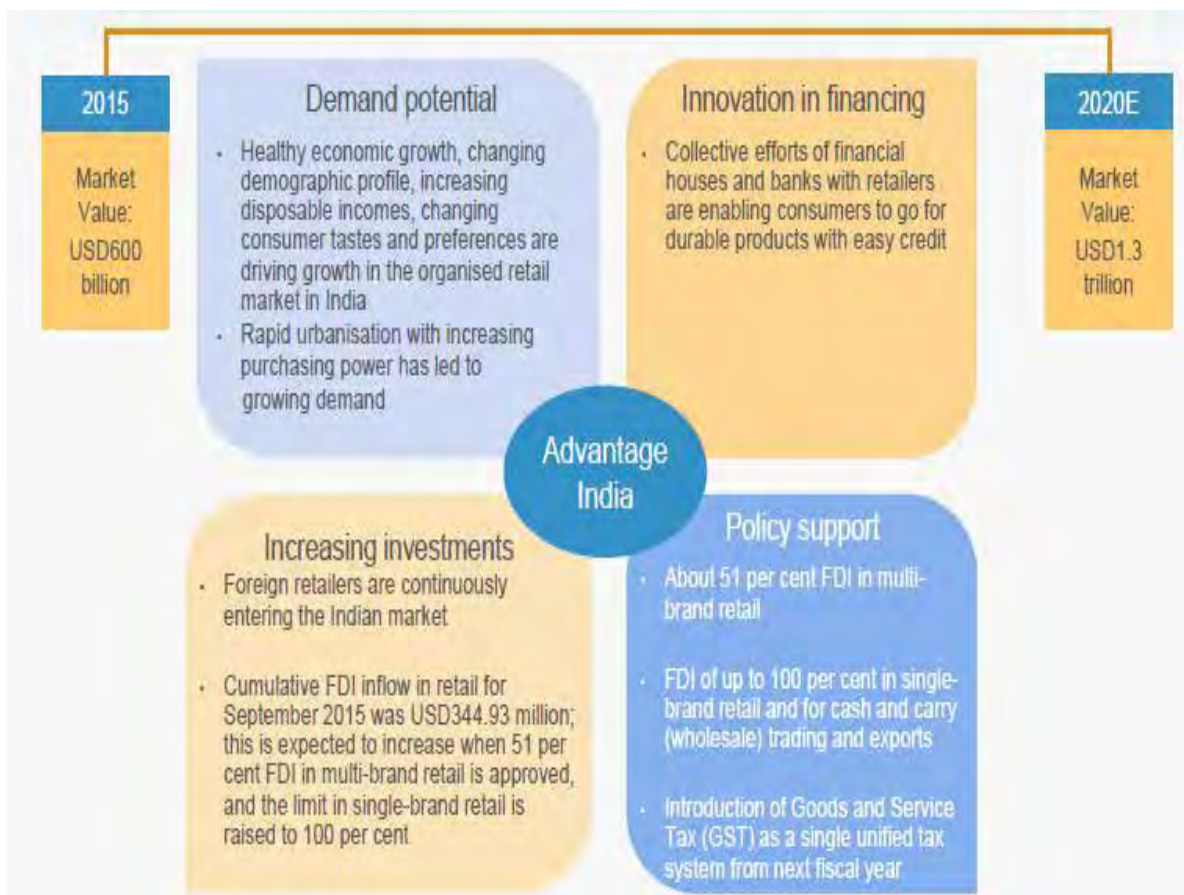
Source: [www.indiaretailing.com](http://www.indiaretailing.com)

## Growth Drivers of Retail: Advantage India:

Multiple drivers are leading to strong growth in Indian retail through a consumption boom. Significant growth in discretionary income and changing lifestyles are among the major growth drivers of Indian retail. Easy availability of credit and use of ‘plastic money’ have contributed to a strong and growing consumer culture in India. India is emerging as a retail hub with an estimated market value of US \$ 1.3 Trillion by the year 2020 (Crisil Research Estimates, 2014). The Indian retail market is growing at a rapid pace which is triggered by the innovation in consumer financing, increasing investments and Government support.

As shown in the Figure Number 1.6 Healthy economic growth, changing demographic profile, increasing disposable incomes, changing consumer tastes and preferences are driving growth in the organised retail market in India. Rapid urbanization with increasing purchasing power has led to growing demand. Collective efforts of financial houses and banks with retailers are enabling consumers to go for durable products with easy credit. Foreign retailers are continuously entering the Indian market and government support for retail by allowing 51 percent of FDI in retail has also triggered the growth (Technopak Retail Report, 2011).

**Figure Number 1.6: India’s Retail Advantage**



Source: Technopak Retail Report, 2011



Acceptance and usage of e-retailers by consumers are increasing due to convenience and secured financial transactions. Expansion in the size of the upper middle class and advertisement has led to greater spending on luxury products and high brand consciousness (IBEF Retail Report, 2016). The real income growth and rising per capita income in India is promising which is depicted in the Figure Number 1.7.

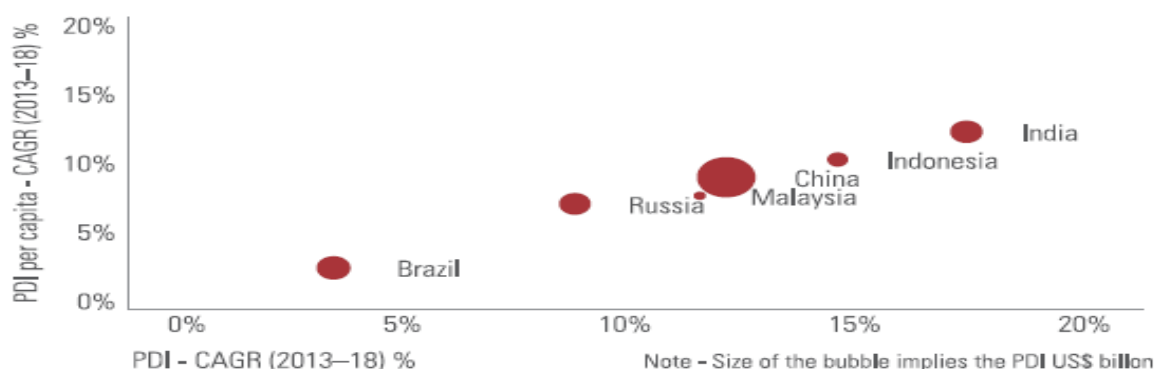
**Figure Number 1.7: Real Income Growth and Per Capital Income Projections**



Source: IBEF Retail Report, 2016

The retail sector in India is growing owing to the increasing personal disposable income that leads to increase in spending power of retail shoppers. The India's personal disposable income (PDI) is showing growth above 10 percent as compared with other emerging markets as depicted in the Figure Number 1.8.

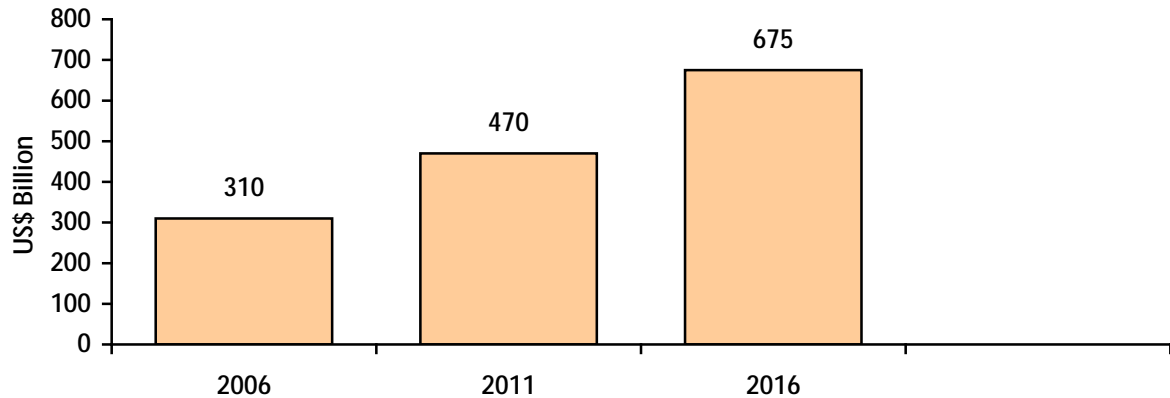
**Figure Number 1.8: India's Personal Disposable Income (PDI) Growth Comparison with Other Emerging Markets**



Source: KPMG Retail Report, 2014.

The total retail market in India is estimated at US Dollar 470 Billion in the year 2011 as given in Figure Number 1.9. The Food & grocery segment is the largest retail category and accounts for 70 percent of the total retail market (ibid).

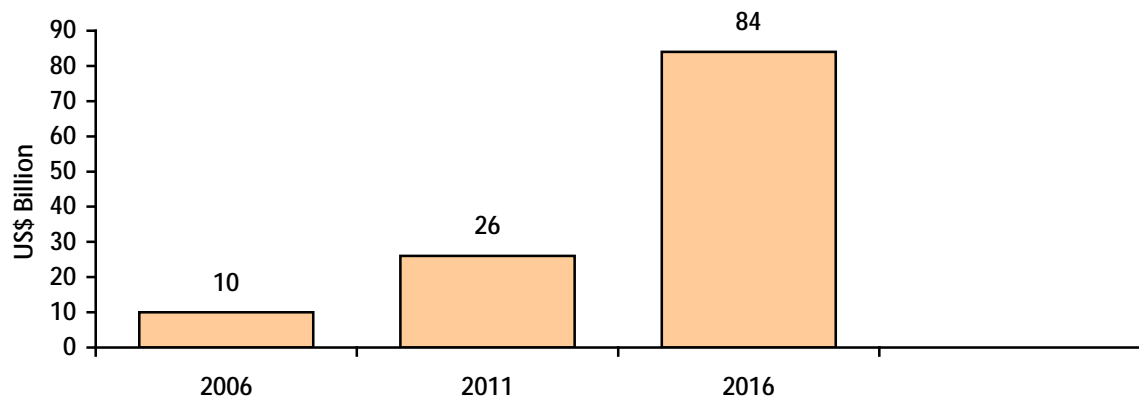
**Figure Number 1.9: Overall Growth Trajectory of Retail Market**



Source: Technopak Report, 2011

The Figure Number 1.10 indicates the overall growth trajectory of retail market. The organized retail market in India is estimated at US Dollar 26 Billion in the year 2011 and is projected to grow to US Dollar 84 Billion by the year 2016, CAGR of 26 percent for the period of years 2011-2016 (ibid).

**Figure Number 1.10: Overall Organized Retail Growth**



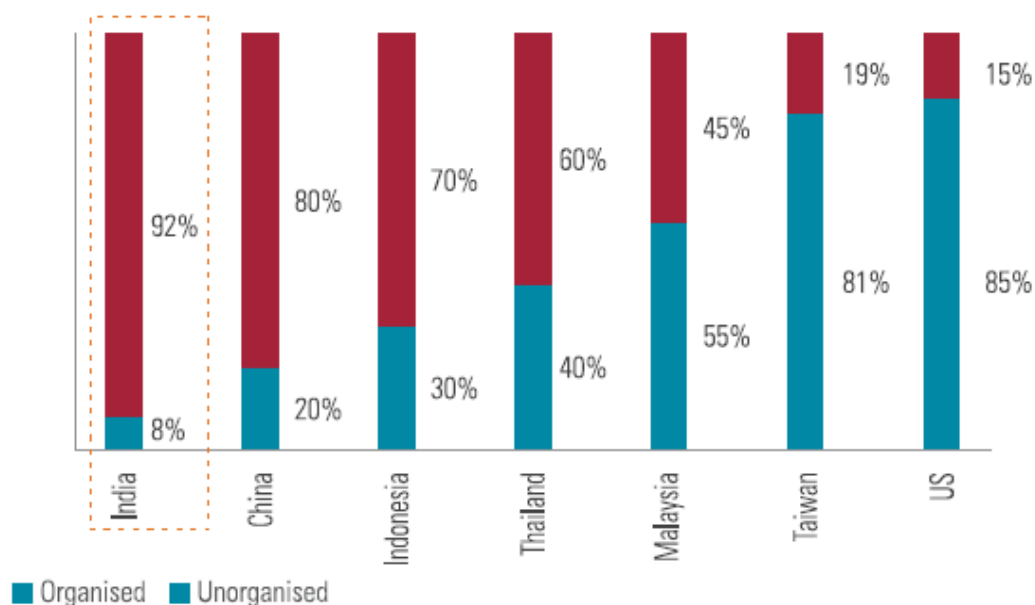
Source: Technopak Report, 2011



### 3.0.1: Penetration of Organized Retail in India:

In terms of global comparison of the organised retail sector penetration, other developing countries, such as Malaysia, Thailand, Indonesia and China, are significantly ahead of India as shown in the Figure Number 1.11.

**Figure Number 1.11: Country wise Penetration of Organised Retail**



Source: Crisil Research Estimates, 2014.

As depicted in the Figure Number 1.12 India's retail industry is flourishing and accounts for 22 percent of the country's GDP. In the year 2014, the market was worth USD 500 Billion and is expanding at a CAGR of 15 to 20 percent. The Indian retail industry is considered the seventh largest retail market in the world. The penetration level of modern retail which is 8 to 10 percent currently is expected to increase six-fold from the current USD 27 Billion to USD 220 Billion by the year 2020. Indian Retail sector is scaling new heights with a gradual shift towards organized retailing. In the year 2013, the India retail sector was estimated at USD 520 Billion with organized retail penetration of 7.5 percent which is expected to reach USD 950 Billion by the year 2018 ([http://www.indiaretailing.com/uploads/banner\\_pdf/Colliers-India-Impact-of-Etailing-on-brick-mortar-retail-11092015.pdf](http://www.indiaretailing.com/uploads/banner_pdf/Colliers-India-Impact-of-Etailing-on-brick-mortar-retail-11092015.pdf)).

**Figure Number 1.12: Penetration of Organised Retail in India**



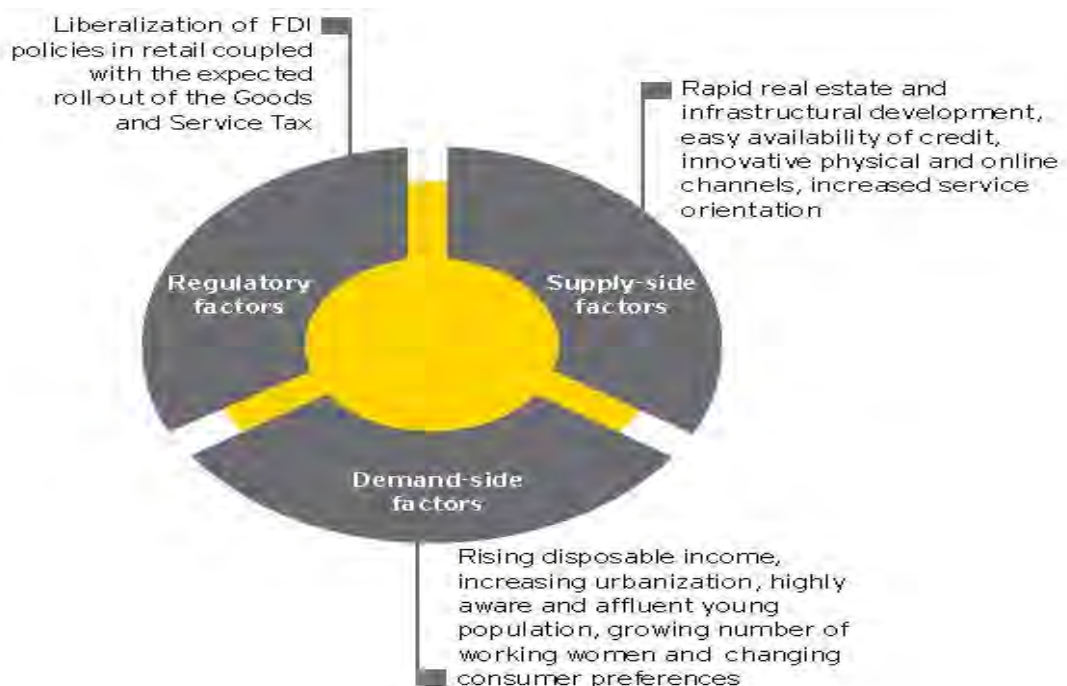
Source: JLL Retail Report, 2015.

### 3.0.2: Factors Driving Growth in the Indian Retail Industry:

Organized retail penetration is expected to increase from 7.5 percent in the year 2013 to 10 percent by the end of the year 2018 at a robust Compounded Annual Growth Rate of 19-20 percent during the same period. (Ernst and Young retail report, 2014).

The growth in Retail Industry can be attributed to three major factors viz., Regulatory Factors, Supply side Factors and demand side factors which are depicted in Figure Number 1.13.

**Figure Number 1.13: Factors Driving Growth of Retail**



Source: Retail Report by Ernst and Young, 2014.

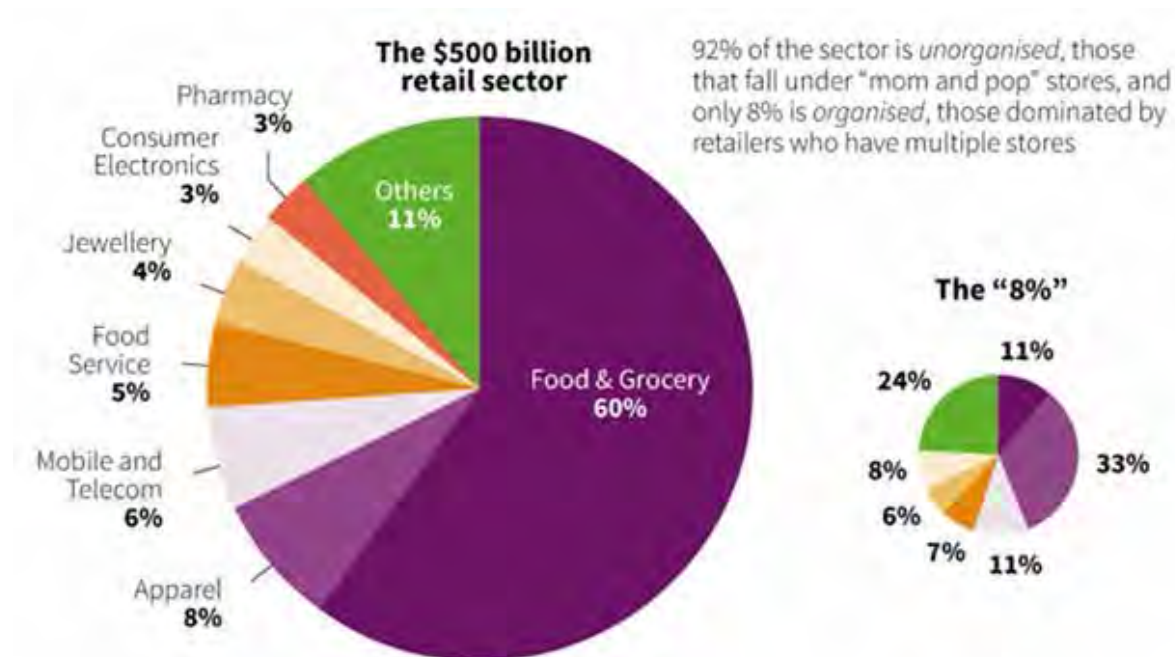
The performance of the retail sector is driven by the key drivers viz., Value conscious, digitally connected shopper who demands lower prices and is getting increasingly digitally influenced; Competitive landscape with shoppers' having a strong value propositions; emergence of low cost model of traditional retailers; Emergence of E-commerce as 'new competition'; and lower margins relative to global peers driven by lower salience of organized retail and higher rents. Further the government has also eased of regulatory barriers leading to enhanced ability to attract capital (CII & BCG Retail Report, 2016).

India's 'grocery' retail segment is the world's most attractive Apparels would be the largest retail segment, accounting for 22 per cent of total retail space by the year 2014–2015. Grocery retailers recorded healthy growth in the year 2014 and is expected to become world's third largest grocery market with estimated revenue of USD 566 Billion by the year 2016 (ibid).

### 3.0.3: Retail Growth Trends by Product Segments:

The middle class growing very rapidly that is important factor which contributing in the growth of Indian retail sector (PWC Retail report 2013).

**Figure Number 1.14: Retail Growth Trends by Product Segments**



Source: Deloitte Global Powers of Retail Report, 2015

As shown Figure Number 1.14, there is big unorganized retail sector which can be targeted for the future growth and new opportunities. The Indian customer is looking for an emotional connection, a sense of belongingness while shopping. Hence, to be successful any retail outlet has to be localized (Deloitte Global Powers of Retail Report, 2015).

The customer should feel that it is a part of his culture, his perceived values, and does not try to impose alien values or concepts on him. Indian customer is not keen to buy something just because it is sold by an international company. Ultimately, it boils down to how much localization and adaptation the company is willing to do for India (ibid).

Similarly the share of different product categories in Indian retail market is equally responsible for changing retailing scenario in India which is depicted in Table Number 1.1.

**Table Number 1.1: Product Category wise Share in Indian Retail Market**

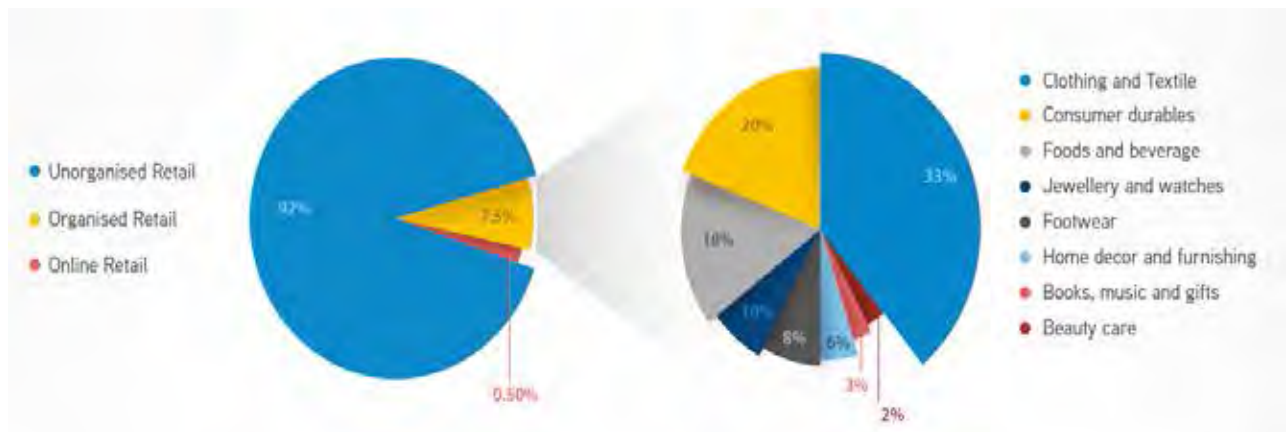
Category	2006	2011	2016	CAGR(2011-2016)
	In Billion Dollars			[In %]
Food and Grocery	217	325	425	5.50
Apparel	25	355	50.2	7.50
Jewellery & Watches	16.5	25.6	44.2	11.50
Consumer Electronics & IT	16.5	22.7	42.8	13.50
Pharmacy	8	13.9	23.4	11.00
Furnishing & Furniture	6.5	9.1	17.1	13.50
Restaurants and Food Joints	4.6	8.8	15.8	12.50
Footwear	3.6	4.5	8.3	13.00
Beauty Services	0.6	1.3	3	18.00
Health/Fitness Services	0.4	1	25	20.00
Others	11	23	42.5	13.10
Total (US Dollar Billion)	310	470	675	7.50

Source: Technopak Report, 2011.

The organized retail market is estimated at US Dollar 26 Billion in 2011 and is expected to grow to US Dollar 84 Billion by the year 2016 at a CAGR of 26.0 percent. At 35 percent, Food & Grocery has the highest share of organized retail. Food & Grocery along with Apparel, Jewellery & Watches and Consumer Electronics & IT accounts for 80 percent of the organized retail market in India in the year 2011 (ibid).

Further, segment wise break up of Indian retail industry is diagrammatically presented in the Figure Number 1.15.

**Figure Number 1.15: Segment Wise Break Up of Indian Retail Industry**



Source: IBEF Retail Report, 2016.

India's retail market is expected to nearly double to US\$ 1 Trillion by the year 2020 from US\$ 600 Billion in the year 2015, driven by income growth, urbanization and attitudinal shifts. While the overall retail market is expected to grow at 12 per cent per annum, modern trade would expand twice as fast at 20 per cent per annum and traditional trade at 10 per cent. India's Business to Business (B2B) e-commerce market is expected to reach US\$ 700 Billion by the year 2020. Online retail is expected to be at par with the physical stores in the next five years. India is expected to become the world's fastest growing e-commerce market, driven by robust investment in the sector and rapid increase in the number of internet users. Various agencies have high expectations about growth of Indian e-commerce markets. Indian e-commerce sales are expected to reach US\$ 120 Billion by the year 2020 from US\$ 30 Billion in the year 2016. Further, India's e-commerce market is expected to reach US\$ 220 Billion in terms of gross merchandise value (GMV) and 530 Million shoppers by the year 2025, led by faster speeds on reliable telecom networks, faster adoption of online services and better variety as well as convenience. The size of modern retail in India is expected to double to Rs 171,800 crore (US\$ 25.7 Billion) from Rs 87,100 crore (US\$ 13 Billion) in three years driven by Omni-channel retail (<https://www.ibef.org/industry/retail-india.aspx>)

The Indian retail industry has experienced high growth over the last decade with a noticeable shift towards organised retailing formats. The industry is moving towards a modern concept of retailing. The size of India's retail market was estimated at US\$ 435 Billion in the year 2010. Of this, US\$ 414 Billion (95 percent of the market) was traditional retail and US\$ 21 Billion (5 percent of the market) was organized retail. India's retail market is expected to grow at 7 percent over the next 10 years, reaching a size of US\$ 850 Billion by the year 2020.

Traditional retail is expected to grow at 5 percent and reach a size of US\$ 650 Billion (76 percent), while organized retail is expected to grow at 25 percent and reach a size of US\$ 200 Billion by the year 2020 (ibid).

The rapid macroeconomic, demographic and lifestyle shifts in the country clearly point towards exponential growth in the packaged goods industry. These shifts, bolstered by policy and regulatory changes, have the strong potential of taking India towards its goal of becoming the fifth largest consumer market over the next decade. India's robust economic growth and rising household incomes in the country are expected to increase consumer spending to USD 3.6 Trillion by the year 2020, with the maximum consumer spend likely to occur in the food, household and transport and communication segments. India's share of global consumption is also forecast to expand to more than twice its current levels by the year 2020. Over the next five years, India's retail market is expected to reach USD 1 Trillion, fuelled by a significant growth in organised brick-and-mortar retail and e-Commerce (PWC and FICCI Retail Report, 2014).

#### **4.0: THE EMERGENCE OF ORGANIZED RETAILING IN INDIA:**

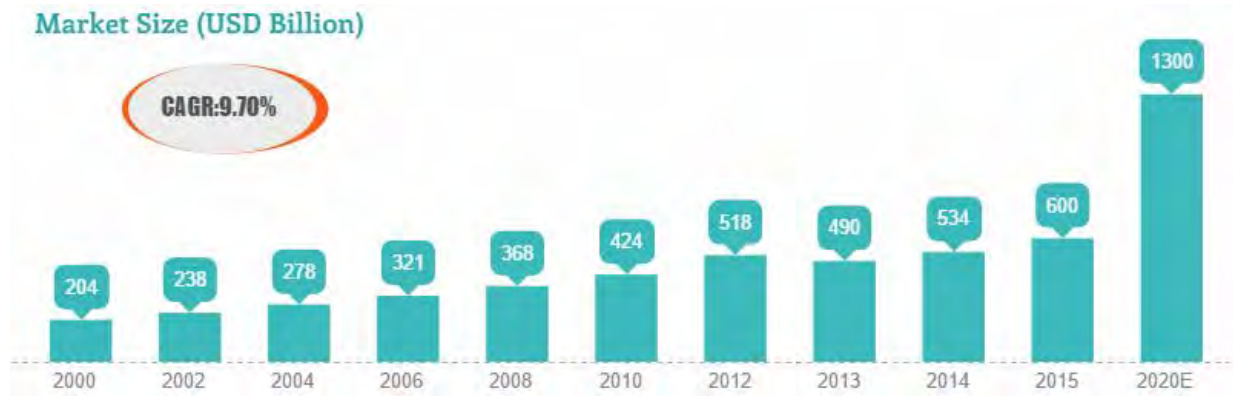
In this section, the researcher has made an attempt to offer a brief overview of the emergence of organized retailing in India.

The organized retail sector consists of all retail outlets which have a registered setup which are corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses. (AT Kearney Report, 2011).

The organized retail which constitutes around 85 per cent of the total retail offers modern retail formats such as hyper cities, superstores, convenience stores, discount store etc. These new formats are offering shoppers' the value for money along with a pleasing and enriching shopping experience by blending utilitarian and hedonic benefits.

The Figure Number 1.16 aptly shows the growth of Market Size of the organised retail market since the year 2000. The Market Size of the organised retail market in the year 2015 was 600 US Billion dollars. Further, the size of the Indian retail market is expected to exponentially grow to approximately 1300 US Billion dollars by the year 2020.

**Figure Number 1.16: Exponential Growth of Indian Retail Market**



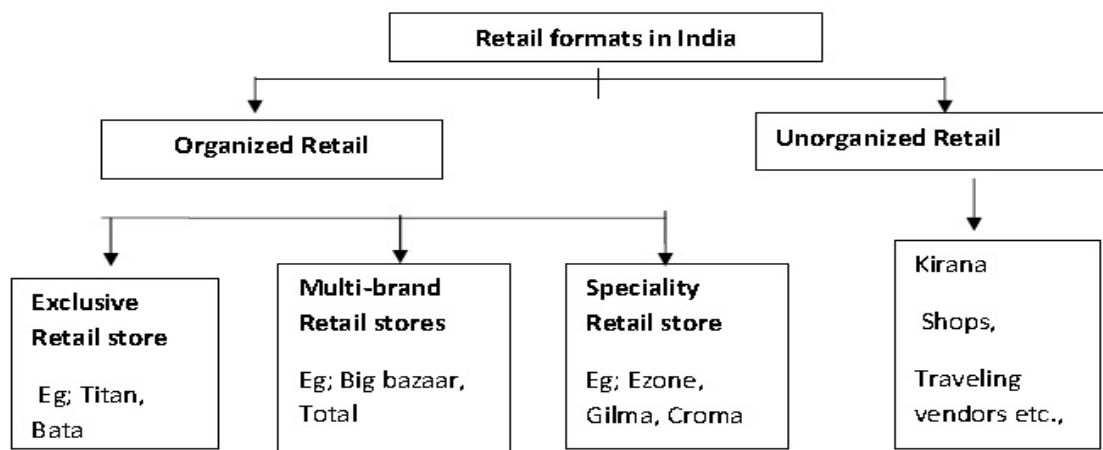
Source: [https://www.ibef.org/uploads/industry/Infrographics/large/Retail\\_2016](https://www.ibef.org/uploads/industry/Infrographics/large/Retail_2016)

The retail sector now adorns the new look as it is aiming to give pleasing experiences to consumers by giving a stress free ambient environment for shopping. (FICCI & PWC Retail Report, 2012). The Indian growth story has just begun as will continue to grow at a rapid pace. The organized retail market in India out of this total market accounted for Rs. 350 Billion which is about 3.5 percent of the total revenues (IBEF Retail Report, 2016).

#### 4.0.1: Modern Retail Formats:

Emerging retail formats provide a wide variety to customers and offer an ideal shopping experience with an amalgamation of product, entertainment and service, all under a single roof. Indian retail scenario, with the intervention of organized retail in the form of modern retail formats such as one-stop malls, specialty malls, hyper markets and big-box retailing, has witnessed a remarkable shift in the preferences of consumers as shown in the Figure Number 1.17 (Deepika, 2012).

**Figure Number 1.17: Retail Formats in India**



Source: Deepika, 2012

The various retail formats along with their specification are shown in the Table Number 1.2.

**Table Number 1.2: Retail Format Specifications in India**

<b>Retail Formats</b>	<b>Location</b>	<b>Space/ Layout</b>	<b>Merchandise</b>	<b>Customer Profiles</b>	<b>Example</b>
Supermarket	Marketplace in metros, towns, cities	Large	Multiple, cohesive food & household categories	Family profile, mostly loyal	A Supermarket, Apna Bazaar, Food world
Specialty Store	Strategic	Medium sized	Focused single category	Individuals, groups, clusters of same class, mediocre to high loyalty	A footwear store, “Bata”, A music store, “Planet M”
Department Store	Destination towns, metros and mega metros	Large	Cohesive category clusters	Family, high loyalty and involved	A store with department as SBU, Shoppers’ Stop
The Plaza	Marketplace in metros, large towns	Large	Independent categories	Family and individuals, young at heart and seeking to spend time in hang-outs	Many points of purchase in the same complex, Fountain Plaza in Chennai, Heera Panna in Mumbai
The Mall	Destinations, mega metros	Huge	Independent but profiled and defined category mix like shopping, dining, entertainment, etc.	Family and individuals, young at heart, fun-loving entertainment seekers and diners of mediocre to high loyalty	Shopping, dining and entertainment facilities under one roof- Crossroads in Mumbai, City Centre in Dubai
The Emporium	Marketplace	Medium sized/ small	Single group category	Family and individuals, need based spenders	The cloth store, “The Bombay Dyeing” store
The Bazaar	Strategic	Large	Multiple, cohesive categories in reduced price bands	Price conscious individuals and family, less loyalty	The discount store, Mega mart, Big Bazaar
Stop-over	Piggy back location	Small to medium	Multiple, cohesive category	Impulsive buyers	The store inside the petrol pump, In & Out of BPCL
Single Price Denomination	Busy marketplace	Medium sized, small	Multiple, non-cohesive categories-scrambled	Bargain seekers	The “Dollar Store”, in USA
Kiosk	Busy marketplace	Very small	Fast moving consumables	Impulsive individuals satisfying nick-of-the-time need	The bunk shop, dispensing formats like Pepsi fountain

Source: Gibson G. Vedamani, 2003



According to Hino (2010) the emergence and expansion of supermarkets has gradually decreased the market share of the traditional formats. The factors that helped supermarkets gain consumer preference over the traditional stores are the 'consumers' economic ability' and the 'format output'.

Kuruvilla and Ganguli (2008), Rajagopal (2009), Srivastava (2008) and Jhamb and Kiran (2012) opine that mall development is expected to grow at a frantic pace in metros and mini metros. Malls comprise 90 percent of the total future retail development. The basic reason for the growth of malls is that it offers an experience and not just goods. There is a wide range of shopping experience - bargains and discounts, high-end brands for couples, gaming and other amusement facilities for kids and the multiplexes theaters.

The formats considered in this research study are:

**Malls:** Malls ranging from 60,000 sq ft to 7, 00,000 sq ft, are the largest form of organized retailing today. These lend an ideal shopping experience with an amalgamation of product, service and entertainment, all under a single roof (ibid).

**Convenience Stores:** These are relatively small stores located near residential areas and open for long hours for all seven days a week. These carry a limited line of high-turnover convenience products and fill important consumer needs. People are willing to pay for the convenience (ibid).

**Department Stores:** Department Stores are another type of emerging formats and these carry several product lines- typically clothing, home furnishings and house-hold goods - with each line operating as a separate department managed by specialist buyers or merchandisers (ibid).

**Hypermarkets/Supermarkets:** Hypermarkets and Supermarkets are the latest formats located in or near residential high streets. Hypermarkets carry a product range varying from Foods, Home-ware, Appliances, Furniture, Sports, Toys and Clothing; and Supermarkets are large self - service outlets, catering to varied shopper needs and mainly focus on Food and Grocery and personal sales (ibid).

**Discount Stores:** Consumers preferring to pay a low price can visit the Discount Stores or Factory Outlets, which offer discounts on the MRP, as they sell in bulk and have higher economies of scale (ibid).

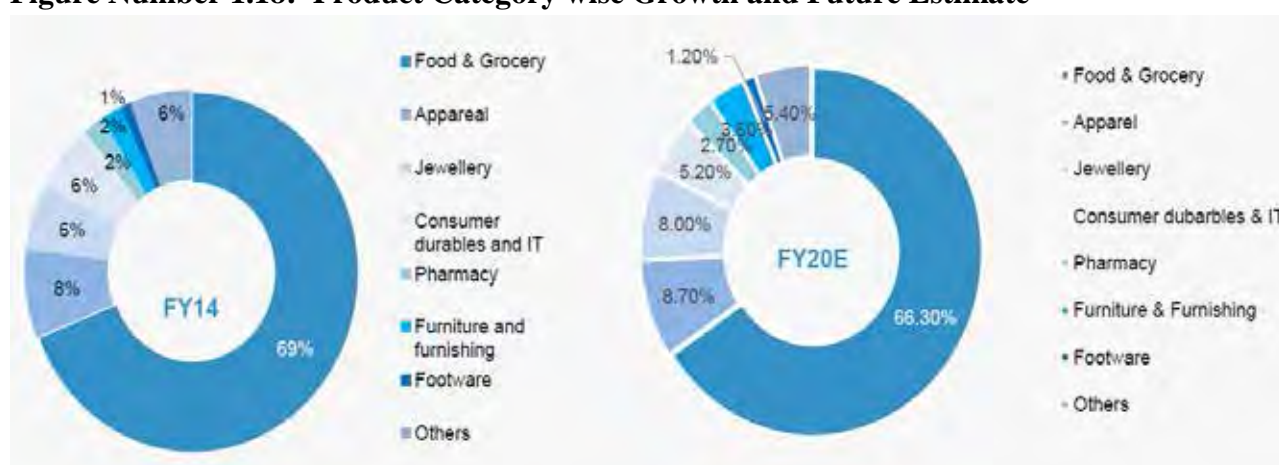
**Specialty Stores:** These stores especially cater to consumers who are looking for assorted brands at one store. For instance, apparel stores, sporting goods stores, furniture stores and book stores are some of the examples of specialty stores. (Kotler, 2006; Sinha, 2007 and Jasola, 2007).

### Category Wise Retail Revenues:

The new retail formats by offering a wide variety of products to shoppers' mostly cover all the product categories.

In the year 2014, the food & grocery accounted for largest share in revenues in India. The food & grocery accounted for nearly 69 per cent of total revenues in the retail sector, followed by apparel (8.0 per cent). Demand for Western outfits and readymade garments have been growing at 40 to 45 per cent annually; apparel penetration is expected to increase to 30 to 35 per cent in the year 2015. In the year 2014, jewellery accounted for 6 per cent share in India retail sector and its share is expected to increase from 6 per cent to 8 per cent by the year 2020 which depicted in the Figure Number 1.18.

**Figure Number 1.18: Product Category wise Growth and Future Estimate**



Source: IBEF Retail Report, 2016.

The product category wise share in organised Indian retail market is shown in the Table Number 1.3.

**Table Number 1.3: Product Category wise Share in Organised Indian Retail Market**

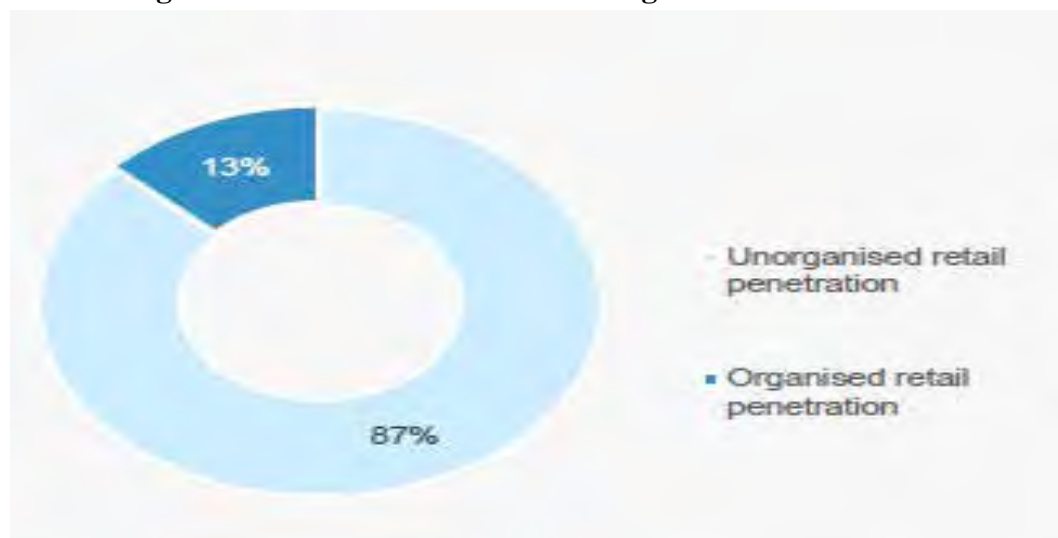
Category	2006	2011	2016	CAGR(2011-2016)
	In Billion Dollars			[In %]
Food and Grocery	2	9	34	30.00
Apparel	3.5	5.5	8	8.50
Jewellery & Watches	1	2.5	7.5	25.00
Consumer Electronics & IT	1.5	4	18	35.00
Pharmacy	0.2	0.8	4.5	41.00
Furnishing & Furniture	0.4	0.7	1.2	12.00
Food & beverages (Eating Out)	0.5	1.5	6	30.00
Footwear	1	1.7	3.8	17.50
Beauty Services	0.2	0.2	0.5	20.00
Health/Fitness Services	0.1	0.2	0.6	25.00
Total (US Dollar Billion)	10	26	84	26.00

Source: Technopak Report on Emerging Trends in Indian Retail and Consumer, 2011

For the top 8 retail categories 50 percent of the retail stores are present in top 25 cities. Categories like Apparel; CDIT & Footwear are relatively mature retail categories and have a wider retail presence, mostly accounted for by smaller cities that is 60 percent of the stores (ibid).

By the year 2019, it is estimated that organised retail penetration share would reach 13 percent and unorganised retail penetration would hold a major share of 87 percent as shown in the Figure Number 1.19. This indicates strong growth potential for organised retail in India (ibid).

**Figure Number 1.19: Potential for Organized Retail in India**



Source: IBEF Retail Report, 2016

The Organized retailers in India have experienced rapid growth over the last decade. However, this growth has been achieved at a significant cost. Despite considerable investment of time and capital during this gestation period, the returns from the business are a concern.

Going forward, the organized retail sector is expected to grow at the significant rate of 19 to 20 percent per annum given that it is critical that the business starts generating positive cash flows and is self-sustaining. Inventory management is a top concern for retailers. This is largely driven by the vagaries in the Indian supply chain such as low fill rates, long lead times and ordering cycles and lack of process orientation. These result in high inventory holding, low turns and high investment in stock (Ernst and Young, 2014).

The areas of high concern for retailers in the growing markets are viz., Inventory Management, high operating costs, working capital management, complex regulatory framework, talent retention, slowing retail growth and low retail productivity, inflation, and inefficiencies in the supply chain (ibid).

## 5.0: MAJOR INDIAN RETAILERS IN ORGANIZED RETAIL SECTOR:

The top 10 companies which have the most shares in organized retail market of India are shown in the Table Number 1.4.

**Table Number 1.4: Major Indian Retailers**

Company	Prime Banners	
Pantaloon Retail	<ul style="list-style-type: none"><li>• Pantaloons</li><li>• Central</li><li>• Brand Factory</li><li>• Ezone</li><li>• Hometown</li></ul>	<ul style="list-style-type: none"><li>• Planet sports</li><li>• Bigbazar</li><li>• Foodbazaar</li><li>• KB's Fair Price Shop</li></ul>
K Raheja Group	<ul style="list-style-type: none"><li>• Shoppers stop</li><li>• Crossword</li></ul>	<ul style="list-style-type: none"><li>• Inorbit</li><li>• Hyper city</li></ul>
Tata Group	<ul style="list-style-type: none"><li>• Croma</li><li>• Landmark</li><li>• Westside</li></ul>	<ul style="list-style-type: none"><li>• Star Bazaar</li><li>• Tashi</li><li>• Poltrona Frau Group Design Center</li></ul>
RPG Group	<ul style="list-style-type: none"><li>• Spencer's</li><li>• Music World</li></ul>	<ul style="list-style-type: none"><li>• Books and Beyond</li></ul>
Landmark Group	<ul style="list-style-type: none"><li>• Centrepoint</li><li>• Babyshop</li><li>• Splash</li><li>• Shoe Mart</li><li>• Lifestyle</li><li>• Beautybay</li><li>• Iconic</li><li>• Q Home Décor</li></ul>	<ul style="list-style-type: none"><li>• Candelite</li><li>• Max</li><li>• Shoexpress</li><li>• Emax</li><li>• Lifestyle Department Stores</li><li>• SPAR hypermarkets</li><li>• Landmark International</li><li>• Footwear Division</li></ul>
Piramal Group	<ul style="list-style-type: none"><li>• Piramyd Megastore</li><li>• Jamin</li></ul>	<ul style="list-style-type: none"><li>• Piramyd Supermarket</li></ul>
Reliance	<ul style="list-style-type: none"><li>• Reliance Fresh</li><li>• Reliance Trends</li></ul>	<ul style="list-style-type: none"><li>• Reliance Footprint</li><li>• Reliance Digital</li></ul>
AV Birla Group	<ul style="list-style-type: none"><li>• More</li></ul>	

**Source: Compiled by the researcher from various sources**

The major players in the retail industry are discussed briefly as follows:

### 5.0.1: TESCO:

Tesco has a service center in Bangalore. In the year 2008 Tesco announced their intention to invest an initial £60 Million to open a wholesale cash-and-carry business based in Mumbai with the assistance of the Tata Group. The global service operations of Tesco HSC are involved in creating and executing strategic initiatives for Tesco retail stores worldwide.

These strategic initiatives cover the IT, Business, Financial, Commercial and Property aspects, among others, of Tesco operations.

The operations cover all internal and external platforms that drive Tesco's business, making it one of the world's most preferred retail stores (Michelle, 1997).

### **5.0.2: IKEA:**

IKEA is privately held international home products companies that design and sells ready-to assemble furniture such as beds, chairs, desks, appliances and home accessories. The company is the world's largest furniture retailer. Swedish furniture home accessories IKEA is planning to enter India with a Euros 1.5 Billion investment in a single-brand retail venture. In the first phase it plans to set up 25 stores with an investment of Euros 600 Million in opening 25 stores. The company has already sought government permission to set up a 100 percent Indian venture and has also promised to increase its sourcing from the country. In these stores companies are permitted to stock goods from one brand only. The entry also comes with the stipulation that at least 30 percent of the products have to be sourced from Indian micro, small and medium enterprises - a major area of concern for IKEA until recently (Michelle, 1997).

### **5.0.3: FUTURE GROUP:**

Future Group is India's largest retailer and one of the leading business houses with a strong presence in retail. Future Group is established in 1994 by Mr. Kishore Biyani. Future Group's products come under the category of durable as well as nondurable. It offers perishable products, food items which are frequently approached by consumers. Also, offers Clothing, Apparel, Home décor items, Furniture which comes under the category of Non durable products. The company owns a portfolio of 24 leading brands and covers more than 121 cities. Future Group, India's largest retail chain in both value and lifestyle formats, is aiming to have 50,000 Big Bazaar direct franchisees by the end of this year. The company has already launched the franchisee based models in Mumbai, Hyderabad and Gujarat. It launched in Delhi on January 11, 2014.

The Future Group is providing its franchisees an electronic device, which would have all the information about its products and offers. The franchisee employees would visit the consumer's place and collect the orders.

The company is targeting Kirana shops, medical stores, persons with consumer network, insurance agents and persons engaged in professional services like payment of bills etc, as franchisees. Through this venture, the company would also try to expand its base in tier 2 and tier 3 cities, where the Future group still has no retail store. In return, the Future group is paying a commission ranging from 3 percent to 20 percent, depending on the kind of products sold ([www.pantaloon.com](http://www.pantaloon.com)).

#### **5.0.4: ATHOME [@Home]:**

It is a one-stop-shop for all home needs ranging from home décor to furniture, bath accessories to bedroom furnishings, mattresses to draperies, carpets to modular kitchens & health equipment all under one roof. '@home' is a retail division of Nilkamal Limited. Nilkamal Limited is world's largest manufacturer of moulded furniture, India's leading manufacturer of Material Handling Systems and has recently launched Mattress manufacturing business. '@home' is spread across the country with 18 large format retail stores with an average size of 16,000 sq.ft. Per store. '@home', positioned as a Home styling expert, is a perfect one-stop solution store for home planning, with finest quality furniture, soft furnishings & home accessories to enhance your indoor and outdoor spaces. The designs at '@home' are contemporary yet practical, mirroring Indian taste & requirements. With a wide range for your living, dining, bedroom, kitchen and garden; '@home' has products that appeal across various segments of the society at honest prices. '@home' offer you unparalleled plethora of services. The stores have skilled in-house team of designers to assist customers with their interior planning solutions with proprietary 3-D imaging software totally free of cost. Professional guidance in buying the right products, loan options, convenient home delivery and installation are other value added services that they offer. In an effort to help customers make an informed decision whilst buying furniture, @home displays its furniture in 'actual room settings' viz. the furniture with furnishings & accessories are displayed in actual room layouts having different themes. Each room showcases a different mood with color coordinated accessories & wall textures to beautifully compliment them. The settings on display are for living, dining & bedroom. Realistic room settings enable the customers to visualize the furniture in their home; making buying decisions easier ([https://www.at-home.co.in/about\\_us](https://www.at-home.co.in/about_us)).

#### **5.0.5: CROSSWORD BOOK STORE:**

Spacious, well laid out bookstores that feature methodical classifications, clear signages, dedicated enquiry /orders desks and attractive displays along with cafés, reading tables and chairs within the store make Crossword the leader in the lifestyle bookstore category.

It currently has 86 stores. Its unique product mix of books, magazines, CD-ROMs, music, stationery and toys is further enhanced with services like Dial-a-book and Email-a-book and facilities like gift vouchers and Return, Exchange & Refunds policy ([www.crossword.com](http://www.crossword.com)).

#### **5.0.6: HYPERCITY:**

Shoppers Stop Limited has acquired a majority stake of 51 percent equity share capital in Hypercity Retail (India) Ltd, thus making it a subsidiary of Shoppers Stop Ltd.

Hyper City operates 12 stores one store each in Ahmedabad, Pune, Ludhiana, Amritsar, Bhopal, Jaipur, Navi Mumbai and Hyderabad and 2 stores each in Mumbai and Bengaluru.

Hyper City has redefined the experience of the Indian consumer in the big store format. Its offering includes food and grocery, general merchandise and apparel. The business operates a “More to Discover” by-line and delivers quality product at great value in a bright, spacious, modern environment ([www.hypercity.com](http://www.hypercity.com)).

#### **5.0.7: V MART:**

V Mart was first incorporated as Varin Commercial Private Limited under the Companies Act in 2002 in West Bengal. V-Mart Retail primarily operates in Tier II and Tier III cities and is one of the pioneers in setting up stores across various small Indian towns and cities including Sultanpur, Ujjain, and Motihari. Based in New Delhi, the company operations are spread across northern, western and eastern parts of India. The company currently operates 109 stores across 91 cities in 12 states and union territories, with a total retail area of 7.74 thousand square meters. V-Mart's business can be classified in three business verticals: Apparels, General Merchandise and Kirana Bazaar. Maintaining high standards in quality and design, V-Mart offers fashion garments at down-to-earth prices and over a period of time has emerged as the destination of choice for bargain hunters and the fashionable alike. The company is also targeting over four-fold jump in revenue to touch Rs 2,500 crore (US\$ 391.71 Million) by the year 2020 with smaller towns expected to be its key growth drivers (<http://www.vmart.co.in>)

#### **5.0.8: BHARTI RETAIL:**

Bharti Retail Ltd is a wholly owned subsidiary of Cedar Support Services Ltd which belongs to the Bharti Group of companies. It owns and operates neighborhood stores called Easy day and compact hypermarket stores called Easy day Market. These stores provide consumers immense value and wide choice with products of great quality at affordable prices. The neighborhood format stores offer more than 3,000 products at the lowest prices. The first Easy day store was launched in Ludhiana and Easy day Market in Jalandhar, in the year 2008.

Currently, there are over 210 stores across Punjab, Haryana, Uttar Pradesh, Uttarakhand, Madhya Pradesh, Rajasthan, Himachal Pradesh, Chhattisgarh, NCR Delhi, Jammu and Kashmir, Maharashtra and Karnataka (<https://www.easyday.in>).

#### **5.0.9: RELIANCE FRESH:**

Reliance Fresh is the convenience store format which forms a part of Reliance Retail Ltd (RRL) of its parent company, Reliance Industries Ltd (RIL). RRL was set up in the year 2006 to lead Reliance Group's foray into organised retail.

Presently, it 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. Reliance Fresh now operates 1,691 stores across the country. These stores sell fresh fruits and vegetables, staples, groceries, fresh juice, bars and dairy products. In addition, RRL has also ventured into the retail optics business and has opened about 100 stores in India in a partnership with Grand Vision and it also owns the iStore, which is a one-stop-shop for all Apple products and services ([http://www.ril.com/html/business/business\\_retail](http://www.ril.com/html/business/business_retail)).

#### **5.0.10: RELIANCE MARKET:**

Traditional retail is characterized by presence of over 15 million kirana shops in the country. These kirana shops operate their retail business on a fragmented distribution network with presence of a number of intermediaries. Reliance Market, the wholesale cash and carry store chain aims at supporting their growth and providing them with a modern distribution system. Reliance Retail opened the first Reliance Market in the year 2011 and since then Reliance Market has grown rapidly expanding to 37 cities and serving over 2.5 million member partners. Reliance Market operates on the principle of 'less is more' i.e. 'buy for less' – 'operate for less' – 'sell for less' relying on higher efficiency of asset utilization and passing on higher value to customers. The societal value thus created by Reliance Markets helps in supporting member partners to be more profitable. Reliance Market enjoys strong patronage of its registered member partners by offering them a wide assortment of groceries, home and personal care products, consumables, general merchandise, apparel, footwear and home appliances. By sharing benefits of strong sourcing capabilities and relationships with a large network of vendors, Reliance Market offers regional, national and international brands to its partners and helps them prosper. Reliance Market's strong own brand portfolio further brings relevant offerings to its shelves thereby offering large assortment of core and complementary products (<https://www.ril.com>).



#### **5.0.11: CROMA:**

Croma is the nation's first large format specialist retail chain for consumer electronics and durables with successful expansion into Croma Zip stores, Croma Kiosks and latest online vertical. Croma has been launched by Infiniti Retail Limited, a 100 percent subsidiary of Tata Sons. It efficiently and successfully runs Croma's retail operations in India. In addition, one of the world's leading retailers. It offers customers over 6000 products across eight categories in a world-class ambience and our offerings are growing every day. These categories include Phones, Camera, Computers, Entertainment, Home Appliance, Kitchen Appliance, Gaming and Accessories. Great products from some of the best brands ensure you an exciting shopping experience. They also sell their own label by the name of Croma Life Accessories is well recognized for offering innovative and unique products that are hard to find (<https://www.croma.com/about-croma>).

#### **5.0.12: D-MART:**

D-Mart is a one-stop supermarket chain that aims to offer customers a wide range of basic home and personal products under one roof. Each D-Mart store stocks home utility products - including food, toiletries, beauty products, garments, kitchenware, bed and bath linen, home appliances and more - available at competitive prices that our customers appreciate. Our core objective is to offer customers good products at great value. D-Mart was started by Mr. Radhakishan Damani and his family to address the growing needs of the Indian family. From the launch of its first store in Powai in 2002, D-Mart today has a well-established presence in 132 locations across Maharashtra, Gujarat, Andhra Pradesh, Madhya Pradesh, Karnataka, Telangana, Chhattisgarh and NCR. With our mission to be the lowest priced retailer in the regions we operate, our business continues to grow with new locations planned in more cities. The supermarket chain of D-Mart stores is owned and operated by Avenue Supermarts Ltd. (ASL). The company has its headquarters in Mumbai. The brands D Mart, D Mart Minimax, D Mart Premia, D Homes, Dutch Harbour, etc are brands owned by ASL (<http://www.dmartindia.com/about-us>).

#### **5.0.13: BIG-BAZAAR:**

Big Bazaar is an Indian retail store that operates as a chain of hypermarkets, discount department stores, and grocery stores. The retail chain was founded by Kishore Biyani under his parent organisation Future Group, which is known for having a significant prominence in Indian retail and fashion sectors. Big Bazaar is also the parent chain of Food Bazaar, Fashion at Big Bazaar (abbreviated as FBB) and eZone where at locations it houses all under one roof, in outlets like Brand Factory, Home Town, Central, eZone, etc.

Founded in the year 2001, Big Bazaar is one of the oldest and largest hypermarkets chain of India, housing about 250 plus stores in over 115 cities and towns across the country ([https://en.wikipedia.org/wiki/Big\\_Bazaar](https://en.wikipedia.org/wiki/Big_Bazaar)).

#### **5.0.14: SPENCER'S RETAIL:**

Spencer's Retail has been part of the Indian retail landscape since the year 1863 and was originally set up by Mr. John William Spencer. It acquired Indian ownership in the 1960s, and became part of the RPG Group in the year 1989.

Since inception, Spencer's has been a consumer-centric brand, constantly innovating, pioneering formats, evolving over time but always keeping consumer needs and satisfaction as the topmost priority. Initially, in the year 1920, they started off as a grocery chain; in the year 1980, they became the first supermarket chain; and in the year 2001, they converted into a hypermarket chain.

Presently, Spencer's operates more than 200 stores across 35 cities in India and offers customers the following retail formats:

- Convenience stores, called Spencer's, which cater to the daily and weekly top-up shopping needs of consumers.
- Hypermarkets, called Spencer's Hyper, which combine a supermarket with a department store and store on an average, 70,000 items, giving shoppers fantastic deals across food, fashion, home and entertainment (<http://www.spencersretail.com>)

#### **5.0.15: WESTSIDE:**

Trent is a retail Operations Company established in the year 1998 that owns and manages a number of retail chains in India. The company runs lifestyle chain Westside, one of India's largest and fastest growing chains of lifestyle retail stores; Star Bazaar, a hypermarket chain; Landmark, books and music chain; and Fashion Yatra, a complete family fashion store. Westside is the mainstay of the retailing business of Trent. It has a number of stores in India, which offer clothes, footwear and accessories for men, women and children, along with furnishings, artifacts and a range of home accessories. Star Bazaar offers a wide choice of products, including staple foods, beverages, health and beauty products, vegetables, fruits, dairy and non-vegetarian products. Landmark has a range of over 100,000 titles in books and music, and also stocks movies, toys, gift items and stationery. Fashion Yatra represents the stores that bring quality fashion at low prices to value conscious customers in towns across India (<http://www.tata.co.in/company/profileinside/Trent>).

#### **5.0.16: ADITYA BIRLA RETAIL:**

Aditya Birla Retail Ltd is the retail arm of Aditya Birla Group, a US\$ 41 Billion corporation. The company ventured into food and grocery retail sectors in 2007 with the acquisition of a south-based supermarket chain. Subsequently, Aditya Birla Retail Ltd expanded its presence across the country under the brand 'more.'

With two formats — Supermarket and Hypermarket. More caters to the daily, weekly and monthly shopping needs of consumers. The product offerings include a wide range of fresh fruits and vegetables, groceries, personal care, home care, general merchandise and a basic range of apparels. Currently, there are over 485 more supermarkets across the country. More Megastore is a one-stop shopping destination for the entire family. Besides a wide range of products across fruits and vegetables, groceries, FMCG products. More Megastore also has a strong emphasis on general merchandise, apparels and CDIT. Currently, 16 hypermarkets operate under the brand more Megastore (<http://www.adityabirla.com/businesses/Profile/aditya-birla-retail-limited>)

#### **5.0.17: SHOPPERS STOP:**

Shoppers Stop Ltd (SSL) is India's prominent retail group and a pioneer in the organised retail industry in India. From a single store in 1991, the company today is one of the largest chain of department stores in the country. Shoppers stop offers customers an international shopping environment and a world-class shopping experience with a wide assortment of national and international brands across categories such as fashion apparel, accessories, cosmetics, perfumes, home and kitchenware. Over the years, Shoppers Stop has continued to introduce exciting new brands and collections and has created a differentiator through its exclusive and non-exclusive retail arrangements with world-class brands. With a strong business model, the company is well equipped for a stable growth trajectory. In FY 2014–15, Shoppers Stop Ltd achieved a gross retail turnover of Rs 34.05 Billion (US\$ 544 Million) ([www.shoppersstop.com](http://www.shoppersstop.com))

#### **5.0.18: FUTURE RETAIL:**

As India's leading retailer, Future Retail Ltd inspires trust through innovative offerings, quality products and affordable prices that help customers achieve a better quality of life every day. It serves customers in 95 cities across the country through around 10 Million square feet of retail space. Future Retail is the flagship company of Future Group, India's retail pioneer catering to the entire Indian consumption space. Through multiple retail formats, it connects a diverse and passionate community of Indian buyers, sellers and businesses.

The collective impact on business is staggering: Around 300 Million customers walk into the stores each year and choose products and services supplied by over 30,000 small, medium and large entrepreneurs and manufacturers from across India (<http://www.futureretail.co.in>).

#### **6.0: GLOBAL RETAIL EXPANSION:**

The researcher has made an attempt to outline the key trends in the Global Retail Industry.

The world's largest retailer Wal-Mart Stores are planning to foray in India's retail trade by the end of the year 2020. Carrefour and Tesco are also planning to join the India's retail growth story by investing in India by joining hands with Indian corporate houses (Ernst & Young Retail Report, 2014).

The Indian economy is opening its door wider to Foreign Direct Investment. The GDP growth, improved ease of doing business, and better clarity regarding foreign Direct Investment [FDI] regulations puts India in the favourable position. India is now the world's fastest-growing economy, overtaking China. Retail demand is increasingly driven by urbanisation, expanding middle class, and more number of women entering the workforce. Retailing is the second largest industry and the largest private industry worldwide. The rising spending power of the youth owing to high disposable income and consumer credit schemes are the key drivers of growth of retail market in India. The retail market is forecasted to reach an estimated figure of 20,002 Billion Dollars in the year 2017 with a Compounded Annual Growth Rate (CAGR) of 3.9 percent (ibid).

The markets in china are getting saturated and reach the tipping point as they are getting older in terms of their consuming population. The AT Kearney's 2007 Global Retail Development Index (GRDI), for the third consecutive year placed India the top retail investment destination among the 30 emerging markets across the world (AT Kearney's 2007 Global Retail Development Index report-GRDI). The recent growth spurt was achieved primarily through a surge in productivity and is sustainable. The Indian retail market is estimated by the India Retail Report to be around Dollar 270 Billion and the annual growth rate is 5.7 percent. Furthermore around 15 Million retail outlets help India win the crown of having the highest retail outlet density in the world (ibid).

The business operations are in doldrums as the retailers are facing difficulty due to the financial crisis and the global meltdown. This business environment can be attributed to fluctuating demand and competition (Technopak Retail Research Report, 2011).

The private label brands are gaining acceptance and popularity. The increasing use of online social networks and computer applications by retailers to reach consumers who are more online is expected to make modern retailing more mainstream (ibid).

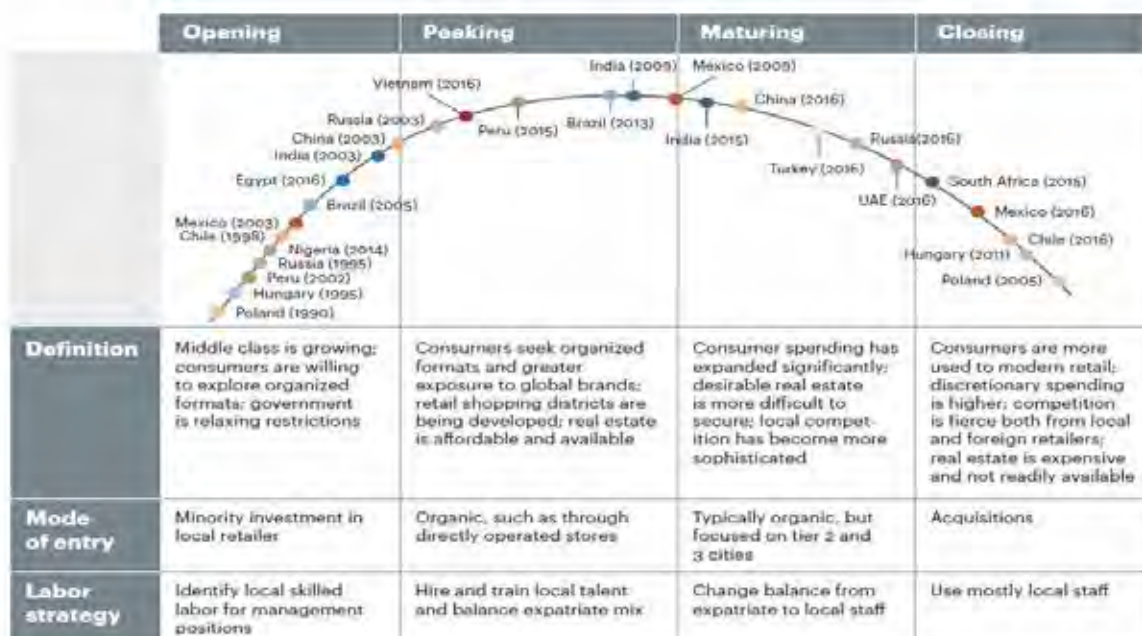
### 6.0.1: India's Position at Global Retailing Scenario:

The Global Retail Development Index [GRDI] showcases the “window of opportunity” for investing in physical retail in developing markets. Ideally, markets pass through four stages of retail development (opening, peaking, declining, and closing) as they evolve from emerging to mature markets, a process that typically spans five to ten years as shown in the Figure Number 1.20. The underlying hypothesis is that the retail window opens when the population becomes wealthier, when logistics start improving, when ownership regulations become more friendly to international firms, and when the country's various economic, political, and social risks settle down to acceptable levels.

The window begins to close when shoppers get so sophisticated that more than basic retail investment is required (in terms of formats and assortments); when logistics are strong enough across the board to no longer serve as a competitive differentiator; when regulations are stable enough that “daring” is no longer necessary in expansion strategies; and when risks to persons, property, and principles are low (A.T. Kearney analysis, 2014).

As per the Global Retail Development Index [GRDI] four out of the top five countries are in Asia. China takes the top spot despite its continued economic challenges and transformation. India's huge market potential, fast growth and improved ease of doing business move it into second place (ibid).

**Figure Number 1.20: India's Position at Global Retailing Scenario**



Source: A.T. Kearney GRDI Report, 2016

GDP growth, improved ease of doing business, and better clarity regarding foreign direct investment (FDI) regulations puts India in second place.

India is now the world's fastest-growing major economy, overtaking China. Retail demand is increasingly driven by urbanization, an expanding middle class, and more women entering the workforce. India remains a challenging and complex market for foreign retailers, where understanding dynamics at the state level is important (India's 29 states have historically had the power to opt in or out of FDI reforms), and where infrastructure bottlenecks (including archaic labor laws, complex regulations, high labor attrition rates, and limited high-quality retail space) remain important areas of concerns for retailers. But India's strong ranking reflects foreign retailers' increased optimism in the \$1 Trillion retail market and its vast potential (A.T. Kearney Report, 2016).

Under Narendra Modi's leadership, India has relaxed several key FDI regulations in single-brand retail. For example, companies that deal with "cutting-edge technology" are no longer forced to source at least 30 percent locally, a move that will likely encourage companies like Apple and Xiaomi to open branded stores in the near future. Meanwhile, the ruling Bharatiya Janata Party has retained a rule that allows 51 percent FDI in multi-brand retail, and has opened up FDI in multi-brand processed food retail, as long as the food is sourced and produced in India. This could benefit retailers like Walmart (currently limited to cash-and-carry) and Tesco (currently operating multi-brand retail through a joint venture with Tata). In addition, in e-commerce, the government now permits 100 percent FDI for online marketplaces, with some caveats to "create a level playing field." Overall the rule is expected to boost market entry in the online space, though it could pose problems for incumbents Flipkart and Amazon. In the past year, several foreign retailers have entered India. In fashion, Aéropostale, The Gap, and The Children's Place entered in partnership with Arvind Lifestyle Brands. Topshop and Topman entered via e-commerce through Jabong.com, while H&M became the first international fashion retailer to enter alone after the government approved 100 percent FDI in single-brand retail. Other sectors also saw multiple entrants including sports (Sonae, under the Sport Zone banner), restaurants (Wendy's, Jamie's Italian, Jamie's Pizzeria, Barcelos, and Carl's Jr.), and convenience stores (UAE-based Fmart). And among existing international retailers, Marks & Spencer, Burger King, Dunkin' Donuts, Starbucks, and Nando's undertook significant expansion programs (ibid).

In terms of formats, the cash-and-carry model is thriving and profitable, with existing players like Walmart and Metro seeking to expand their store bases, targeting 70 and 50 stores, respectively, by the year 2020 (ibid). Retail in India is still hindered by high consumer price inflation, currency fluctuations, high current account deficits, government debts, and strict foreign direct investment policies that have long been an impediment to growth.

India drops six spots to 20th place, its lowest-ever ranking in the Global Retail Development Index [GRDI]. India remains an appealing long term retail destination for several reasons, starting with its demographics - a population of 1.2 Billion people, half of whom are younger than 30 and roughly one-third of whom live in cities. Indians' disposable incomes are increasing, allowing them to spend more and try new products, brands, and categories while spending a lower proportion on food. Migration from traditional stores to modern retail continues, but modern formats account for only 8 percent of the total market.

Concerns for the industry include an opaque real estate market with high prices and low availability, high borrowing costs, personnel shortages, expensive supply chains, and unpredictable politics both locally and regionally. More retailers today are focusing on improving operations and back-end processes to increase profitability. Lean models- in terms of size, capital spending, and operating costs are gaining hold, and even incumbent retailers are reducing store sizes and opening new stores only in carefully selected locations. In the year 2013, the government permitted 51 percent FDI in multi-brand retail with few caveats, but left implementation to individual states, a step that has made it hard for new retailers to form unified strategies for the Indian market as a whole. Still, foreign retailers are allowed 100 percent of single-brand stores, and many opened outlets in the year 2013, including U.S. brands Stuart Weitzman, Michael Kors, and Columbia Sportswear and German multinational Bosch to name a few. Other retailers have indicated interest in opening single-branded stores, including IKEA, Burger King, Gap, Skeyndor, H&M, Richemont, AEON, and Swiss Military. India's e-commerce market is expected to grow more than 50 percent in the next five years, as its young population increases Internet access and speed. Cash-on-delivery options have been an important step to growth. Inventory management, logistics planning, and resource availability are important hurdles for online retail in India (AT Kearney GRDI Retail Report, 2014).

#### **6.0.1: India's policy regulations for Foreign Direct Investment (FDI):**

Foreign Direct Investment (FDI) in Single Brand retail where the specific meaning of single-brand retail has not been clearly defined in any Indian government circular or notification, single-brand retail generally refers to the selling of goods under a single brand name.

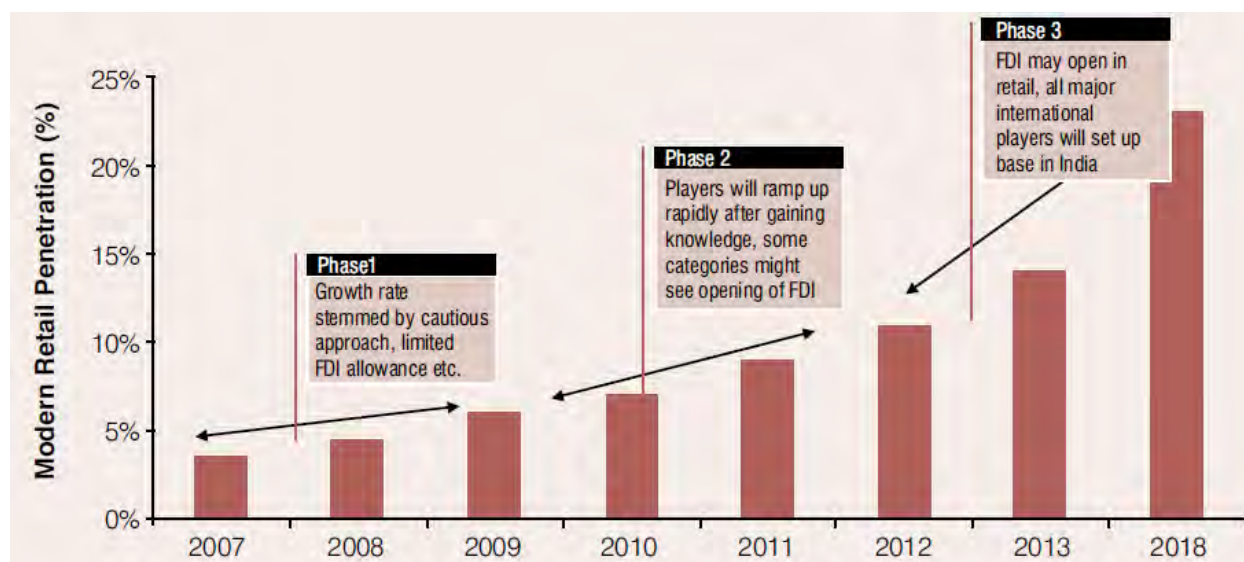
Up to 100 percent FDI is permissible in single-brand retail, subject to the Foreign Investment Promotion Board (FIPB) sanctions and conditions mentioned that are only single-brand products are sold, products are sold under the same brand internationally. It is interesting to note that regulatory restrictions on the growth in modern retail is more stringent in developed rather than in developing countries.

Merger and acquisitions form an integral and strategic plan for the retailers worldwide. With the onslaught of liberalization and globalization there is a paradigm shift in the retail business (AT Kearney's 2007 Global Retail Development Index report-GRDI).

There exist some policy regulations in this sector. The policy regulations are pertaining to the conduct of retail business operations. The Competition policy, technology and practice upgrading, enhancing organizational capacity, and financial access are some of them which guide the retail business operations. (Reardon, T. and R. Hopkins, 2006)

The FDI in Retail is at an Inflection Point in India as it is today the only major economy that still does not permit FDI in retail trade as shown in the Figure Number 1.21. Currently, the Government policy allows up to 51 percent FDI in single-brand retailing, and 100 percent FDI in cash-and-carry wholesale trading. FDI in retail is not allowed in multi brand retailing (Technopak Research Report, 2011).

**Figure Number: 1.21: FDI in Retail at Inflection Point in India**



Source: Technopak Research Report, 2011.

One of the major reasons for indecision in opening up FDI in retail has been the fear of its adverse effect on the small retailers. Also, the political repercussion of this decision has made the government overcautious in its approach. However, the need for relaxing the FDI norms now is more than ever before.

In order for GDP in India to grow at a level of 7 percent to 8 percent in this current global slowdown scenario, it requires raising the rate of investment as well as generating demand for the increased goods and services produced (Technopak Research Report, 2011).

FDI will lead to increase in exports due to high level of sourcing from India, technological and processing capabilities, infrastructural developments, increased employment, and inflow of funds and investment in the country.



Hence, FDI can catalyze the retail boom and provide an upward push to the overall economic growth of the country. Given the need of the hour, we may see an overall easing out of FDI norms once the new government takes over. However, FDI will still be eased in a phased manner with Food & Grocery (F&G) being last of the categories to be relaxed (ibid).

#### **7.0: SWOC ANALYSIS OF RETAIL INDUSTRY:**

Presently we are living in the state of flux where only constant thing is change and competition become inevitable part of retail management where we have to manage retailing strategically. Therefore, all type of retailer doing retailing of different products has to study their own strengths, weaknesses, opportunities, and threats. Following are the main aspects of SWOC analysis in retailing, which help to design effective retail strategy (Hemant Batra, 2010).

- **Strengths:**

- § What major competitive advantage(s) do we have? (This could be lower prices, better locations, better store personnel, etc.)
- § What are we good at? (This might be the ability to anticipate customer demands better than the competition so that the merchandise is there when the customer wants it, etc.)
- § What do customers perceive as our strong points? (Customers might perceive that we offer the best value for the money.)

- **Weaknesses:**

- § What major competitive advantage(s) do competitors have over us? (Do they have lower prices, better locations, more salespeople, etc.?)
- § What are competitors better at than we are? (Do they do a better job at merchandise selection or demand anticipation?)
- § What are our major internal weaknesses? (Do we do a poor job of employee training; are our stores in need of remodeling, etc.?)

- **Opportunities:**

- § What favorable environmental trends exist that may benefit our firm? (Is our market size growing, are family income levels rising in our market, is merchandise priced correctly for the target market? etc.)
- § What is the competition doing in our market? (Are new firms entering or are existing firms leaving and what is the impact on us?)
- § What areas of business that are closely related to ours are undeveloped?

**Challenges:**

- § What unfortunate environmental trends exist that may hurt our future performance? (Has inflation caused consumers to become more price sensitive, or has it prevented us from raising our prices in order to pass increasing costs on to consumers? etc.)
- § How could our competitor's actions [price, new products, services, etc.] the entrance of new competitors, or the possible loss of suppliers hurt us?
- § What technology is on the horizon that may soon have an impact on our firm? (Will some new electronic equipment soon replace our manual way of performing activities?) (ibid).

Summarizing the SWOC analysis of the retailing in India it can be stated that a political change in state and central governments can put a lot of political risk on investment in the retail sector. The Indian retailers have difficulty finding the trained manpower and also have to pay more to retain them, the lack of proper infrastructure and distribution channels in the country results in inefficient processes in retailing. This is a major problem for retailers as a non-efficient distribution channel is very difficult to handle and can result in huge losses for them. The different structure of sales tax in different states (Ernst and Young, 2012).

**8.0: UNDERSTANDING SHOPPERS' BEHAVIOUR IN PHYSICAL RETAIL STORES:**

In recent times, consumer behavior researchers have argued that it is important for them to study behavior for its own sake, for the purpose of advancing knowledge in any branch of knowledge and any part of business. Consumer behavior can also be studied within the framework of psychology. There has been a change in shopping behaviour in urban India over the past few years with consumers looking for convenience. They want everything under one roof and a bigger choice of products.

With an increase in double-income households, people do not have much leisure time & seek the convenience of one stop shopping in order to make the best use of their time.

They also look for speed and efficiency. Increased awareness has also meant that consumers now seek more information, variety, product availability, better quality, and hygiene as well as increased customer service. The concept of "Value for money" is picking up (Global Powers of Retailing Deloitte, 2011).

In retailing also, clear understanding of consumer is paramount to be successful. In recent time, the concept of retail branding is flourishing in India, which requires considerable consumer behaviour research.

In order to be an effective retailer, one must understand the role of consumer behaviour study in retailing, as it is one of the most crucial external factor affecting retail firms.

It is important to realize that management cannot be effective without the clear understanding consumer decision making process and his behaviour in relation to the consumption of products and services, which have been influenced by various demographical and social factors. Therefore, this research study attempts to understand different ways in which consumers choose and evaluate various alternatives with special reference to their shopping orientations and the store attributes in the retail stores (ibid).

Value is no longer only about price – it is very clearly Price plus. The price plus could be one or more of fashion, quality, convenience, service, experience, innovation etc. Need based consumption categories to become low-involvement items for the “core” consuming classes (Emerging Trends in Indian Retail and Consumer, Technopak, 2011). For as long as we can remember, roti, kappada aur makaan have been the primary needs and drivers of private consumption. Now, with the impact of the sustained economic growth of the last two decades, it seems that for a large part of the population, consumption has moved beyond these basic survival needs.

During the last two decades there is a radical shift in the shoppers’ spending priorities which is briefly depicted in the Table Number 1.5.

**Table Number 1.5: Change in Consumers’ Spending Priorities**

1991	2009	2015
1. Food and Grocery	1. Food and Grocery	1. Food and Grocery
2. Clothing	2. Clothing	2. Clothing
3. Footwear	3. Footwear	3. Footwear
4. Consumer Durables	4. Consumer Durables	4. Consumer Durables
5. Home Linen	5. Expenditure on DVD and VCD's	5. Expenditure on DVD and VCD
6. Movies and Theatre	6. Home Linen	6. Home Linen
7. Eating Out	7. Home Accessories	7. Home Accessories
	8. Accessories	8. Gifts
	9. Gifts	9. Take-away/RTE meals
	10. Take-away/RTE meals	10. Movies and Theatre
	11. Movies and Theatre	11. Eating Out
	12. Eating Out	12. Entertainment Parks
	13. Entertainment Parks	13. Mobile Phone and Services
	14. Mobile Phone and Services	14. Household Help
	15. Household Help	15. Travel Packages
	16. Travel Packages	16. Club Membership
	17. Club Membership	17. Computer Peripherals & Internet
	18. Computer Peripherals and Internet	18. Beauty and Spa
	19. Personal Transport	19. Gaming
		20. Personal Transport
		21. Coaching/Training/learninn

Source: The Indian Retail landscape: Now and Beyond, Technopak Perspective, 2013

### **8.0.1: Changing Profile of Indian Shopper:**

In the following section an attempt has been made by the researcher to offer perspectives on the changing face of the retail industry, and to presents the characteristics of the 21<sup>st</sup> century consumer and their implications for the sector.

Present day economic realities are forcing many to rethink traditional industry business models. Yet, in some ways, the industry is struggling to keep pace. In part, this is because the operating environment has become far more complex and interconnected. Consider the typical shopping mall. The combination of convenient parking spaces, air conditioning, and eye-level displays made the formula an instant success. Chain store and franchise models offered similar appeal for a mobile, suburban consumer-base. But with fuel prices volatile and consumers faced with myriad new shopping channels, familiar buying patterns are beginning to change. Where brand-based models used to predominate, today's consumers have more choice and far more product information than ever before. In an open information environment, national and global brands may no longer have the huge sway they once did. While radio frequency identification (RFID) and related tools helped retailers gain a better understanding of consumer buying habits, social networking and other online tools put consumers in touch with one another, creating a new and influential stakeholder in consumer decision making (KPMG Retail Report, 2014).

#### **8.0.1.1: Empowered Shopper:**

The modern day shopper is more empowered and gone are those days in which retailers by and large controlled the communication channel with consumers. The advent of online and related technologies has democratized the flow of information, shifting power outward from producers and retailers into the hands of everyday consumers. These changes are forcing greater openness in the way products are created, brands are marketed and buying attitudes are shaped (ibid). Implications for retailers include:

**In an age of increasing customer power and activism, retailers need to be part of the conversation with the consumer.**

Consumer feedback is not a nice-to-have but a must-have means of anticipating product, packaging, and pricing priorities. Today's real-time environment means that news, both good and bad, travels quickly. It behooves retailers to actively gauge customer feedback, taking note of influential sites, blogs, and message boards, and responding to issues quickly. At the same time, retailers must forge opportunities for meaningful dialogue and interaction. When it comes to communications, context and authenticity drive credibility.

In an information-rich world, consumers want retailers to be transparent, telling them what they need to know but can't find out on their own. This type of openness builds trust, a central element in fostering brand loyalty (Forrester Research Report, 2008).

**Retailers must continue to fashion customer-centric product and service models.**

Retailers have been experimenting with ways to make the end user not just a receiver but also a shaper of products and services for well over a decade. Companies like Ikea make customer engagement a fundamental part of its go-to-market strategy. In return for high-end design, consumers receive lower-end pricing. But since consumers are also responsible for transporting and assembling their purchases, they are directly enmeshed in the company's operations. In practice, they form a vital element of Ikea's own value chain. Some companies are working to put such guidance into practice. Adidas allows customers to walk the walk literally at its interactive store in France. Shoppers jog or stroll on a treadmill-style scanner as the machine analyzes their foot pressure, shape, and size. The data is then used to develop a custom online prototype. Customers can choose their desired color and try on their new shoes aided by a "virtual mirror." If they like what they see, they can purchase their co-creation. High-quality interactions like these can help retailers unlock new sources of competitive advantage. As the branding consultancy, Landor, puts it, "For better or for worse, consumers are now collaborators in brand development. Those brands that embrace and act on this shift will likely be the winners" (Superbrands, 2007).

**8.0.1.2: The Value Conscious Shopper:**

Consumers are making deliberate lifestyle decisions based on a desire to better manage their spending, reduce their environmental impact, and improve their quality of life. They expect the companies they patronize to be equally deliberate in their choices. In a challenging economy, many will spend for needs, not wants (ibid).

Implications for retailers include:

**Consumer perceptions of value are shifting:**

Demographic changes, prompted by the needs of active, vocal, and sizeable baby boomer populations, as well as younger, hyper-connected, and influential millennials, add to the industry's challenge. Because each generation defines value in their own terms, retailers must be attuned to their distinct product and service needs as well as their preferred methods of communicating and collaborating. What's more, today's multichannel environment gives them more power to act. In a democratized retail environment, consumers can vote with their feet and their dollars.

Whereas before shoppers may have been limited to a defined set of products, regardless of preference for such things as fair-trade coffee, recycled paper products, or ethically manufactured garments, today's consumers have unprecedented choice, and the ability to exercise their heightened consciousness (ibid).

**Retailers that demonstrate socially responsible practices will be viewed as more credible and trustworthy.**

Retailers that demonstrate a sustained commitment to socially responsible business practices engender greater trust, affinity, and brand loyalty. That is particularly relevant now, with consumer confidence at low ebb. When it comes to building credibility, open communication is a low-cost, but highly effective way to demonstrate a retailer's core values (ibid).

**Lower, middle, and up-market retailers must appeal to a more discerning consumer base.**

Many department and chain stores are under intense pressure to elevate foot traffic, boost sales, and increase market share. At the same time, consolidation among department and chain stores has resulted in rising competition among apparel makers who must vie for remaining shelf space or consider pursuing their own retail channels (ibid).

#### **8.0.1.3: The Crossover Consumer:**

In today's multifaceted marketplace, it is harder than ever to label consumers by any one category. This is the era of the "Instavidual" where shoppers' trade up to high-value premium brands in some instances and down to low-cost commodity goods in others. The mass consumer has become a hybrid consumer. As retailers adapt to this environment, the leaders will be those that align their offerings with consumers' ongoing quest for value (Forrester Research Report, 2008).

Implications for retailers include:

**Traditional customer segmentation strategies will change as companies engage in total customer experience management.**

Retailers have to work harder to expand not only their market share in a given category, but also their share of a customer's wallet. Where companies may once have focused on an individual area, a consumer's hair, skin, or nails, for instance, many are widening the lens to take in the whole customer. That is because lifestyle considerations, work-family pressures, and the desire for personal and family wellness will increasingly drive portfolio and retail strategy. As a result, some companies are expanding beyond product delivery into a range of different lifestyle oriented services (ibid).

### **In a multichannel world, retailers must provide more seamless interaction.**

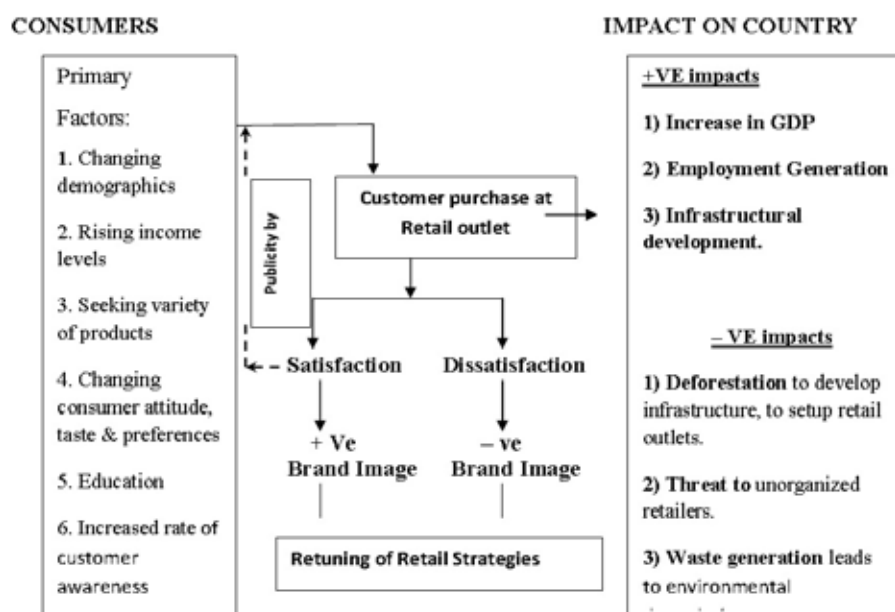
According to Forrester Research, two-thirds of online consumers engage in some form of cross-channel shopping behavior when purchasing apparel, wireless products, consumer electronics, personal computers, and large appliances. Shoppers want e-tailers to provide them with the convenience of online formats along with the touch-and- feel product experience conferred by a physical storefront setting (ibid).

That act of being present where consumers are means that retailers need to think cross-channel when it comes to customer segmentation. Online and offline behavior can offer important insights into consumer buying attitudes. Click-through activity, response to print and television advertising, feedback from surveys, and purchasing patterns offer retailers a holistic means of understanding what resonates with different types of consumers. Taken together, the results can guide more effective messaging, marketing, and related activity (ibid).

In order to succeed in the chosen target market, the retailer must develop effective marketing-mix strategies. The marketing mix constitutes product assortment, Competitive price, location, promotion and customer service designed to create high in store customer traffic.

The country's favourable demographic profile and the high growth in urbanization, as well as retail spending, increased purchasing power etc. are attracting business houses to retail market. The observed factors which influence customers to make purchases in the retail market can be diagrammatically presented as shown below in Figure Number 1.22 (Pankajakshi & Kavitha, 2014).

**Figure Number: 1.22: A Model Strategizing the Marketing for Retail Industry**



Source: Pankajakshi & Kavitha, 2014.

In order to meet the needs and expectation of the ever changing customer demand the retailer need to redesign the strategies from time to time as depicted in the above diagram. The retailer can attract the customers through attractive sales promotional techniques through discount sale, premiums, gifts, free coupons and vouchers, price redemption etc. These sales promotional techniques can be clubbed with the loyalty programs, sponsored events. The retailer can make use of Information and Communication Technology for creating awareness. The organized retail sector in order to withstand the highly competitive environment needs to focus on e-tailing, e-commerce, mobile retailing, social media and digital space. Two third of the retailing involves impulse purchases, demanding effective merchandise assortment on the retail store. In other terms the growth of organized retail sector will have negative impacts on unorganized retailers (ibid).

Consumers' choice is the critical component for success for retailers. It is not easy to satisfy the consumers as they want high quality merchandise at low price. So it is important for retailers to focus upon the attractive marketing strategies to satisfy the consumers' needs.

Retail marketing strategies are playing significant role in the growth of organized retail sector. Retailers are opting for various marketing strategies to attract consumers to buy from emerging retail formats (Mittal, 2008).

The study undertaken by Mittal and Mittal (2008) suggests that the retailers' marketing strategy will have to take into account two sets of attributes: i) loyalty drivers, and ii) shopping experience enhancers. For apparel shopping the loyalty drivers are: attractive merchandise mix, sales promotions, price, and recommendation/relationship whereas the shopping experience enhancers are store reputation/advertisements, temperature (air conditioning), return/guarantee, and ambient conditions. Dalwadi et. al. (2010) identified that variables like courteous staff members; customer attention; free gifts and discounts; comfort and elegance; proximity; variety; speedy service and assurance must be considered while designing retail operations. Kokatnur (2009) is of the view that malls, supermarkets and hypermarkets are growing rapidly and adopting aggressive strategies to attract customers. According Gupta et al. (2009) retention of existing customers is five times more profitable than adding new ones. The results indicate that customers' perceived value is an important indicator of their continued intention, and so are the loyalty incentives provided by the store. Customers value convenience more than enjoyment. Organized retailers can improve customer retention by focusing their strategies by adding more value and convenience to customer experience.



Grewal et al. (2009) and Ghosh et al. (2010) recommend various strategies for retailers in designing their outlets that would meet the expectations of shoppers and how they can shape customer experiences and behaviours. Promotion, price, merchandise, private label brands, fun and entertainment, effective sales personnel, supply chain and location deliver a superior customer experience and result in higher customer satisfaction, more frequent shopping visits, larger wallet shares, and higher profits.

#### **9.0: FUTURE OF MODERN RETAIL IN INDIA:**

In this section, the researcher has made an attempt to discuss in brief the future of modern retail in India by highlighting the key trends of retailing in the new millennium.

The retail industry is expected to grow at a rate of 12 percent per annum for the next 5 years. The Indian retail industry has growth of 10.6 percent during the year 2010 to the year 2012 and is expected to increase to US Dollar 750 to 850 Billion by the year 2015.

The current sign of Government to initiate Foreign Direct Investment (FDI) in various sectors is bringing a new interest to the investment climate in new technology and lifestyle trends creating replacement demand. Increase in rural income as well as urbanization of the population (Ernst and Young Retail Report, 2014).

Disruptors are the order of the day. E-tailers are scrambling to differentiate themselves from the crowd in order to register the highest gross merchandise sales. Meanwhile, traditional offline retailers are also jostling to maintain their position in overall retail. In the following section the researcher has made an attempt to highlight some key aspects of future of modern retail in India (PWC Total Retail Report, 2015).

##### **The Rise of E-commerce:**

The success of the online marketplace has encouraged several entrepreneurs and small businesses to build their presence online. Not only have they benefitted from the extensive reach of the e-tailer in the country, but have also been able to piggyback on the existing supply chain infrastructure and marketing and advertising campaigns. Be it saree weavers in Varanasi, handicrafts and curio makers or even local manufacturers of bags, small manufacturers are finding it easier to grow and sustain their business on online marketplaces. Offering lower prices will not be viable in the long term. Despite luring in customers in the initial stages, lower prices won't be able to retain customers in the long run. While the discounting will continue for some more months, e-tailers are thinking beyond discounts to acquire customers and build loyalty. Further, with valuations of e-commerce companies skyrocketing, there is increasing pressure from investor firms to cut down on discounts and concentrate on making profits.

The more mature firms in the business are gradually implementing this change in strategy. As an alternative, customer data analytics and a host of other tools for customer engagement are helping e-tailers to offer tailor-made solutions on a large scale. Awareness campaigns linked with social issues have also contributed immensely to increasing top line sales of a leading online (ibid).

### **Emergence of Urban Consumption:**

The increasing sale of smartphones and the consequent increase in the internet user base has led to the emergence of small towns as e-commerce hubs. Retailers continue to face challenges like high real estate costs, labour, sourcing and supply chain along with the conditions on multi brand and single-brand retail trading in India. E-tailing is therefore emerging as a viable alternative by which organised retail can expand its share in the total retail pie. Keeping this in mind, traditional retailers are fast expanding into the online space. Cross-channel collaboration could create a win-win situation for both the customers as well as the retailers. The customers would enjoy the seamless shopping experience that they desire. Additionally, offline retail could benefit from the reach of online retail while online retail could capitalize on the presence of traditional retail in territories that were left uncovered. Over the last few months, several large format as well as specialist physical retail chains have forged partnerships with online companies to this end (ibid).

### **Emergence of Mobile Shopping:**

Mobile shopping still accounts for a small percentage of retail sales, an increasing number of customers now prefer shopping on their smartphones, thus validating the view of mobile shopping being the next game changer. One way of dealing with change is to embrace it and the future of modern retail seems to be ushering in an era of symbiotic co-existence between the multiple channels. In reality, e-tailers could do with the volumes of business that existing offline retailers possess whereas the latter, especially local businesses, can gain exponentially by harnessing the nationwide reach of the large e-commerce players (ibid).

The power of technology as a driver of change is not just limited to the shopper and retail environment. Increasingly, the world without walls will also require a value chain without walls as shoppers gain more transparency into all aspects of the retail supply chain. Tracking technologies like Radio Frequency Identification (RFID) and other innovations will enable seamless checkout while providing shoppers the opportunity to understand everything from product origin to brand legitimacy at the touch of an icon on a handheld device. For the retailer, precise inventory level tracking, enabled by technology at all phases of the supply chain will result in tighter management of inventory to optimize cash flow (ibid).

The polarization of the retail landscape, combined with increased consumer connectivity, will be reflected in key consumer drivers that will shape the flavor of this wall-less retail environment. More personalized and contextualized communication will change the nature of the retailer as expert. For instance, signage and service will be part of the equation, but unless retailers can apply that expertise to customized specifics about a particular shopper's life, they may lose the opportunity to build loyalty. Retail brands will also need to leverage the transparency in all actions performed and this visibility will recast the nature of premium brands to be more transparent and authoritative. Big Data (large and complex sets of data that come from multiple sources) mining will enable retailers to also know a great amount about their shoppers, with insights that go well beyond their transactional behavior. Value will also become more personalized, where a retailer's pricing dialogue with its best shoppers will be centered on private conversations personally tailored to that customer's preferences. Additionally, multiculturalism will become an integral part of doing business as more and more brands and conversations globalize (ibid).

#### **Globalization of Retail Operating Models:**

Globalization is another major category of key drivers expected to impact retailer operating models. The global nature of the materials market makes nearly every business a global enterprise, which, when combined with the continued growth in the developing world, will put inflationary pressure on raw materials for retailers and shoppers. To meet this challenge, retailers will need a supply chain that is networked globally, but that might ironically become more intensely local. The pressure for cash flow, combined with the need for speed, will cause many retailers to consider sourcing closer to the point of final distribution rather than across an ocean. The retail community's reaction to these core change drivers will change the definition of a successful retail model. These changes will come to life in the core areas where retailers sell, how they sell, and how they operate (PWC Total Retail Report, 2015).

The globalization will push retail into a variety of new and different types of markets. In addition to being successful at competing in different geographies, we expect that the global learning platform will influence the types of stores retailers operate. Benchmarks of global formats will spread more rapidly, and retailers will adapt global best practices swiftly to meet the needs of their markets. Even local retailers will be required to understand the global format portfolio in order to make sure they have a strong format strategy to compete in an increasingly polarized world.

Polarization will also require physical stores to be more focused and aligned with the needs of specific shoppers in distinct trading areas. The future retail store will be enabled by technology that aids personalized conversations for an even more customized and unique experience. Replenishment planned shopping trips will be automatic, particularly in low-engagement categories and will be managed in a hands-off, online environment. Brick-and-mortar retailers will still be leveraged for immediate and acute needs and will need to be in close proximity to shoppers to be successful. This will require more precise real estate modeling and smaller physical footprints. To enable more personal connections, retail brands will need to be well integrated across physical, digital, and media touch points in order to realize the full range of opportunity. Retailers will weave manufacturer brand themes and resonance into their brands to tell branding stories more effectively and their reach will continue to expand beyond selling products to services and lifestyle solutions. This branding will be aimed at positioning the retailer as a – “one-stop life shop”.

The need to scale personal connections will push retailers into customization techniques that will allow personalization of cluster able opportunities (ibid).

#### **Shopper Oriented Retail Practices:**

Consumer-centric stores and relationships will require a like-minded consumer-centric supply chain and operating model. Active consumer interaction in the supply chain will cause a divergence of shoppers. Some shoppers will pay significantly more for specific ingredients, faster delivery, sustainable attributes, or higher product quality. On the other hand, some will trade down to lower cost products with none of those features. Retailers will need to understand where they sit on that continuum and how many consumer-centric opportunities they will need to leverage. Shoppers will also aggregate buying power into buying groups, and retailers may have entire departments dedicated to managing consumer buying groups. Such groups will be able to employ short-term promotions for purchase advantage or resale creating a world where retailers may, in essence, morph into wholesalers and remain conventional retailers to individuals. All of these transitions are expected to put intense pressure on retail economic models, particularly in the mission to drive square footage and asset productivity. Retailers, because they are more operationally-oriented, tend to be far better at efficiency than effectiveness. By the year 2020, the leading retailers will be those who best blend effectiveness into efficiency with the help of components viz., the ability to realize and quantify opportunity considering the costs associated with change; the need to understand lowest potential cost and understand how costs might be reduced.

It also includes a holistic understanding of total value chain productivity and the ability to stop doing unproductive work and reimagine new ways to execute. Understanding these paradoxes and the interplay with the key drivers of change will spur retailers to devise new ways of working as shoppers' needs change and the demands for service in an Omni channel world grow ever more acute (ibid).

The following sections give an overview on other relevant opportunities that are critical and challenging for retail business as the retail ushers into the new era by the year 2020.

#### **From Multichannel to Omni channel:**

Multichannel retailing is most often associated with retailers that have brick-and-mortar stores combined with an online retail channel. A new concept is now emerging, called Omni channel, which describes a channel-agnostic view of how consumers experience the retailer brand.

Shoppers increasingly demand a consistent level of experience regardless of channel or mode by which the retail is accessed. Such shoppers avoid retailers who are ill-equipped to deliver a seamless brand experience online, in-store and across multichannel media, both consistently and continuously. By the year 2020, the need for a unified consumer Omni channel experience will be complicated by the need for nearly perfect execution. However, expert use of business intelligence tools, coupled with a profound understanding of shoppers 'needs and experiences in real time, may make Omni channel a realistic goal. With the convergence of physical retail formats, digital services, and E-Commerce channels, retailers are currently confronted with the need to correctly deliver a fully integrated shopper experience from start to finish. By the year 2020, this should be a reality, with shoppers experiencing retailers as a single brand consistently across all points of contact, both virtual and real world. Retailers will strive to find a means of bringing the one-to-one relationship of the internet to the mass-oriented store setting (PWC Total Retail Report, 2015).

Retail brands will have three key attributes viz., consistency, intensity and accuracy. In a fragmented world, the need for a multitude of shoppers to have a consistent impression of what the retailer stands for actually becomes more important by retailer's intensity of marketing efforts fuelled with accuracy and transparency of everything that requires retailers to be truthful to the image they portray in all aspects of their business (ibid).

Success will likely be shaped by several factors, weaved together in a flexible, scalable, and agile model. The winning retailers will have a superior understanding of their consumer, considering income and demographic fragmentation, as well as behaviors, and will have the inert ability to analyze shopper data and extract valuable information.

They will leverage technology shifts to their advantage and turn business intelligence and data into actionable insight to grow and benefit the business. They will integrate these insights into the demand chain and into enhanced customer service models. They will have an enhanced understanding of market fragments and patterns of growth and will be able to operate and manage "glocally" on a global scale with attention to local needs. Leading retailers will address the challenges to their economic models and adapt their frame of mind on store formats, employment models and return on investment. The successful retailer will also build a true Omni-channel operation that allows customers to interface through any channel of their preference on a 24/7 basis, anywhere at any time. By embodying these and other success factors, retailers and suppliers alike can manage the complexity and diversity of retailing for grappling with future (ibid).

After reviewing the key future trends of retail sector it can be summarized that retail has its roots to the brick-and-mortar stores, which is now witnessing expansion on account of the online market growth. While consumer adoption, technology progress and retailer push has been the key drivers, government initiatives would come as complementing steps to the growth of Omni-channel retailing.

The most significant initiative was the demonetisation of high value currency notes announced recently. The demonetisation decision on one hand has impacted sales mainly in high value retail categories like jewellery and luxury goods. However, on the other hand, demonetisation has catapulted the digitalization momentum in the Indian economy. After a spectacular growth of mobile wallets and card payments, the government has upped the ante through the United Payment Interface (UPI) that will address the inter-operability issues and improve the overall transaction experience. The impetus for digital payments will accelerate the technology adoption rate in the country. The investment in technology infrastructure will enhance the quality of consumer experience as well as security of online transactions that shall in effect attract more consumers to online retail. The Government has also taken an accommodative stance on foreign investments in the e-commerce segment. The Government has to facilitate growth by preparing clear policies for the retail sector and creating proper retail zones through a comprehensive planning process, thereby reducing infrastructure bottlenecks. Recent initiatives, such as the FDI retail policy and state-level retail policies, where the government is taking up the role of a facilitator to create an environment conducive to the retail business, are steps in the right direction.

With strengthening of the online retail ecosystem coupled with Government initiatives, the adoption of online retail is expected to accelerate. However, as both online and offline channels contribute to different dimensions of the consumer experience and their value proposition to brands depend on the brand's attribute and focus, a right combination of Omni-channel will be the way forward. As a result, we would see waves in both directions, i.e. movement from online only to Omni-channel as well as offline only to Omni-channel. Innovation will be the key, as customer awareness leads to higher expectations, convenience being the requisite factor. The retailer strategy will have to take into account the opportunity for partnerships and recognize the need to work as an ecosystem. Collaborative working among the leading players will be the key to success. It could be in the form of partnerships, or mergers and acquisitions. Brick-and-mortar spaces will have to reinvent, with a focus on consumer experience (PWC Total Retail Report, 2015).

#### **10.0: CONCLUDING REMARKS:**

The Indian retail story is very vibrant and it has just begun. The key for retailers to succeed in Indian market is to understand the shoppers' preferences by understanding their behaviour. The shoppers' will patronize the retail stores that will give them pleasing, exciting and memorable experiences. Thus, customer experience management is the 'mantra' of success. Even due to the onslaught of online shopping and e-retailing the physical retail stores will continue to be the most popular shopping destinations as they give the shoppers' the see-touch-feel sequence. The physical retail stores will have to evolve marketing strategies which focuses on giving stimulating, pleasing and memorable experiences to the shoppers. As retailers strive to satisfy their shoppers' evolving search for value, they may need to adopt different ways of operating. Because shoppers' can engage at many different stages of the value chain, companies must successfully learn not only new ways to team, internally and externally, but also new techniques to assess performance along the way. Over the coming years, the ability to identify and satisfy the unmet and occasionally unarticulated needs of customers will be a hallmark of leading retailers. The experience-centric view of value has the potential to affect many aspects of the traditional retail business structure. Retailers' who can continue to attract consumers with a differentiated offering, a high-quality shopping experience, and appropriate pricing will emerge winners.

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