

CHAPTER 1

INTRODUCTION TO RETAILING:

INTERNATIONAL & INDIAN SCENERIO

1.1 DEFINATION OF RETAIL

Retail is final stage of any economic activity. By virtue of this fact, occupies an important place in the world economy. In an attempt to understand the scope of the term retail various definitions of the term have been examined.

According to Phillip Kotler, Retailing includes all activities involved in the selling goods or services to the final consumers for personal none business use. A retailer or retail store is any business enterprise whose sell volume comes primarily from retailing.

Any organization selling to final customers whether it is a manufacture wholesaler and retailer - is doing retailing. It does not matter how the goods or services are sold (i.e. by person, mail, telephone, vending machine or internet or where they are sold – in a store, on the street or in the consumer's home)¹

The North American Industry Classification System (NAICS)² specifies that the retail trade sector comprises establishments primary engaging retailing merchandise, generally without transformation, and a rendering services incidental to sell the merchandise.

The word retail is derived from the French word “*retailier*”, which means to cutoff a piece or to break bulb. Therefore the retailer may be defined as a dealer or trader who sales goods in small quantities or one who repeats or relates.

1.2 DEFINATION OF RETAILING

Retailing involves the sale of merchandise from a fixed location, such as a store, for direct consumption by the customer. It can be defined as an activity that ensures that customers derive maximum value from the buying process. This involves activities and steps need to place the merchandise made elsewhere into the hands of customers or to provide services to the customers.³ Retailers organize the availability of merchandise on a large scale and supply them to consumers on a relatively small scale. In the process, they provide the accessibility of location and convenience of timing, size, information, and lifestyle support. When retailers perform these activities they create value for their customers, who pay for these services. These values are created continuously through a combination of service, price, accessibility and experience.⁴

One of the major roles played by retailers is to enable the adoption of products and services. Unless the product is made available at the store as is adopted by the retailers themselves, it is difficult to derive high value out of the marketing expenditure. The phenomenon, known as dual adoption, states that when a product is launched, customers adopt it symbolically, the actual adoption happens only when the retailers put forth the product in the right perspective.⁵

1.3 HISTORY OF RETAILING

Retailing as an occupation came into existence when farmers started producing more food than they required. Different people had different skill sets, and people who had a surplus of one good desired the goods they did not have or could not produce.⁶

In India, the existence of the current kirana format and other shops can be traced to the Manusmriti and Kautilya's Arthshastra. These texts provided guidelines for dealing with customers, after-sales service, and quality and price guarantees. Such scholarly works provided the equivalence for exchange in case of barter. They also defined the tax structure for retail and wholesale transactions. Kautilya commented on the location of stores dealing in specific products in a city. He also discussed the manner in which funds and investments could be managed for better results. Memoirs of traders who came from

Europe indicate that Indian merchants carried out business with low margins in order to enhance sales. Indian history and archeology record the existence of markets during the Harappa civilization also. Elaborate descriptions of local and periodic haats have also been found. These were the places where commodity exchange was carried out and people congregated and derived several non-economic values.

The new retail formats that are now seen in India have their genesis in Europe. The earliest traders were believed to be the Cretans who sailed the Mediterranean and carried on trade with the people of the area. They flourished for 2,000 years, and their culture influenced other great trading civilizations. The Phoenicians followed the Cretans as civilization's major traders. They distributed the goods of Egypt and Babylonia. Tyre, Sidon, and Carthage were the principal trading cities of this empire. After the hoenicians came the Romans. The Romans established a different form of retailing. They set up numerous small shops with centers. In fact ancient ruins indicate that the world's first department store was in Rome. With the fall of this empire, retailing disintegrated.

During the period after the fall of the Roman Empire, independent peddlers were the only retailers. They carried their merchandise around on their back. They went from village to village selling their wares. By the twelfth century artisans and traders began to organize into 'guilds' and opened up small shops. These guilds helped them gain social and economic advantages. During thirteenth century, fairs and markets flourished. Early fairs often had a religious foundation. People would gather at churches and exchange goods on feast days. Larger markets were also called fairs and people travelled long distances to participate in these. Tea centers run by Lipton were the first chain of stores. At the start of the twentieth century, markets were witnessing the precursors to the present-day retailing scenario:⁷

- The retailer, and not the products he/she sold, was the brand.
- Family-owned retail units dominated the market, but large retail corporations were also emerging in the form of corporate and cooperatives stores.
- Small retailers were resisting the entry of large retailers.
- Many retailers and manufactures had direct relationships.

- New technologies in transport and construction were influencing store decisions.
- International sourcing by retailers was also witnessed.
- City centers were becoming major points for comparison buying.
- Shopping centers were coming up at city centers and railway stations.

These developments were also witnessed in other countries, especially in North America. Large corporations were entering into retailing in the United States of America and Canada in the early twentieth century. The history of American retailing can be traced back to shops located near ports where merchants from Europe would dock their ships and sell the merchandise. Many American retailing institutions originated after 1850. Prior to that, most Americans lived on farms and were self-sufficient. During this time, peddlers and general stores were the only retailers in the country. Department stores started gaining prominence after 1850. As department stores grew in cities, rural citizens used the first form of direct catalogue/mail order marketing.

This allowed them to get the good they needed without the hassle of travelling long distances into the city.⁸

The development of railroad systems and refrigeration between 1890 -1920 enabled shoppers to travel more widely and choose from a greater assortment of merchandise. The first set of department stores opened during this time.

They offered more convenient and consolidated locations, longer hours, and better prices. American retailing witnessed the proliferation of other formats such as supermarket chains and shopping malls between the two World Wars. National brands such as Wonder Bread and Hostess were introduced in the market during this time. The first convenience store, 7-11 (Texas), and the First McDonald's (Illinois) also opened. The time between 1950 – 1970 witnessed the emergence of major players and formats. The first indoor regional mall was set up by Southdale. The next big retail shift came when Sam Walton opened the first Wal – Mart and discounters such as Kmart and Target opened their stores. These stores used low costs and high turnovers to provide customers with lower prices. Kroger installed the first retail barcode scanner and the first GAP store opened in San Francisco. Wal Mart integrated computer systems to its operations. These

mass retailers also set up independent distribution system to gain the volume necessary for negotiating with suppliers, track inventory, and allow for just – in – time replenishment. In the next decade (1970 – 1980), the retail industry witnesses the emergence of category killers and wholesale club stores such as Toys “R” Us, Home Depot, Circuit City, and Sam’s Club. The industry started getting consolidated at this time.

During the 1980s, superstores and retail category killers made up about one-third of the over US retail revenues. In response to these price players, other formats such as malls, specialty stores, and grocery stores started stressing on ‘retailtainment’. Mall of America – one of the largest malls in the world – opened in Minneapolis. Sears exited its general merchandise catalogue business. This was the time when the retailers started focusing on the ‘store as brand’ strategy. The 1990s can be termed as the times of the Internet. Amazon.com launched its book retailing business using e – commerce. This period also witnessed major internationalization efforts by large retail industry. Retailers are turning into multi format entities, especially with the help of the Internet. The focus has shifted to emerging economies and retailers are searching for a different business model to succeed in these markets ruled by small retailers.⁹

1.4 IMPORTANCE OF RETAILING¹⁰

Retail is the last stage in a channel of distribution. The channel of distribution includes all business and people involved in the physical movement and transfer of ownership from producers to the consumers. Retailers acts as the connecting link between the manufacturers, wholesalers and the consumers. A typical distribution channel is shown below:

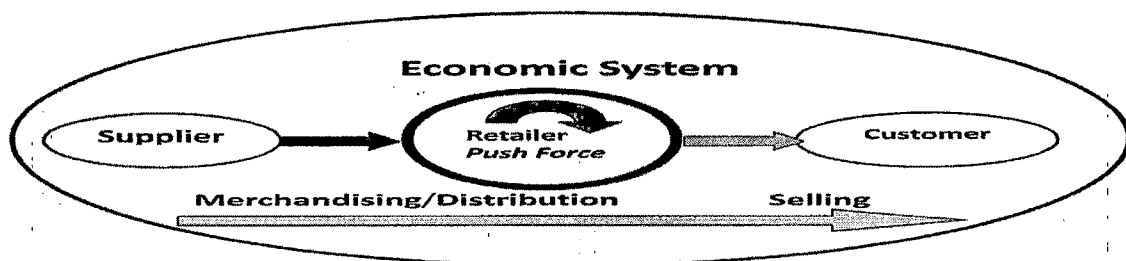


Figure 1.1: A typical distribution channel

Retailing provides the last mile connectivity and plays a vital role in the value delivery system. The importance of retailing can be understood from the various services provided by the retailers while selling the products and services. In the process of selling the products the retailers perform a variety of services to the Wholesalers, Manufacturers, and Consumers and to the economy. These aspects are dealt below;

1.4.1 Consumers' Perspective

The consumers are provided with the following array of services by the retailer;

- Consumers are offered with wide variety of products and choices in terms of brands, flavors, designs, sizes, colors and prices under one roof. They are saved from wasting time in searching for products /choices from various shops. Hence retails outlets are preferred by shoppers as all the products needed could be purchased at their convenience.¹¹
- Development of organized retailing has led to quality products of good standards.
- Stiff competition among the national and international brands of product and the competition among the retailers have led to increased quality of products at affordable prices. The end consumers are provided with more value for money.¹²
- Consumers purchase the products required by them in smaller quantities. The number of transactions made by them is more but each transaction involves a smaller financial outlay. It is not possible for the consumers to reach the producers for smaller quantities. The retailers help the consumers by way of breaking the bulk into smaller lot. They purchase larger quantities from producers and wholesalers into convert them into smaller quantities as required by the final consumers. This makes it affordable and reachable for the shoppers.¹³
- Retailers maintain a large assortment of inventories. Retailers enable the consumers to keep smaller quantities of all products as they can purchase their requirement whenever they need. This helps consumers to save the money which can be used otherwise.
- Retailers display the products in attractive manner such a way that the consumers can understand and select the products easily. They are also provided with additional information needed for making a purchase. Customer service

executives are made available to help them in making choice. In view of tough competition, many retailers provide additional services like free pickup and drop to the retail shops, free home delivery, play station for children and the like.

- Retailing creates utilities for consumers in terms of values viz., functional, emotional, social, epistemic and conditional. Functional values are related to economic needs in terms of convenient opening hours, affordable prices, good quality etc. Emotional values address psychological needs for example the consumer may have an emotional attachment with the shop. Social values satisfy the needs for belongingness. For example people may visit a retail store to be a part of particular class in society. Epistemic values address the need for novelty and ego satisfaction.¹⁴
- Conditional-values satisfy the need arising out of a particular condition like availability of extremely cheap products due to stock clearance/festival discounts etc.
- The development in organized retailing has made shopping a pleasure to the customers. The ambience created in the retail showroom relaxes the customers and rejuvenates them to the extent that it is termed as Shopping therapy.

1.4.2 Contribution to the Economy¹⁵

- Retailing is becoming highly competitive and challenging which enhances the need for employing skilled and creative manpower. The function of retail involves activities like arranging for finance, purchase goods/services; manage warehouse and distribution system, advertising, promotion, sale force management, market research etc. All these functions need manpower which enhances employment opportunities.
- Due to the policy liberalization huge amount of foreign direct investment is attracted towards our country contributing to the development of the nation. More money is invested for development of infrastructure which is a must for attracting investment from around the globe.

- Retailing provides opportunities for people wishing to start their own business. It enables people to become entrepreneurs and contribute their share in the economic development of the country.
- Retail industry requires millions of square feet for construction of malls and the related infrastructure. This will put into large areas of land into more effective utilization which will lead to real estate boom in the economy.
- Developing organized retailing would enable to attract large number of tourists as it happens in Dubai, Singapore and other countries. This will enhance the government revenues and popularize our country's brands across the world.
- Organized retailing can bring changes in the agricultural supply chain, remove the inefficiencies in distribution of consumer goods and improve the productivity.
- Large number of task related to retail management can be outsourced right from market research to identify the needs of customer to loyalty management. This will be a catalyst for augmenting our country's wealth.

1.4.3 Manufactures/Wholesalers Perspective

- The manufactures are provided with information regarding the consumer's needs, wants, improvement expected by them in the products and the like. This enables the producer to have an insight regarding the consumers and synchronize their plans to meet the requirements of the consumers.
- The manufacturers need not waste the time and attention by focusing on the marketing their products to ultimate consumers. The retailers enable the producers to concentrate on production and thereby contribute to maximize their efficiency.
- The final consumers buy the products in smaller quantities and tend to have a number of transactions which is not feasible for the producers. Retailers help the producers by buying the quantities in bulk which also reduces the number of transactions and thereby the cost is minimized.
- The producers/wholesalers need not lock the money in terms of inventory as the retailer's takes the burden of holding the stock until the consumers buy the same.

- The fund is available for investment in production or further trade. The cash flow is smooth as the producers or wholesales sell in bulk and realize entire amount as against selling in small units to final consumers.

1.5 DIFFERENCE BETWEEN TRADITIONAL AND NON TRADITIONAL RETAILING¹⁶

Traditional retailing involves the store based retailing. It includes the corner kirana store formats. Thanks to the development in the retail scenario, the new face of retailing is emerging taking the form of malls and non-store based retailing. The difference between traditional retailing and non-traditional retailing are listed below;

1.5.1 Size

Traditional store based retailing is run with a relatively lesser square feet compared to the malls which operates on a large scale. Often malls are set in multiple thousands of square feet. The modern retailing also takes place in virtual space or cyber space without any brick and mortar or in the form of multichannel retailing.

1.5.2 Location

The small kirana shops are often located near the consumers' vicinity or household location. The modern retail stores may be located near the consumers' location. Mostly due to the escalation in the cost of real estate, it may be situated a bit away from the densely populated area.

1.5.3 Ambience

The traditional stores do not bother about providing amenities and ambience to the shoppers as they spend the minimum time in the shops. The modern malls are focusing more on providing shopping experience and hence ambience plays a major role. The design, decorum and the environment is artistically decorated so as to hold the attention of the shoppers. The malls spend a lot of providing amenities right from parking lots to children play area so as to increase the footfall.

1.5.4 Assortment

Traditional retail shops may not have a large space to store a wide variety of products and brands. The modern malls offer depth and breadth in a range of products complete with unlimited choices and substitutes. Some specialized stores deal with a special product category but include variety in the same.

1.5.5 Knowledge of Consumer

Most of the Kirana shop owners know the customers by name and have a personal touch with the consumers and their family. Sometimes it may also lead to emotional bonding and loyalty. In modern retail formats, the customer may not come in touch with even a sales person. Thanks to automation, a customer can just walk in pick up the products and walk out without the need for any human intervention. Though database captures the shopping details and the personal profile of the customers, it lacks the human touch.

1.5.6 Home Delivery

The consumer can depend on home delivery of their purchases without much delay in case of traditional stores. In case of modern retailing though some stores offer home delivery, not all stores offer the same. In case of e-tailing the shoppers may have to wait for a longer time for the delivery of the products ordered.

1.5.7 Cost

Normally consumers hold the perception that the products sold in malls and big shopping complex are costlier than the one's sold in the traditional store. They feel that the cost incurred in providing the ambience and shopping experience are loaded on the product, making them highly priced than the ones available in kirana stores. Sometimes the shoppers enjoy the ambience and do window shopping, gather information and go back to their corner stores for purchase of the product. This poses a serious threat to modern retailers leading to more foot fall but less revenue per square feet.

Apart from the above distinguishing features there are other aspects like the credit transaction, time spend in the stores, waiting time for billing , frequency of visits and the like.

1.6 THE FUNCTIONS OF A RETAILER¹⁷

From the customer's point of view, the retailer serves him by providing the goods that he needs, in the required assortment, at the required place and time. From an economy standpoint, the role of a retailer is to provide real added value or utility to the customer. This comes from four different perspectives:

The first utility is regarding the **form** of product that is acceptable to the customer. The retailer does not supply raw materials but whether offers finished goods and services in a form that customers want. The retailer performs the function of storing goods and providing us with an assortment of products in various categories.

He creates **time** utility by keeping the store open when the consumers prefer to shop.

By being available at a convenient location, he creates the **place** utility.

Finally when the product is sold **ownership** utility is created.

All these are real benefits, which retailer's offers by getting close to potential customers. It is necessary therefore for retailers to fully understand the motivation that drive their customers. The retailer serves the consumer by functioning as a marketing intermediary and creating time, place and by ownership utility for the consumer.

The retailer also serves the manufacturer by performing the function of distributing of the goods to the end consumer, and thus forming a channel of information to the consumer. He is the final link in the distribution chain and very vital too. For several product categories where brand loyalty is not strong or for unbranded products, the retailer's recommendation is vital.

1.7 THE RISE OF RETAILER¹⁸

In the not so distant past, manufacturers created a product, advertised it slickly and sold it through their distribution channel. The manufacturing companies enjoyed economic power, as they were significantly bigger in size as compared to the distributors or the retailers. They determined prices of the products that the retailer could stock and also the dealer and distributor margins. They would also independently advertise for their producers. In case of a dispute with the distributor or retailer, it would not be rare for the manufacturer to discontinue supplies. However, much has changed. Today, retail has emerged as a separate function by itself. The environment in a large organized retail store is significantly different from that in a traditional or a mom and pop store.

- **Proximity to the Customer**

Today, with the emergence of large supermarkets, hypermarkets and various other formats like the department store, the retailer is the closest to the consumer. Most stores have their own policies and decide how to influence shoppers. In an age of global manufacturing and selling, the organization may be based in one part of the world and may actually retail its products in various other regions. The retailer is the first contact point that the consumer has with the product, this has given the retailer tremendous power.

- **The Rise of Consumerism**

Retailers are a part of a dynamic world today. The retailer faces a more knowledgeable and demanding consumer and since business exists to satisfy the need of the consumers, the demands and expectations of the consumers often have forced retail organizations to change their format and product offering.

While a large number of retail formats continue to exist in most markets across the world, what has also changed is the range of services offered. The customer demand convince at certain level of while shopping. Time required to shop and to travel to a particular location are important factor that affect consumer's decision. This is led to the

raise specialist and the increase in the services offered by the retailer. For example, the petrol pump not only retails petrol and diesel, but also has a speed mart and an ATM.

- **The Introduction of the Private Label**

An increasingly large number of retailers now decide on the products that they want to stock. They decide on the brands that they want to stock. Retail shelf space is now of prime importance. Another significant change is that, most retail stores have developed their own in store brands/products known as private labels. These private labels cater specifically to the needs of their target customers and have been created not only by the large departmental and specialty stores, but also by the grocery retail chains.

- **Technology**

With the increasing use of technology and the use of the point of sale scanning system and the barcode, a wealth of information is now available to the retailer. This information enables the retailer to understand the consumer profile of his store, the products purchased, the price ranges and the promotional offers which have worked. Retailers have developed their own customer cards, which help them track purchases and learn more about the lifestyle of their customers. What is more, they can create products targeted for specific customers.

The arrival of the Internet has made it possible for business to develop across geographies at both business to business (B2B) and Business-to-consumer (B2C) levels. This has not only enhanced the economies of scale available, but has also made it easier to entry the retail market.

The opening up of international borders, making the world a global village, advances in technology and the growth of consumerism have has a tremendous impact on retail. Retailers are no longer dependent on the manufacturers to sell what is available and have emerged as the new leaders in the marketing channels.

1.8 CLASSIFICATION & CHARACTERISTICS OF ORGANIZED RETAILERS ¹⁹

Following table gives classification, characteristics or operations carried out and range of area covered for operations.

Table1.1: World Wide Existing Retailing Formats			
Format	Description	Size (Square Feet)	
		(International)	(India)
Category Specialist/Killer	Offer a narrow variety but very deep assortment of the merchandise. Merchandise may be sold at price lower than that.	50,000+	15,000+
Convenience Store	Usually located near residential areas & open long hours. Offers an assorted mix of products including milk, bread and eggs.	3,000-8,000	500-1,000
Department Store	Large store selling several product lines, with each operating as a department. Product mix is largely non-food like apparel, accessories, books, music, footwear, etc. Level of service is very high.	75,000+	5,000 - 40,000
Factory outlets	Stores which sell branded merchandise at a discount. Levels of service are low. Typically, these are franchise outlets located away from the main markets.	5,000-10,000	500 - 1,000
Hypermarket	Large self service stores selling mix of products. These store offers large depth in the products mix which includes food and non food item like apparel, CD's, DVD's foot-wear, etc. The low price for the products is a key attraction for the customer.	80,000-2,20,000	40,000 - 75,000
Single price stores	Offer an assorted mix of branded and unbranded merchandise appeal to the budget conscious customer.	5,000-20,000	500 +
Specialty stores	Focus on brand or a particular category. They offer a narrow product line but good depth. Level of service is high.	5,000-8,000	2,000 - 5,000
Supermarket	These stores offer Food, laundry and Household maintenance products. They are self service, low cost, low margin and high volume operators.	8,000-20,000	800 – 5,000

1.9 RETAILING SCENARIO – INTERNATIONAL.

The significance of retail in the world economy can be gauged from the fact that the largest corporation in the world 'Wal-Mart' is a retail chain. Table 1.1 indicates the retailers who feature in the list of the global Fortune 500, in the year 2009.

Table 1.2: Key Players in the World of Retail				
Sr. No	Fortune Rank 2007	Company	Revenue (\$ Millions)	Profits (\$ Millions)
1	1	WAL-MART STORES	351,139	11,284
2	32	CARREFOUR	99,014.7	2,846.2
3	44	HOME DEPOT	90,837.0	5,761
4	55	TESCO	79,978.8	3,544.9
5	62	METRO	75,131	1,324.9
6	80	KROGER	66,111.2	1,114.9
7	94	COSTCO WHOLESALE	60,151.2	1,103.9
8	104	ROYAL AHOLD	56,944.9	1,127.9
9	114	SEARS HOLDINGS	53,012	1,490
10	129	WALGREEN	47,409	1,750
11	130	LOWE'S	46,927	3,105
12	134	SEVEN & I HOLDINGS	45,635.2	1,140.7
13	141	GROUPE AUCHAN	43,900	936
14	155	SAFEWAY	40,185	870.6
15	167	SUPERVALU	37,406	452
16	179	BEST BUY	35,934	1,377
17	200	J SAINSBURY	32,438.1	614.7
18	326	PUBLIX SUPER MARKETS	21,819	1,097
19	329	McDONALD'S	21,586	3,544
20	351	CHRISTIN DIOR	20,094	1,000
21	352	J C PENNEY	19,903	1,153
22	397	STAPLES	18,160	973
23	417	TJX	17,516	738
24	418	RITE AID	17,507	26
25	451	MIGROS	16,466	601
26	458	MARKS & SPENCER	16,267	1,248
27	475	GAP	15,943	778
28	487	KOHL'S	15,544	1,108
29	499	NIKE	14,954	1,392
Source: 2003 Global Retail Report, Deloitte Touche Tohmatsu & Euromonitor				

Retailing is big business in more developed countries and it is better organized than what it is in India. According to recent reports, the US\$ 9 trillion retail industry is one of the world's largest industries and the sector is still growing. 47 of the Global Fortune 500 companies and 25 of Asia's top 200 companies are retailers. In the developed parts of the world like the USA, most part of retailing is accounted for by the organized sector. The corresponding figure for Western Europe is 70% while it is 50% in Malaysia and Thailand, 40% in Brazil and Argentina, 35% in Philippines, 25% in Indonesia and 15% South Korea. Organized retailing, however, has gained a great deal of momentum in China in the last few years especially after the opening up of the sector to 100% FDI in 2004, and it accounts for 20% of the retail sales currently. Even as the developing countries are making rapid strides in this industry, organized retail is currently dominated by the developed countries with the USA, EU & Japan constituting 80% of the world's retailing. Retail is a significant contributor to the overall economic activity the world over: the total retail share in World GDP is 27% while in the USA it accounts for 22% of GDP.²⁰

The service sector accounts for a large share of GDP in most developed economies. And the retail sector forms a very strong component of the service sector. Hence, the employment opportunity offered by the industry is immense. According to the US Department of Labor, about 22 million Americans are employed in the retailing industry in more than 2 million retail stores – that is, one out of every five workers employed. In essence, as long as people need to buy, retail will generate employment.²¹

Traditionally, local players tend to dominate in their home markets. Wal-Mart, the world's leading retailer, has about 8% of the market in the USA. Similarly, Tesco has a market share of about 13% in the UK market. The main value propositions that most large retailers use are a combination of low price, 'all-under-one-roof' convenience and 'neighborhood' availability. Globally, retailing is customer-centric with an emphasis on innovation in products, processes and services. In short, the customer is King!²²

Table1.3 : Percentage of Organized and Traditional Retailing Globally - 2010		
Country	Organized Retailing	Traditional Retailing
USA	80%	20%
W.Europe	70%	30%
Malaysia	50%	50%
Thailand	50%	50%
Brazil	40%	60%
Argentina	40%	60%
Philippines	35%	65%
Indonesia	25%	75%
China	20%	80%
South Korea	15%	85%
India	6%	94%
<i>Source : Planet Retail and Technopak Advisers Pvt. Ltd</i>		

The top 200 largest retailers account for 30% of worldwide demand. As many as 10% of the world's billionaires are retailers .Retail sales globally are driven generally by the people's ability to buy (disposable income) and the willingness to buy (consumer confidence) . The positive force at work in the retail consumer market in developed economies today include a high rate of personal expenditures, low interest rates, low unemployment and very low inflation . The negative factors which may hold retail sales back especially in developed economies include weakening consumer confidence , slowly increasing unemployment and decreasing levels of consumer household wealth. Volatility in global markets and significant continued layoffs at larger corporations may further require job migration to other developing economies like India and china who may offer better labor arbitrage and this may lead to large numbers of consumers in developed economies employed as temporary workers.

Goldman Sachs argues in its BRIC report in 2004 that the economic potential of Brazil, Russia, and India is such that they may become among the four most dominant economies by the year 2050. The thesis was proposed by Jim O' Neill, a global economist at Goldman Sachs. These countries are forecast to encompass over 39% of the world's population and hold a combined GDP [PPP] of 15.435 trillion dollars. According to the report, on almost every scale, these countries would be the largest entity on the

global stage. The report states that in BRIC nations, the number of people with an annual income over a threshold of \$3,000 will double in number within three years and reach 800 million people within a decade. This predicts a massive rise in the size of the middle class in these nations. In 2025, it is calculated that the number of people in BRIC nations earning over \$15,000 may reach over 200 million. This indicates that a huge pickup in demand will not be restricted to basic goods but impact higher-priced goods as well. According to the report, first china and then a decade later India will begin to dominate the world economy. Yet, despite the balance of growth swinging so decisively towards the BRIC economies, the average wealth level of individuals in the more advanced economies will continue to far outstrip the BRIC economy average. Goldman Sachs assert in a follow-up report compiled by lead authors Tushar, Poddar and Eva Yi in 2007 that "India's influence on the world economy will be bigger and quicker than implied in our previously published BRIC,s research". They noted significant areas of research and development, and expansion that are happening in the country, which we lead to the prosperity of the growing middle class. The report says, "India had 10 of the 30 fastest – growing urban area s in the world and, based on current trends, we estimate a massive 700 million people will move to cities by 2050, this will have significant implication for demand for urban infrastructure, real estate, and services “ In the revised 2007 figures, based on increased and sustaining growth and more inflows into foreign direct investment, Goldman Sachs predict that “from 2007 to 2010, India's GDP per capita in US\$ Terms will quadruple”, and that the economy will surpass the united states (in US\$) by 2043.²³

According to the UK based research firm Euro-monitor international, in the global scenario, the emerging retail market of India and China are witnessing strong growth and India is especially is among the biggest and the fastest growing retail market globally.

As many as 8 of the top 15 retailers worldwide are based in the USA , Wal-Mart hold the No 1 retailers position by the huge margin , followed by the retailers based in the EU region, Tesco, UK and Carrefour, France.

Table 1.4: Most active emerging retail Markets		
Rank	Country	Proportion of respondent that are actively looking in each market or first opened there in 2009
1	India	27%
2	Ukraine	24%
3	Russia	22%
4	Malaysia	19%
5	Turkey	15%
6	South Africa	13%
7	Thailand	12%
8	China	11%
9	Mexico	10%
10	Indonesia	8%
11	Pakistan	6%
12	Vietnam	6%
13	South Korea	6%
14	Brazil	6%
15	Chile	2%
16	Argentina	2%
Source: World Retail Congress 2008.		

Over the past few decades, retail format have changed radically worldwide , the basic department stores and co-operatives of the early 20 century have given way to mass merchandisers (Wal Mart), hyper market (Carrefour), warehouse clubs (Sam's club) , category killers (toys ' R' US), discounters (Aldi), and convinces stores . Organized retail formats worldwide have evolved in three phases:

- In first phase, retailers decide on the category of Quality of product and services, differentiating them from other retailers, Retail format in this phase are typically super markets, department stores and specialty stores.
- During the second phase, retailers carve a niche for themselves based on a product category and price competition intensifies because the products and services offer become virtually standardize and price become the main selling point.
- The third phase arrives when competition peaks. This is when hypermarkets usually compete on price and a wider product range, but they normally lack product depth and service components.

Globally, 3 factors influence how consumers shop and will be shopping in the near future. These are:

1. **Cross-border Movement:** Retailer expands their businesses outside their traditional home markets, leading to the emergence of truly global retailers.
2. **Consolidation:** Another trends that id visible is the rapid pace of mergers and acquisitions.
3. **Migration of Formats:** A large number of retailers are gradually adopting the classical formats of department stores, supermarkets, hypermarkets, mail order as they customize their offerings to different consumer segments.

1.9.1 Ten Trends in Global retailing²⁴

Retail outlets exist in all shapes and sizes – from a “panwala” to a shoppers’ stop in India. However, most of these outlets are basic mom-and-pop stores- the traditional “kirana” shops in the locality, which are smaller than 500 sq. ft. in area with very basic offerings, fixed prices, zero use of technology, and little or no ambience. The numbers of outlets in India have increased from 0.25 million in 1950 to approximately 12 million today. This translates to a growth of 48 times over a certain period when the population has trebled.

The well-known consultancy firm, technology has listed ten retail trends in their recent report entitled Retail outlook 2007. Technopak Advisors says that the trends, many of which are already apparent, will be propelled by an unprecedented investment of \$35 billion over five years into Indian retail.

- | | |
|---------|---|
| Trend 1 | Modern retail will grow but traditional retail will survive-there’s place for both |
| Trend 2 | Consumption will shift to lifestyle categories – consumers shifting evaluation from MRP to EMI |
| Trend 3 | New retail formats will emerge and grow – small format cash & carry; investment surge in forecourt retailing; growth of super- specialty format |
| Trend 4 | Modern retail will witness enhanced private equity infusion |
| Trend 5 | There will be creation of large retailer brands / private label branding trend on the rise, more in groceries, home care and clothing ; provides profit margin advantage to retailers |
| Trend 6 | There will be an interplay between retailers & suppliers – branded firms will collaborate with top retailers |

- Trend 7 Modern retail will face a few key bottlenecks – talent, retail space and supplier base shortages; India will witness a shortfall of almost one million people in the retail sector by 2012
- Trend 8 New investments will happen in the back – end – enhanced focus on improving the supply chain; process of storing and displaying food will be in focus
- Trend 9 Modern retail will benefit consumers and rural sector – rural retailing formats will ensure quality goods, easy accessibility and low rates: typical monthly shopping bill will reduce by at least 10%
- Trend 10 Consolidation will increase in the retail sector – consolidation, through M&As, will increase and become the norm

1.9.2 Global Retail Market: Issues & Challenges²⁵

The global retail sector is headed for a slowdown with economic recession becoming reality in many economies of the world. Retailers world over, will need to adapt their strategies in response to the same. Moreover, the maturing of many markets and the aging of consumers in many economies has also triggered retailers to rethink their strategies. At the same time, the emerging markets of China and India have begun a rebalancing of the global economy that will have a huge impact on the global retail market.

The significance of retail is apparent not only from its contribution to various economies but also by the level of employment generated by the industry. In India, where organized retail is just beginning to make its presence felt, it already contributes close to 6-7% of the employment. In the developed markets, organized retail controls a significantly higher portion of trade as compared to that in a country like India. Food and grocery constitutes the largest segment of retailing and also forms a significant part of the trade of the key global retailers.

The world of retail is a fast changing one and calls for constant evolution on the part of the retailer. A retailer not only need to keep up with the ever changing expectations and demands of the consumers but also needs to keep track of the competition, the changes in technology and the socio economic climate of the nation that he is operating in.

As stated earlier, till a few years ago, the American economy fuelled economic growth in many parts of the world, but an economic slowdown has forced many retailers to start looking at other economies. Rising fuel prices have also had a negative effect on the rapid expansion of the trade in various parts of the world. Retail at a global level, is a reality, which has to be understood and faced by retailers? Globalization is gradually emerging as an integral part of the retail strategy of many retailers. Some of the key challenges being faced by retailers worldwide are as follows:

- **The emergence of new markets:** Asia, especially China and India are the emerging marketplaces. In the past, the sheer size of China and India did not necessarily lead to their having an impact as a market. The technological, transportation and industrial revolutions of the past two decades have changed much of that. Increasing urbanization in both the markets has fast emerged as an important factor in the rise of these nations as important emerging markets. To gather, China and India, of Chindia as they are now termed, are now termed, are estimated to see the GDP rise to \$ 6 trillion by the year 2020, They will consume 45-50% of the world's natural resources And have the potential of becoming the world's largest exporters of goods and services with a 25% + share. Few marketers and retailers can hence, ignore such a market.
- **The Empowered Consumer:** Retaining the consumer is far more difficult today than it was a decade ago. Consumer lifestyles and demographics are changing rapidly. Spending power is increasing and technology is aiding consumers to make sound shopping decisions. Given the increased amount of choice in terms of products and formats, consumers now demand more for less from the shopping experience, more competition is not just on price, but on multiple fronts.
- **Technology enabled Efficiencies:** Technology has enabled businesses and consumers to build efficiencies on the basis of the ability to receive and transmit data, at a fast speed. This information has today become critical for achieving efficiencies in all aspects of retailing. In the near future, retailer-supplier partnership will depend on technology, substituting information for inventory in the pipeline to reduce costs while improving productivity.

Retailers will rely on technology to establish links with consumers through electronic retailing and customer relationship marketing.

- **The Rise of the E-age:** The emergence of Internet retailing or e-tailing as is popularly known has been a key driver of change in retail. The increase in the number of Internet users not only in the developed markets but also globally, has placed new demands on retailers. Online shopping facilitated by auction sites are the new realities of retail. Internet savvy consumers understand the owner to shop and buy on their own terms. Internet both enhances and competes with the store i.e. the brick and mortar experience. Comparison-shopping is a new reality of the e-age.

1.10 RETAILING SCENARIO -- IN INDIA.²⁶

1.10.1. The Evolution of Retail in India

The PDS or the public distribution system would easily emerge as the signal largest retail chain existing in the country. The evaluation of the public distribution of gains in India has its origin in the 'Rationing' system introduced by the British during the world war two. The system was started in 1939 in Bombay and subsequently extended to other cities and towns. By the year 1946, as many as 771 cities /towns were covered. The system was abolished post war; however, on attaining independence, India was forced to reintroduce it in 1950 in the face of renewed inflationary pressures in the economy.

The Khadi & village industry (KVIC) was also set up post independence. Today, there are more than 7,050 KVIC stores across the country. The cooperative movement was again championed by the government which set up kendriya bhandars in 1963. In Maharashtra, Bombay bazaar, which runs stores under the label Sahakari bhandars, and apna bazaar run a large chain of cooperative stores.²⁷

In the past decade, the Indian marketplace has transformed dramatically. However, from the 1950's to the 80's, investments in various industries were limited due to low purchasing power in the hands of the consumer and the government's policies favoring the small -scale sector. Initial steps towards liberalization were taken in the period of

1985-90. It was at this time that many restrictions on private company were lifted, and in the 1990's, the Indian economy slowly progress from being state led to becoming 'Market friendly'.

While independent retail store like Akbarally's, Vivek's and Nalli's have existed in India for a long time, the first attempts at organized retailing were noticed in the textiles sector. One of the pioneers in this field was Raymond's, which set up stores to retail fabric. It also developed a dealer network to retail its fabric. This dealer sold a mix of fabrics of various textile companies. The Raymond's distribution network today comprises of 20,000 retailers and over 429 showrooms across the country.²⁸

Other textile manufacturers who also set up their own retail chains were Reliance- which set up Vimal showrooms- and garden silk mills with garden vareli. It was but natural at with the growth of textile retail, readymade branded apparel could not be far behind and the next wave of organized retail in India saw the likes of Madura garments, Arvind mills, etc. Set up showrooms for branded men's wear. With the success of the branded men's wear store, the new age departmental store arrived in India in the early nineties.

This was in a sense, the beginning of a new era for retail in India. The fact that post liberalization, the economy had opened up and a new large middle class with spending power had emerged, helped shape this sector. The vast middle class market demanded value for money products. The emergence of the modern Indian housewife, who manage her home and work led to a demand for more products, a better shopping ambience, more convenience and one stop shopping. This has fuelled the growth of departmental store, supermarkets and other specialty stores. The concept of retail as entertainment came to India with the advent of malls. The development of malls is now visible not only in the major metros but also in the other parts of the country.

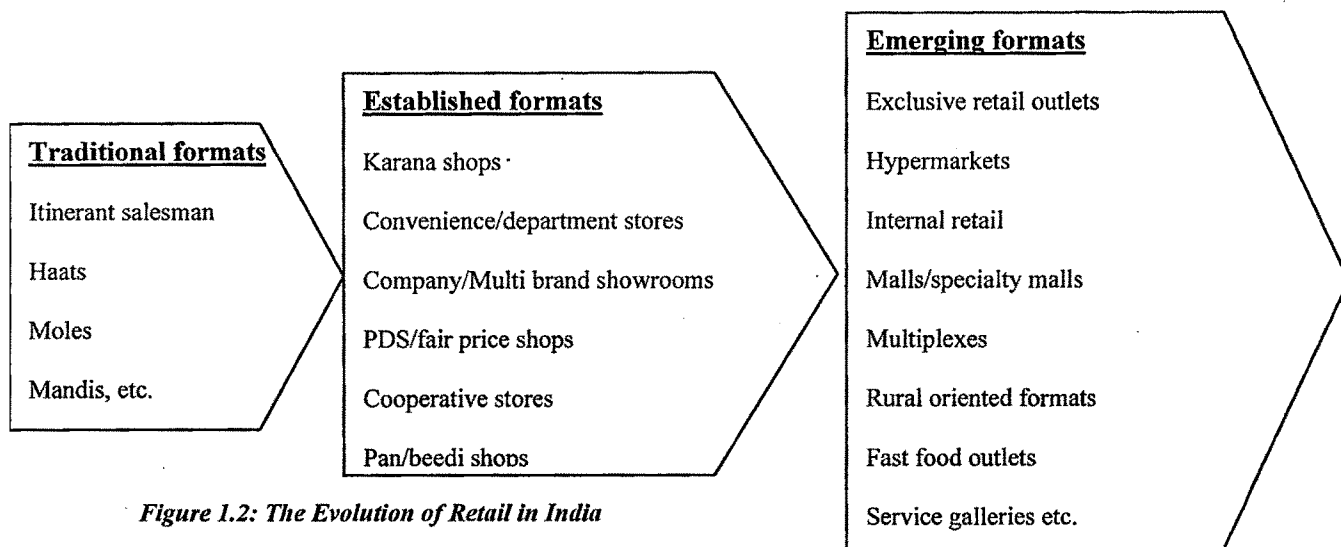


Figure 1.2: The Evolution of Retail in India

Source: Pradhan Swapna (2009), "Introduction to Retail - Retail Management", Third Edition, Tata McGraw Hill, New Delhi

India today is a dynamic combination of demanding consumers, rising levels of consumption and a growing population base. It has emerged as the fourth largest economy in the world in terms of purchasing power parity and is expected to rank third by 2010, after the U.S. and china. According to the Global Retail Development Index (GRDI) developed by A.T.Kearney, for the third year, India has emerged as the nation which has topped the index. India is currently the twelfth largest consumer market in the world. According to a study by McKinsey Global Institute, India is likely to join the premier league of the world's consumer markets by 2025, improving its position to the fifth. The recent growth spurt was achieved primarily through a surge in productivity and is sustainable. As per this report, India's contribution to world growth will be 'high and increasing.'²⁹

It is believed that 21 million people are employed in the retail sector in India, which is 7 % of the total national work force. It is estimated that an additional eight million jobs will be generated through direct and indirect employment related to the retail sector.

Since independence, retail in India has evolved to support the unique needs of our country given its size and complexity. In India, while retail has not as yet been accorded the status of an industry, it has been a witness to a large number of formats emerging in the market at a very fast pace. Since the early 1990s, the retail scenario in India has been characterized by a major shift from traditional kirana shops to modern formats that include department stores, hypermarkets, supermarkets and specialty stores across a wide range of categories. Today, these retail formats have established a good presence across prime locations in the metropolitan and mini-metro centers and the last few years have seen them spreading out to the second-tier cities and towns, thereby exposing consumers in these areas to modern shopping options and experiences like never before.³⁰

Formats new to the Indian marketplace have emerged rapidly over the past five years as mentioned in below table.³¹

Table 1.5 : Existing Retailing Formats in India		
Formats	Description	The Value Proposition
Branded Store	They are exclusive showrooms either owned or franchised out by manufacturer.	Complete range available for a given brand, certified product quality.
Specialty Stores	They usually focus on specific consumer needs, and carry most of the brands available.	Greater choice for consumer, comparison between brands.
Departmental Stores	These are large store ranging from 2,000 to 5,000 Sq. Ft. catering to a variety of consumer needs, further divided into clothing, toys, home groceries, etc.	One stop shop catering to varied consumer needs.
Supermarkets / Hypermarkets	Larger self service outlets, catering to varied shopper needs are termed as supermarkets. These are located in near residential high street. These stores contribute to 30% of all food and grocery organized retail sales.	One stop shop catering to varied consumer needs.
Discount Stores	Store offering discounts on the retail price through selling volumes and reaping economies of scale.	Low Prices.
Convenience Stores	These are relatively small stores of 400 to 2,000 Sq. Ft. located near residential areas. They stock a limited range of high turnover convenience products and are usually open for extended periods during the day, seven days a week. Prices are slightly higher due to convenience premium.	Convenient location and extended operating hours.
Shopping Malls	An enclosure located in proximity to urban skirts, ranges from 60,000 to 10,000,000 Sq Ft, they lend an ideal shopping experience with an amalgamation of product, services and entertainment all under a common roof.	Variety of shops available.
Source : Advertising Express November 2008 pg 41		

1.10.2 The Size of Retail in India³²

The Retail Trade in India is highly fragmented in nature and it is often remarked that in India is nascent and mostly unorganized. While this may be the case viewed from a 'mature' developed world perspective, the reality is that not only agricultural produce but also manufactured goods such as toiletries, tobacco products and even basic electrical/electronic devices are available in the remotest corner of India.

What one sees of the retail sector in India is just the tip of the iceberg. As retail is not regarded as an industry in India, it is difficult to get a correct picture of this sector. The local bania or kirana store, the paanwala and the vegetable vendor who are very much a part of the Indian retail landscape, are termed by many as the unorganized sector. While it is true that they do not use technology, they are well aware of needs and wants of their customers, they know what and how much to stock and are aware of their likes and dislikes. Many of them would also know their customers by name and offer-add on services like free home delivery and credit facilities. This is the traditional form of retail in India.

While it is true that traditional formats exist in all markets of the world, the level of maturity of the market determines the dependence on the formats-traditional or modern. In the year 2006, the Indian retail market was estimated at Rs.1,200,000 crores, of which the organized market is estimated to stand at Rs.55,000 crores. At this juncture, it needs to be noted that since the size of the unorganized trade is significantly larger than the size of the organized trade, it is difficult to get an exact picture of the true size of the business. Figures given by various agencies vary. Students need to remember that figures that have been taken into consideration have been used to illustrate the size of the sector and its significance in the trade today.

A large number of research houses, consultants and industry federations have speculated on the size that Indian retail is likely to touch in the years to come. A common refrain has been that organized retail in India is expected to grow at 25-30 per cent per

annum in the next 5-6 years, while total as a sector would grow at the rate of 5% per annum.

In the following section, we analyze prominent sectors in Indian retail with respect to the composition of the sector, key players and estimated size of the market. As stated earlier, since exact figures for the industry and its various segments are not available, the size and projected growth of the sectors have been taken from various industry estimates and reports.

1.10.3 The Concept of Organized Retail in India.

According to the National Accounts Statistics of India the 'unorganized sector' includes units whose activity is regulated by any statute or legal provision, and/or those, which do not maintain regular accounts. In the case of manufacturing, this covers all manufacturing units using power and employing less than 10 workers or not using power and employing less than 20 workers.

In the context of the retail sector, it could therefore be said to cover those forms of trade which sell an assortment of products and services ranging from fruits and vegetables to shoe repair. These products or services may be sold or offered out of a fixed or a mobile location and the number of people employed could range between 10-20 people. Thus the neighborhood bania, the paanwala, the cobbler, the vegetable, fruit vendor, etc, would be termed as the unorganized sector. The primary purpose in defining the scope of the unorganized sector is to understand the formats or the formats of trade that would be understood as unorganized and therefore, to further the understanding of the term organized.

Modern trade can be defined as any organized form of retail or wholesale activity (both food and non-food, under multiple formats), which is typically a multi-outlet chain of store or distribution centre's run by professional management. Organized retail in India is a new reality.

The retail trade sector comprises of establishments primarily engaged in retailing merchandise, generally without transformation, and rendering services incidental to the

sale of merchandise. The retailing process is the final step in the distribution of merchandise; retailers are therefore organized to sell merchandise in small quantities to the general public. The growth of organized retailing is thus expected to lead to value migration from wholesale to retail trade.

In the experience of many economies, retail markets pass through a life cycle and distinct phases of growth. Development of organized retail started in the western markets much before it did in the rest of the world. These markets are characterized by the existence of definite formats. The retailers have a national and many a times, an international presence.

In the first phase, new entrants create awareness about modern formats and raise consumer expectations. In the second phase, consumers demand modern formats as the markets develop there by leading to strong growth. As with the life cycle in any industry, the high rate of growth would lead to a stage where the market would reach maturity and all the players would strengthen their positions. This will be followed by the final phase where the market would reach saturation, the growth would be limited and for sustainable growth, retailers would explore new markets as well as evaluate inorganic opportunities.

The Indian market has just entered the stage of growth. The growth stage can last from 15 to 25 years. During this phase, various retail formats start emerging. Many retailers move from a local to a national presence. The concept of the retailer's private label starts emerging. Expansion and growth is rapid. Integration of process by use of Information Technology becomes necessary. The A.T. Kearney 2007, Global Retail Development Index (GRDI) further collaborates the point mentioned above. It states that countries typically progress through four stages-opening, peaking, declining and closing and as they evolve from emerging to mature markets, the time span can extend from five to ten years. The report further places India at the phase of opening in the year 1995, and fast approaching the stage of peaking in the year 2007.

Table 1.6 : Few Existing Retailers in India

Corporate Retailers	Different Retailing Outlets		The Value Proposition
Aditya Biral Retail	<i>Hyper Market</i>	More Mega Store	4 Hypermarkets & Target to open 8 up to 2010.
	<i>Super Market</i>	More for you	600 Super Stores & Target to open 730 up to 2010.
RPG	<i>Hypermarket</i>	Giant	275 Stores across 50 Cities in India
	<i>Convenience Stores & Food Court</i>	1. Spencer's Express 2. Spencer's Fresh 3. Spencer's Daily 4. Spencer's Super 5. Spencer's Hyper	
	<i>Others</i>	Music World Health & Glow	
Future Group	<i>Fashion Destination</i>	Pantaloons	Present in 71 Cities Covered 65 Rural Location Opened 1000 Stores Space occupied 12mn sq ft 2000mn Customer Base Operating through "Adhar" for Agriculture Services for Indian Farmers
	<i>Hyper Market</i>	Big Bazaar	
	<i>Super Market & Food Court</i>	Food Bazaar Furniture Bazaar	
	<i>Seamless destination chain (Mall of Malls)</i>	Central	
	<i>Other Convenience Stores</i>	Brand Factory Planet Sports Collection i E zone Electronic Bazaar Top 10	
Reliance Retail Ltd.	<i>Hyper Market</i>	Reliance Mart	2 Hypermarkets 590 Stores Covered 57 Cities of 13 States.
	<i>Convenience Stores</i>	Reliance Fresh	
	<i>Other Convenience Stores</i>	Reliance Digital Reliance Footprint Reliance Trends Reliance AutoZone's Reliance Wellness Reliance Timeout Reliance Jewels	
REI Agro Ltd	<i>Discount Stores cum Convenience Stores</i>	6 Ten	Opened 3500 Stores in 3 Years of 1000 Sq Ft each
TATA	<i>Hyper Market</i>	Shoppers Stop	
	<i>Fashion Destination</i>	West Side	
	<i>Other</i>	Tanisq Titan Croma	
Vishal Group	<i>Hyper Market</i>	Vishal Mega Mart	Plans to open 100 Hyper Malls Plans to open 90 FMCG Stores Launch Quick Service Restaurants

Source: Futurebazzar.com; Relianceretail.com; indiaretailbiz.com; spencersretail.com... Advertising Express December 2008 pg 20

1.10.5 Foreign Direct Investment (FDI) in Retailing³³

According to the IMF and OECD definition, "Direct investment reflects the aim of obtaining lasting interest by a resident entity of one economy (direct investor) in an enterprise in an enterprise that is resident in one another economy (the direct investment enterprise)." The Balance of payment and the International Investment position are compiled under the same framework of methodological rules laid down in the fifth edition of the IMF balance of payment at the *accrued value* i.e. "*transaction are recorded down when the economic value is created, transformed, exchanged, transferred or extinguished*". Thus the flow recorded do not necessarily coincide with the liquid proceeds and payments generated. In practice, it is very difficult to apply the accrued principle total transaction and many of them are therefore recorded at the time when the proceeds or payments generated.

As per IMF - Foreign Direct Investment (FDI) is a method of allowing external finance into an economy. FDI also facilitates international trade and transfer of knowledge, skill and technology.

Foreign Direct Investment in India constituted a small per cent of gross fixed capital in 1993, which went up to 4 percent in 1997. The tenth plan approach paper postulates a GDP growth rate of 8 percent during 2002-07. This implies an increase in FDI from the present levels of \$3.9 billion in 2001-02 to at least around US\$ 8 billion a year during 2002-07.

India is fast emerging as a key destination for FDI. According to the FDI confidence Index prepared by A T Kearney, India ranks second in FDI attractiveness ranking, the first being china.

Foreign owned Indian companies own and run retail shops to sell other category goods to consumers in India. Hundred per cent FDI is through permitted on specific approval basis in case of trading companies India, for carrying out any of the following :

- Export trading
- Bulk imports with sales either through custom bonded warehouse/ high seas sales
- Sales substantially to group companies to group companies

Some of the popular entry options for foreign players have been as follows.

- Franchising of operations appears to be the most popular strategy followed by the international retailers for entry in to India under franchising, the parent company India its name and technology to a local partner and guest's royalty in return. In case a master franchisee is appointed at the national or regional level. The parent company gets the right to appoint local franchisees. Nike, Marks and Spencer, Pizza hut and Mango are some of the best-known foreign players who have adopted this set up of operations.
- The other route for entry is a joint venture, whereby the international partner provides investor. The equity and support to the Indian partner provides all the local knowledge that is typically needed in such a venture. Mc Donald's and Reebok appointed the joint venture route in India.
- An international organization may also set up a manufacturing facility in India. Two key retailers who have appointed his strategy include Benetton and Bata.
- On the other hand companies may also set up direction offices in India and thereby trade in the country through local Indian retailers. Swarovski and Hugo Boss operate in India through distribution offices. Metro cash and Carry has entered into the country by way of wholesale trading.

It is argued that FDI will increase volumes in sale, which would translate into more manufacturing, more jobs in industry, and more prosperity international experience has demonstrated that the only way that farmers can get better price for their products is through improvement in the value added food chain. An organized retail sector can provide their farmers linkage for mass marketing of products and packaged goods. Organized retailing would generate employment, both direct and indirect, as notwithstanding the capital intensity of modern retail business, it continues to be

labor intensive as well. It would also leads to creation of indirect employment in support activities throughout the supply chain, starting from products to packaging, storage, transport and other logistics services.

It is further believed that far from to an influx of imported goods, foreign companies would source most of their items domestically and would in fact, use quality Indian Products to stock thousand of their outlets in foreign countries, thus giving a fillip to our manufacturing as well as exports, Transfer to technology to ventures would ensure adherence of quality standards, good marketing production techniques and introduction of global practices in management. This would result in the integration of Indian manufacturing with the global supply chain.

The benefits for FDI do not accrue automatically and evenly across countries and sectors. In order to reap the maximum benefits from FDI, there is a need to establish a transparent, broad and effective enabling policy environment for investment to put in place, and appropriate framework for its implementation.

1.10.6 Challenges to Retail Development in India³⁴

Organized retail in India is little over a decade old. It is largely and urban phenomenon and the pace of growth is still slow. Some of the reasons for this slow growth is are:

- Retail not being recognized as an industry in India: Lack of recognition and as an industry hampers the availability of finance to the existing and new players. This affects growth and expansions plans.
- The high cost of real estate: Real estates in India are among t prices in some cities in the world. The lease or rent of the property is one of the major areas of expenditure; high lease rentals eat into the profitability of projects.
- In addition to the high cost of real estate: the sector also faces very high stamp duties on transfer of property- it varies from states to states (12.5% in Gujarat end 8% in Delhi).the presence of strong pro-tenancy laws makes it difficult to evict tenants. The problem is compounded by problems of clear

titles to ownership, while at the sometimes, land use conversion is time consuming and complex, as is the legal processor property disputes.

- Lack of adequate infrastructure: Poor roads and the lack of a cold chain infrastructure hampers the development of food and fresh grocery retail in India. The existing supermarket and food retailers have to invest a substantial amount of money and timing building a cold chain network.
- Multiple and complex taxation system: The sales tax varies from state to state. While organized players have to face a multiple control and tax system. There is considerable sales tax evasion by small storage in many location retailers have to face a multipoint octroi. With the introduction value added tax (VAT) in 2005, certain anomalies in the existing sales tax system using disruption in the supply chain likely to get corrected over a period of time.

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