International Journal of Advanced Educational Research
ISSN: 2455-6157
Impact Factor: RJIF 5.12
www.educationjournal.org
Volume 3; Issue 1; January 2018; Page No. 72-82

New emerging retail concepts in India

[1] Sharmishtha Singh, [2] Dr. VB Singh
[1] Research Scholar from Shri Venkateshwa University, Gajroula, Uttar Pradesh, India
[2] Director, Asian Institute of Management & Higher Education, Kanpur & Research Guide, Kanpur, Uttar Pradesh, India

Abstract
The Indian retail industry has got ample opportunities to flourish upon though there are number of challenge factors which they need to overcome This study revolves around the opportunities and challenges faced by organized retail players in Lucknow The biggest challenge that the organized retailers face are the stiff competition from the unorganized players and also competition between organized players The opportunities which organized retail players see in Lucknow is the growing upper middle class and upcoming big projects. The study shows mitigation of challenges and leveraging on opportunities to have a win win situation for all. The Indian retail sector is going through a transformation and this emerging market is witnessing a significant change in its growth and investment pattern. Both existing and new players are experimenting with new retail formats. Currently two popular formats hypermarkets and supermarkets are growing very fast. Apart from the brick -mortar formats, brick -click and click-click formats are also increasingly visible on the Indian retail landscape. Consumer dynamics in India is changing and the retailers need to take note of this and formulate their strategies and tactics to deliver value to the consumer. This paper investigates modern retail developments and growth of modern formats in this country. We also discuss the challenges and opportunities available to the retailers to succeed in this country.

Keywords: organized, retailing, unorganized retailing

1. Introduction

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. Indian Retail Industry has immense potential as India has the second largest population with affluent middle class, rapid urbanisation and solid growth of internet.

The Indian retail sector is the largest sector among all the industries accounting nearly over 10% of India's GDP and more than 2.5 million employment opportunities. The retail sector is one of the fastest growing sectors in India with several players entering the market. But not everyone could taste the success because of huge capital investments that are required to compete with other similar companies.

The Indian retail sector has undergone tremendous changes in last decade. It has witnessed huge improvements in political, social and economic environment which ahs directly or indirectly affected the consumption pattern. The modern retail sector in India is featured with sprawling shopping centers, multiplex –malls and huge complexes offering food, entertainment and shopping all under one roof, the entire concept of shopping has been altered in terms of the formats and the mindset of consumers, creating a revolution in Indian shopping. The term retailing is the transaction between the seller and consumer for personal consumption. It does not include transaction between the business or when the purchase is for re selling. The retailers purchases goods from the manufacturer and sell the goods to end consumers for final consumption for a profit. The retailer is last point in the supply chain and performs various important functions like providing valuable information to manufacturer about the product and creates various utilities for the consumers.

Retailing itself can be further divided into organized and unorganized sector.

Organized Sector: The total concept and idea of shopping has undergone a drastic change in recent years. Modern retailing has entered into the Indian retail market. The growth of organized retail sector is a result of higher growth in Indian economy, which has resulted in greater purchasing power among the Indian population. Factors like knowledgeable consumers, huge investments by venture capitalist and entry of retail giants have also contributed to the growth of Indian retail sector. However the government of India has laid few restrictions because of which there is a hindrance in getting a license to start a retail outlet.

Unorganized Sector: In India the unorganized sector remains dominant as it enjoys many advantages. The major advantage is the low operating cost and less investment required as it directly creates an impact on the pricing of the products. The unorganized retailers are offering great opportunities for modern retailers for opening stores in rural areas.

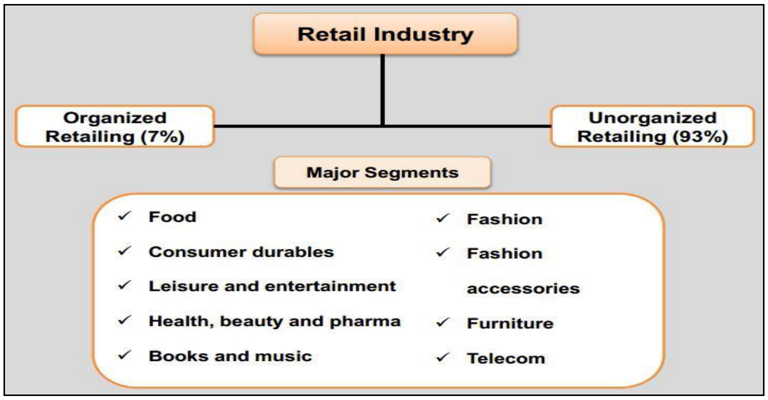

Fig 1

There is a huge change in life styles, income and demographic variables in Indian democracy in recent times. This has resulted in huge impact on organized retailing. Indian retailing is expanding and is expected to reach at US$637 billions by 2015. The Indian retail industry is playing vital role in the economic growth of the country. The shopping concept is moving in and around hypermarkets, supermarkets, and specialty stores and in other formats. The factors like changing life style, constraint of time, heavy traffic on the roads, increase in disposable income has led the way for new types of retail formats. Getting the right product at right time at lowest possible cost is an advantage of consumers in the edge of retail transformation. Organized retailing in India is still finding its place to fit in. Though the organized retailing trade makes up over 70-80% of total trade in developed economies but in country like India the share is very minimal.

Fig 2

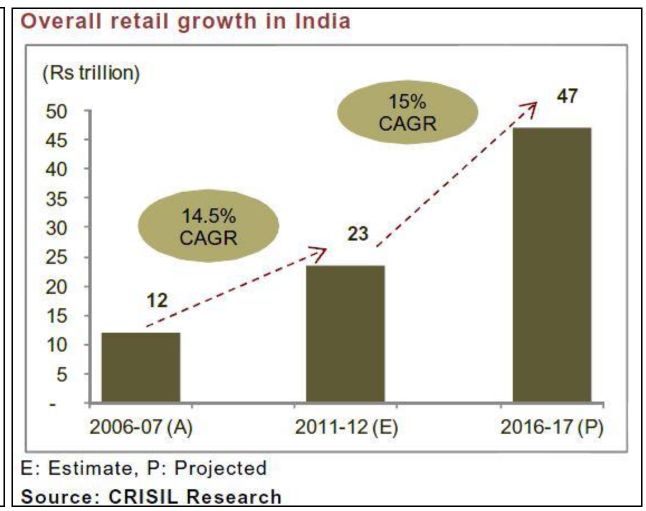

Fig 3

Market Size

India’s retail market is expected to grow at a Compound Annual Growth Rate (CAGR) of 10 per cent to US$ 1.6 trillion by 2026 from US$ 641 billion in 2016. 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#. Indian retail market is divided into “Organised Retail Market” which is valued at $60 billion which is only 9 per cent of the total sector and “Unorganised Retail Market constitutes the rest 91 per cent of the sector.

India’s Business to Business (B2B) e-commerce market is expected to reach US$ 700 billion by 2020.## Online retail is expected to be at par with the physical stores in the next five years.India’s total potential of Business to Consumer (B2C) is estimated to be US$ 26 billion, of which $3 billion can be achieved in the next three years from 16 product categories, according to a study by Federation of Indian Chambers of Commerce and Industry (FICCI) and Indian Institute of Foreign Trade (IIFT).

India has replaced China as the most promising markets for retail expansion, supported by expanding economy, coupled with booming consumption rates, urbanizing population and growing middle class.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 2020 from US$ 30 billion in FY2016.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 2025, led by faster speeds on reliable telecom networks, faster adoption of online services and better variety as well as convenience@.

India's direct selling industry is expected to reach a size of Rs 23,654 crore (US$ 3.54 billion) by FY2019-20, as per a joint report by India Direct Selling Association (IDSA) and PHD.Indian exports of locally made retail and lifestyle products grew at a CAGR of 10 per cent from 2013 to 2016.

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.

2. Literature Review

Retail marketing has become a buzzword in modern business scenario as they are playing an important role in restricting the Indian economy. The innovative business practices and trends evolving in retail sector like FDI, franchise arrangements, increased customer focus, new retail formats, visual merchandising, Automated vending machines and e-retailing has resulted not only led to drastic growth in retail business but also provided consumers with a global shopping experiences at their conveniences. The retail sector in India needs to cope up with the existing political set ups, social preferences and objectives, existing economic and legal conditions and also the level of the available technology is the need of the hour. They need to develop their own indigenous strategies and do SWOT analysis to be successful in economies like India.

The Retail market in India has undergone a drastic change in last decade. The organized retail market is expected to grow at25-30% annually. Retailing is contributing 10% to our GDP and largest source of income after agriculture. The India retailmarket is divided into organized and unorganized segments

3. Challenges Faced by Organized Retail Sector in India

In India the organized retail sector is at very nascent stage featured with small number of players trying to create a new paradigm. In order to grow substantially the Indian retail sector has to attract leading Indian and foreign players who can invest more.In the era of globalization and liberalization a major challenge to the organized retailers are the knowledgeable customers.

The main reason behind this is that the consumers are aware of his/her value of money and their purchasing power. In today's consumer market the product quality and service quality are two major mantras the retailers are looking forward as these consumers needs more and more for less. Technology remain a biggest challenges faced by the organized retail sector mainly due to the factors like availability, feasibility and adoption of technology. The successful retailers are more customers centric who dwell upon technology to gain advantage in the market place. Major functional areas like understanding the customer preference, tracking customers, enterprise management tools and so on. The major setback for the organized Indian retail sector is opposition of government to FDI.FDI allows foreign players to operate in India. This would result in healthy competition and ultimately bringing down the prices and thus making the economy stronger.

An inefficient distribution channel is another major setback for the organized retailers. The main task of any retailer is delivering the right goods at the right place and at the right time. The organized retailers are under great pressure to improvise their supply chain system and distributions channels to satisfy their customers and to achieve a level of quality.

To understand the customer behavior and their brand loyalty is major challenge faced by the organized retailer. There are many factors that influence the loyalty and commitment of a customer like product value and quality, their satisfaction etc.The retailers can increase their profit by retaining the customers and thereby decreasing the rate at which customer defect.

There is a huge competition from the unorganized sector that poses a big challenge to the organized retailing. The traditional retailing is century old and enjoys various benefits like low cost, sole proprietor ship, less labour cost and less tax to be paid. Unorganized sector is more customers friendly and offers benefits like credit facilities, home deliveries and also adds personal touch to the transaction that is highly impossible in organized retailing.

The single most important factor that challenges organized retailing is the cost of land or the rental rates. As the store location is an important factor to determine the success of the retailers, the cost of land or building plays a major role. The rules and regulations imposed by the government is also very tedious and cumbersome. Thus the organized retailers have to bear the pain and pass on the high cost to the customers.

Infrastructure in retail refers to proper roads, parking facilities, warehouses and proper connectivity. The organized retailers face a heavy loss due to lack of proper infrastructure. There is improper power supply in many part of the country. Organized retail outlets use large volume of electricity and thus with absences of power they would be lifeless. In order to ensure regular flow of work they need to have huge power backups. This would in turn add on to the cost.

Last but not the least is the cost of operation. Since there is no proper structure available for the organized retailers in India they cannot concentrate on their core competency like other counterparts do in developed nations. The organized retailer in India needs to concentrate in area like supply chain management, logistics, sourcing and warehousing, merchandise management and forecasting of trends etc. High cost of operation arises due to high labour cost, high rental, high cost of maintenance high taxes etc. Apart from above mentioned challenges the organized retailers needs to focus on Indian consumer attitude and buyer behavior and also concentrate on rural and urban consumption pattern.

4. Opportunities for Organized Retail Sector in India

There are many factors which act as opportunities for the organized retail players and has a positive impact. As Indian economy is the fourth largest economy in the world and third largest in terms of purchasing power parity. This booming economy is one of the major factors of opportunity for the organized players. The higher bargaining power of the retailers with the suppliers is another opportunity for organized retailing. Big retailers purchase in bulk and enjoy low prices. Large retailers operate on low margins and reap the benefit of economies of scale. In house brands or private labels are introduced by the retailers to increase the sales and thereby increasing the market share. Private labels are used by the retailers to differentiate themselves from the competitors.

Another big opportunity for the Indian retailers are the changing age profile of spenders. India is a very young nation when compared to other countries. This would result in high level of spending on leisure activities and also the consumption level would go up on a higher side. It would also result in higher investment in economy and generate trade opportunities. There is a proportionate increase in spending of the general public also in recent years. Consumer spending The increased trend of impulsive shopping is the major source of opportunity for the organized retailers. An impulse buy is an unplanned purchase, a buying decision taken after seeing the merchandise. This kid of buying is usually seen in youngster and would be a big boon for the organized retailers as the majority population in India is young. The tremendous growth happening in tier II cities like Bhopal, Ahmedabad, Hyderabad, Lucknow, Jaipur etc is a biggest opportunities for the organized retailers. Also the fast growing middle class population is major boost for the organized retailers. Disposable income of this segment is expected to be around 8.5 % pa. in 2015. Lucknow is a major destination in North region of Uttar Pradesh and the capital of Uttar Pradesh. It has a major contribution for the development of the region. Since its center of India the city enjoys various benefits. Its population are multi lingual and multi cultural. People across central India settle down in Lucknow for various reasons like higher education, job placement, business opportunities etc. It's also becoming a tourist destination.

5. The SWOT analysis of the India retail sector

- The India retail sector has a major contribution to the Gross Domestic product of around 33-35%
- There is high potential for the organized player as the Indian retail sector occupies only 3-5% of the total retail sector
- The retail sector is high employment generator
- Low labour cost
- Technology intensive Industry
- Rising income of people
- Changes in consumption pattern
- Availability of land
- Urbanization

Weakness of Indian Retail Sector

There are many policy related issues a sector lacks industry status and there are numerous licenses and permits required for registration of the company

Lack of Skilled labour

- Double taxation system
- 948 Twelfth AIMS International Conference on Management Poor supply chain management
- Lack of adequate basic infrastructure facilities
- Limited consumer insight

Opportunities for Indian Retail Sector

There is a huge potential for Investment

- It is one of the fastest growing sectors in India
- The growth rate of the sector is very attractive
- There is a healthy competition among the players
- Rural retailing

Threat of Indian Retail Sector Political and social issues

- Government policy on FDI
- Inventory Management system is poor
- Competition among big players
- Inflation

The research paper focuses on the opportunities and challenges faced by the organized retail players in Lucknow city. The main objective of the paper was to identify the factors that are influencing the growth of retail players in Lucknow city. The study also includes the impact of these factors on different product segments.

Investment Scenario

The Indian retail trading has received Foreign Direct Investment (FDI) equity inflows totaling US$1.04 billion during April 2000–June 2017, according to the Department of Industrial Policies and Promotion (DIPP).With the rising need for consumer goods in different sectors including consumer electronics and home appliances, many companies have invested in the Indian retail space in the past few months.

Retailing in India is receiving global recognition and attention and this emerging market is witnessing a significant change in its growth and investment pattern. It is not just the global players like Wal-Mart, Tesco and Metro group are eying to capture a pie of this market but also the domestic corporate behemoths like Reliance, KK Modi, Aditya Birla group, and Bharti group too are at some stage of retail development.

The Larger Picture

Indian economy has shown an impressive growth of over 6 per cent for last five years and continues to surge ahead. GDP growth rate in 2003-04 recorded a fifteen year high of 8.5% and subsequently maintained a steady growth for the next two years. Real GDP growth accelerated from 7.5 per cent during 2004-05 to 8.4 per cent during 2005-06 on the back of buoyant manufacturing and services activity supported by a recovery in the agricultural sector. The central bank forecasts similar growth of 7.5-8 percent during 2006-07. With strong economic growth consumerism is increasing in the country and India is the fourth largest economy as far as purchasing power parity is concerned, just behind USA, Japan and China.

Consumer Trend

India is currently having the largest young population in the world and 54 per cent of India‟s population is below 25 years of age and 80 per cent are below 45 years. As per India‟s Marketing White book (2006) by Business world, India has around 192 million households. Of these only a little over six million are „affluent‟ - that is, with household income in excess of INR215, 000. Another 75 million households are in the category of well off immediately below the affluent, earning between INR45, 000 and INR 215,000. This is a sizable proportion which offers excellent opportunity for organized retailers to serve.

AC Nielsen's Retail and Shopper Trends 2004 Report made the following observations on shopper‟s behaviour in India:

1. Indian shoppers spend an average of INR2500 on food, groceries and personal care items every month and

2. Convenience stores are booming in most markets, as the number of such stores exceeds 80,000.

According to the report, 48 per cent of shoppers in India admit that they „love to try new things, making them the most novelty seeking shoppers around the region and total average monthly expenditure is only $50, of this, $21 is spent on fresh food, comprising 42 per cent of the entire monthly spend. Indians also appear to spend more on groceries and personal care items.

Business communities believe that sizable disposable income in India is concentrated in the urban areas and well off and affluent classes; income distribution is unequal compared to other Asian economies. In fact, the 20 million middle class home in rural India equal the number in urban India and thus have the same purchasing power. Therefore, there is significant and considerable opportunity for organized retailers in the rural areas. There is no denying that the rural market holds immense promise for the organized retail but companies ponder over how to serve that market profitably.

Unlike the urban market, it is less developed in terms of infrastructure and facilities. More than anything else, the larger issue is to find out a suitable business model and retail format to fit local taste and preference. Of course cost of doing business in rural market would be lesser compared to urban market but reaching out to the mass is a concern. It is not impossible but a bit more difficult. For example the most successful and the largest incorporation Wal-Mart started in the rural market where as competition started in the urban market. This retailer has proved that it is important to understand how do you operate your business model rather than where you do it.

Given the increasing urban exposure of rural India, the urban and the rural upper-income groups can form an interesting continuum market, giving it a scale of 23 million households, or 115 million consumers. In 2006-07, the consuming class would be about 60 million households, or 300 million consumers.

6. Data Collection & Methodology

The data for the research was collected from a sample of hundred managers of organized retail outlets and hundred unorganized retail outlets. The sample retail outlets were selected by convenience sampling methods. The respondent were given a structured questionnaire and were asked to rate each opportunity and challenges factor on seven point Likert scale.

The study was descriptive as well as exploratory in nature as the emphasis was on identification of factors that would affect the growth of Indian retailing and analyzing the extent of impact. Primary data was collected directly from retailers to get the insight of the challenges faced by the retail industry. Secondary data was collected from various journal, industry reports, magazines, newspapers and websites.

7. Analysis & Interpretation

The opportunity factors affecting the Organized and Unorganized retailers in Lucknow city.

Table 1

Factors	Organized retailers	Un Organized Retailers	F value	p-value
Lucknow’s fast developing infrastructure	4.64	5.31	16.194	0
Increasing number of shopping malls	4.74	4.35	3.163	0.077
Lucknow’s position as upcoming in central India	4.47	5.01	8.298	0.004
Lucknow ‘s multi cultural population	5.46	6.01	16.653	0
Lucknow as Tourist destination	4.58	5.03	4.782	0.03
Lucknow ‘s growing middle class segment	6	5.69	3.846	0.051
High bargaining power with suppliers	3.35	1.73	96.064	0
In house branding of goods	3.21	3.14	0.092	0.761
Proportionate increase in spending with earnings	5.28	5.36	0.19	0.663
Growing number of educational institutions	5.26	5.43	0.823	0.365
Large earning young customers	5.81	4.27	71.343	0
Increase in trend of impulse buying	4.71	3.72	32.263	0
India’s growing economy	5.27	5.49	2.387	0.124

The biggest opportunity that the organized retailers in Lucknow city see is the growing middle class followed by large number of earning young customers. Lucknow city is a multi-cultural city as it has people all over the central India like Gujaratis, mardwadies, Punjabis and sindh is hence there is proportionate increase in spending with the earnings and this adds to the opportunity for the organized retailers. The unorganized retailers on the other hand see opportunity in Lucknow city having multi cultural people followed by growing middle class people, large number of educational institutions coming into Lucknow and proportionate increase in spending with earnings. Both the organized and unorganized sectors feel that the higher bargaining power with their suppliers and in house branding is not an opportunity for them.

The challenges factors faced by the organized and unorganized retailers and their impact are summarized in below table:

Table 2

Particulars	Organized retailers	Unorganized Retailers	F value	p- value
Availability of skilled manpower	4.65	4.98	2.50	0.12
Customer behavior & loyalty	5.00	4.63	5.48	0.02
Availability of technology	4.76	3.17	100.78	0.00
Logistics problem (internal)	5.20	5.56	6.12	0.01
Lack of infrastructure	4.55	3.83	22.23	0.00
Power supply	3.40	5.24	220.16	0.00
Land & Rental Rates	4.10	5.10	60.52	0.00
Competition from other sectors	5.89	6.06	1.13	0.29
Competition from same sector	5.77	5.50	3.08	0.08
Operation cost	4.64	5.60	43.65	0.00
Government policy (FDI)	1.00	1.00		
Inefficient distribution channel	5.26	5.35	0.25	0.62

The biggest challenge faced by the organized retailers in Lucknow city is the competition from unorganized players followed by competition within the organized sector. The other major challenges are inefficient distribution channel and customer behavior. The major challenges for unorganized retailers are competition from organized sector and cost of operation. The other challenges are logistic problems, inefficient distribution channel and competition from same sector. The FDI opposition from government seems to have less impact on both organized and unorganized retailers.

The first few factors of opportunity and challenges of both organized and unorganized retailers remain same irrespective of the differences. Different products segments are perceived to be affected by the opportunities and challenges faced by the retailers are summarised in below given table:

Table 3

Particulars	Food & beverages	Health, beauty & wellness	Home décor & furnishing	Books & music	Electronic goods & consumer appliances	Fashion (Clothing,footwear & accessories)
Growing Mall culture	3.15	4.48	4.42	5.75	4.00	6.18
Lucknow’s position as upcoming in central India	6.14	3.15	5.17	3.00	3.92	4.18
Lucknow's multi cultural people	4.90	5.76	6.33	6.00	5.00	4.91
Lucknow as Tourist destination	5.62	5.57	6.33	5.83	3.77	3.64
Lucknow ‘s growing middle class	5.76	6.29	4.08	5.67	6.38	6.27
High bargaining power with suppliers	3.00	2.50	1.92	5.15	3.00	4.72
Proportionate increase in spending with earnings	6.14	2.75	5.67	5.38	4.64	5.67
Growing number of educational institutions	4.48	6.17	6.58	4.38	5.27	5.61
Large earning young customers	6.29	5.75	6.17	5.08	6.27	5.78
Increase in trend of impulse buying	4.90	3.75	3.17	6.08	5.18	6.06
India’s growing economy	4.86	5.17	4.75	5.38	6.18	5.28

Table 4: showing opportunity factors in different product segments

Particulars	Food & beverages	Health, beauty & wellness	Home décor & furnishing	Books & music	Electronic goods & consumer appliances	Fashion (Clothing,footwear & accessories)
Availability of skilled manpower	5.69	4.14	6.00	6.17	6.36	2.72
Customer behavior & loyalty	5.38	4.76	4.17	5.83	3.92	6.18
Availability of technology	3.63	3.95	5.08	5.83	5.77	3.00
Logistics problem (internal)	5.92	5.81	5.17	3.75	3.67	3.83
Lack of infrastructure	4.54	5.19	4,17	4.50	5.62	4.09
Power supply	3.15	4.10	3.00	4.00	3.15	3.18
Land & Rental Rates	4.61	3.20	4.00	4.92	3.00	4.24
Competition from other sectors	6.14	6.33	6.33	6.23	6.00	6.39
Competition from same sector	5.48	5.35	5.08	6.31	6.18	6.33
Operation cost	4.43	4.33	5.83	4.00	4.00	5.61
Government policy (FDI)	1.00	1.00	1.00	1.00	1.00	1.00
Inefficient distribution channel	6.19	5.58	4.58	6.08	5.18	3.5
Availability of skilled manpower	4.14	6.08	6.17	6.36	5.69	2.72

According to the latest report on Indian retail Industry the following table shows the segmentation of total retail industry for the year 2014.

Table 5: Showing Penetration of the Organized Sector

Particulars	2015
Apparel	33%
Telecom	11%
Food & Grocery	11%
Consumer Electronics	8%
Food service	87%
Jewelry	6%^
Footwear	4%
Others	20%

***Source*:** Money Control

8. Drivers of Retail

On one hand favorable demographic and psychographic changes in the Indian consumer class, rising income, international exposure, availability of quality retail space, wider brand choice and better marketing communication are some of the factors driving Indian retail. On the other side a lot depends on the preparedness of Indian retailers in terms of having suitable formats, scalable business model, appropriate technology and relevant organization capability for the success.

Currently the country has a population of over one billion, 60% of which is under 30 years of age. This means majority of the population is young and working class with higher purchasing power. The low median age of population means a higher current consumption rate which augurs well for the retail sector. Consumer spending in India has grown at over 12 percent since mid-1990s and 64 per cent of Indian GDP is accounted for by private consumption. Over the last decade, the average Indian spending has gone up from INR 5,745 in 1992-93 to INR 16,457 in 2003-04 and is expected to grow around its trend rate of 12 per cent.

Retail Space Development

Through the 1990s, organised retail in India added just 1 million sq. ft of space a year. Then, from 2001, the pace quickened dramatically. In 2003 alone, 10 million sq. ft was added by this fledgling industry. Now the story is completely different and the mall boom is all set to alter the competitive dynamics. Over 130 to 180 million sq ft of new mall space are estimated to come up in the country in the next 3-5 years. Nearly 70% of the total new mall space coming up in FY07 and FY08 will be in the major cities reducing catchment areas for existing retailers. Key retail location like Mumbai (up 203% to 15mn), Delhi (up 527% to 23.2mn), Bangalore (up 128% to 4.1mn), Hyderabad (up 163% to 5.3mn).

Development of Retail Formats

It is difficult to fit a successful international format directly and expect a similar performance in India. The lessons from multinationals expanding to new geographies too point to this. For example, Wal-Mart is highly successful in USA but the story is different in Asian countries like China. Therefore, it is important for retailer to look at local conditions and insights into the local buying behaviour before shaping the format choice. Considering the diversity in terms of taste and preferences existing in India the retailers may go for experimentation to identify the winning format suited to different geographies and segments. For example, the taste in south is different from that in north and this brings challenges to the retailers. Therefore, most of grocery retailers are region-centric at this point in time. Now a number of retailers are in a mode of experimentation and trying several formats which are essentially representation of retailing concepts to fit into the consumer mind space.

Malls

Mall development is phenomenal in India. The mall mania is spreading fast and entering even the second tier cities in India. Real estate developers are jumping very fast to take this further from Metro cities to smaller cities and corporate houses like ITC and Sriram group are making steady progress to make this phenomena feasible in rural market also. There is no denying that the top notch cities like Mumbai, Delhi, Bangalore, Hyderabad, Kolkata, Chennai and Pune are leading the way but the second tier cities like Ludhiana, Chandigarh, Nagapur and Surat are catching the eye of all retailers. Retail developers are in such a mood that they may over ride the requirement in a specific city.

Department Store

A department store offers an extensive assortment (width and depth) of goods and services that are organized into separate departments for the purpose of efficient buying, assortment, promotion and above all ease of shopping for the consumer. Such a format provides the greatest selection of any general merchandize and very often serves as the anchor store in shopping mall or shopping centre. In India, the number of department stores is less compared to other retail formats such as supermarkets and discount stores. Shoppers' Stop is the first one to open a department store in the early 1990s and currently operates 19 stores in 10 different cities in India. Another operator Lifestyle India began operations in 1998 with its first store in Chennai in 1999 and in March 2006 it opened one of the largest department stores in the same city. The store spreads over 75,000 sq. ft and store provides customers a great shopping experience with three floors of apparel, footwear, products for children, household furniture and decor, health and beauty products.

Hypermarket

Hypermarkets have emerged as the biggest crowd pullers due to the fact that regular repeat purchases are a norm at such outlets. Hypermarkets not only offer consumers the most extensive merchandise mix, product and brand choices under one roof, but also create superior value for money advantages of hypermarket shopping. Number of players operating hypermarket format are increasing day by day. One of the leading players in this format is Pantaloon Retail India Limited (Exhibit 4) which operates 32 Big Bazaars in twenty cities. In early 2006, the K. Raheja Corp (C.L. Raheja Group) has introduced it‟s value retail concept Hypercity which is the country‟s largest hypermarket at 118000 sq ft.

Hypermarkets will be successful if the retailers understand the shopper better and design product offering tailor made for specific segment of consumer. Retailers have to use efficient sourcing and merchandising process to bring down cost of operation. The most important one is to phase out inefficiencies from the supply chain and pass on a part of that benefit to consumer. Another way of improving margin is to increase percentage of private label or store brand.

Supermarket

Unlike western countries where supermarkets are prominently visible, in our country this is lacking. The supermarkets largely concentrate on selling food related products and are considerably smaller in size compared to hypermarkets. Their value proposition is also different from the hypermarkets. The supermarkets offer relatively less assortments but focus on specific product categories. They do not play the game on price rather use convenience and affordability as their salient features. In India this role is played by the provision stores and sweet shops. Interestingly the fresh vegetables and fruits are sold on the foot path and in open markets. Traditionally consumers feel conservative to buy fruits and vegetables from air conditioned supermarkets. They prefer to buy either from the local mobile vegetable sellers or from the nearest sabji market. Probably that works as deterrent factor for the growth of supermarkets in India. But the situation is changing and slowly supermarket operators are coming to their own.

Food Bazaar operates in major cities in India with a floor space ranging from 6,000 sq ft to 16,000 square feet and the format sells both food and non-food items. The non-food items contribute about 22 per cent of total sales and rest is contributed by the food related items. A Food Store stocks an average of 7,000 stock keeping units (SKUs) and over 50,000 articles.

The SKU's are divided into the broad categories - staples, fresh produce and branded foods, home & personal care products. Staples include groceries like rice, wheat, dal, spices and oils. Fresh produce comprise of fruits and vegetables, which are sold loose through the concessionaire arrangement.

Convenience Stores

A Convenience store offers location advantage for the shoppers and provides ease of shopping and customized service to the shoppers. It charges average to above average prices, depending on the product category and carries a moderate number of stock keeping units (SKUs). Normally it remains open for long hours and shoppers use it for buying fill-in merchandize and emergency purchases. In India, Convenience stores occupied 23 thousand sq. meter of retail space with sales of about Rs 1347 million in 2005 and are expected occupy 85 thousand square meter of selling space by 2010. During the same period, sales is expected to touch Rs 5271 million and number of outlets are likely to grow from 510 to 2434.Twenty Four Seven a new format of convenience store is operational in Delhi from June 2005. Twenty Four Seven's portfolio comprises 3,500 stock keeping units (SKUs) of branded fast-moving consumer goods and another 3,500 SKUs of prescription and over-the-counter drugs besides 300 private labels products across food, focusing on staples such as pulses and rice. The promoter of this format, the Modi group, plans to set up 500 convenience stores in Delhi and Mumbai by 2007.

Discounters

Wal-Mart, the largest retailer in the world is a discounter. Practically the discounters offer several advantages such as lower price, wider assortment and quality assurance. The discounters like Wal-Mart and Aldi were able to quickly build scale and pass on benefits to the consumer. However, in the long run success depends on the operational efficiency and consistent value delivery to the consumer. The same retailer Wal-Mart struggles in Asian countries like China but extremely successful in USA. It is believed that the average Indian consumer is highly price-sensitive and looks for savings in term of money in her grocery purchase. So price-value equation is a critical component in most of the grocery purchases.

Despite this, there is hardly any national level discount chain operating in India. But retailers such as Aldi and Lidl are extremely successful in Europe. Due to regulatory issues no such retailers are allowed to sale their products directly to consumer. But they can sell in a cash and carry format which is exclusively B2B context. If these retailers are allowed to operate in India through their retailer stores they may find it extremely difficult in the early stages because of lack of experience in the grocery retailing in this market. Unlike the western where retailers largely depend on private labels to offer price advantage, here the concept of private label is very early stage.

Branded Store

The major apparel brands in India are Madura Garments, Zodiac, Raymonds, Colour Plus and Arvind Mills. Some of branded apparel stores prominent in India are Madura Garments (140 stores), Weekender (75 stores), Benetton (100 stores), Grasim (110 exclusive showrooms), Madura Garments (40 stores), Wills Life style (40 stores), Lee (59 stores), Newport (500 stores), Wrangler (37 stores), John Players (80 stores) and Raymond. Raymond a nation wide retail chain has 260 Raymond shops deals in fabrics, apparels and accessories. In addition to that its distribution network includes 20 exclusive Park Avenue Parx stores, and 1,000 multi-brand outlets. These specialty stores sell the well known brands like Park Avenue, Parx, Manzoni and Be. Park Avenue is an up-market brand, while Parx and Manzoni are targeted at the casual wear and the premium ranges respectively. 'Be:' is especially a brand for women’s wear. Similarly BK Birla’s Century Textile plans to increase its number of outlets from 60 currently to 100 by next year. International brands like Tommy Hilfinger are also present in India through franchise arrangements with Arvind Murjani Brand Private Limited (AMBPL) and its first store was opened at Banjara Hills, Hyderabad.

Category Killer

The category killer concept originated in the U.S. due to abundance of cheap land and the dominant car culture. Category Killer is a kind of discount specialty store that offers less variety but deep assortment of merchandise. By offering a deep assortment in a category at comparative low prices, category specialist can be able to “kill“ that specific category of merchandize for other retailers. Generally such kind of retailers uses a self service approach. They use their buying power to negotiate low prices, excellent terms and assured supply when items are scarce. In India this kind of retail stores are not prevalent at this point of time. But there is scope for such kind of format.

Dollar Stores

Dollar stores have their roots in America's homey five-and-dimes, the general stores that offered a range of products at low prices. But modern dollar-store retailers are having more sophisticated operations; leveraging their growing buying power to strike special deals with vendors and continuously striving for unique advantage of both convenience and price. Some chains sell all their goods at $1 or less. Others offer selected items at higher prices. Most sell a combination of paper products, health and beauty supplies, cleaning products, paper and stationery, household goods, toys, food and sometimes clothing. Both private-label and brand-name goods fill the shelves.

Retail Development in Rural India

Chennai based market research firm Francis Kanoi estimated the size of the rural market to be INR 1, 08,000 crore annually. During the survey in 2002 the firm took into account four categories - FMCG, durables, agri-inputs, and two- and four-wheelers for their estimation. Rural incomes are growing steadily as well. NCAER shows while the number of middle-class households (with annual income between Rs 45,000 and Rs 2.15 lakh) is at 16.4 million in urban India, the figure stands at 15.6 million in the rural areas, data from. Largely this rural market is untapped and there is huge opportunity for retailers. Therefore, in recent times rural retailing is witnessing explorations by both corporate houses and entrepreneurs -ITC's Choupal Sagar, HLL's project Shakthi and Mahamaza are some of the models being tried out. At this juncture there is no conclusive evidence of winning rural retail formats available. However, corporate forays into rural retail are expected to bring more experimentation and innovation in term of retail format.

DSCL Haryali Kisan Bazaar

Hariyali stores keep wide range of product assortments such as fertilizers, pesticides, farm implements, seeds, animal feed and irrigation equipment among other agriculture-related products. They also have officers who offer free advices to farmers regarding best agriculture practices. Offering insurance and financial services to farmers is part of the business. So far, 22 "Hariyali" Stores have been operational in different states across North India. Farmer response has been extremely encouraging. A centre is attracting 150 - 200 farmers a day. Hariyali Kisaan Bazaar has plans to rapidly scale up the operations & create a national footprint covering all the major agricultural markets of the country.

Mahindra & Mahindra Shubh Labh

This is the rural initiative taken by Mahindra & Mahindra group to provide complete package of products and services related to firm productivity. One of the basic objectives is to establish market linkage and optimize farm produce supply chain. There are about 36 franchised Shub Labh store established in ten states in India.

Internet Retailing

The importance of internet retailing is growing all over the world. Some internet retailers such as ebay and rediff.com are providing a platform to vendors to sell their products online and they do not take the responsibility of delivering the product to buyer. They provide virtual shopping space to the vendors. On the other hand online retailers like amazon.com and walmart.com have to maintain their warehouse to stock products and take the responsibility of delivering products to the buyer. So, most of the brick and mortar stores are entering into online retailing as they have physical infrastructure and they can use that to capture additional consumer wallet. All the big retailers like Target, Sears and Kmart are operating online shop and some manufactures also operate online. For example Apple Inc. operates through apple.com and Dell Inc. sells its products online through dell.com.

Beyond Format

Retailers need to think about shoppers not just about formats as understanding the shoppers dynamic holds key to such a business. Retailers must understand what value shopper is looking for and how the retailers can deliver that desired value to the customer. However, most retailers look for what they are offering and how shoppers can fit into retailer’s scheme of offerings. The retailer operates four different retail formats namely Express (546), Super store (446), Metro (160) and Extra (100) to cater consumer need. The Group also has an additional 527 stores under the One Stop fascia. All the formats are profitable and each format is tailor made to fulfill customer need. Retailing in India is completely different from western countries for that matter even from Asian counter parts. Studies show that upgraded Kirans are growing at the same rate as organized retailers. In the changing retailing environment understanding the psyche of consumer is critical to business. Aggregate level picture may mislead, so individual level understanding is desirable. Finally, it is not the format gives business sustainability rather it is one of the vehicles to deliver value to the consumer. Some of the Kirana store owner view there is no competition from the big retailers because they know their customer better.

Infrastructure

Even though there is huge investment coming especially in the area of retail space development in the form of mall development, the challenges remain same from a retailer‟s view point as the cost to acquire retail space in mall is increasing. Researchers from Knight Frank India, a real estate consultancy, cipher that rentals in established malls in top metros have jumped by 20-30 % in the last six months.

Technology is going to play a major role in retail development in India. Retailers are going to experience the impact of technology in retail. Currently most of the retailers are operating almost everything manually. A country where almost 97 percent of retailing is in the hand of unorganized retailers it is predictable that the retailers are going have operational inefficiency.

Supply chain

Till now most retailers in India have invested majorly into the front end but relatively little on the back end and supply chain.

Even in countries like the USA, Germany and England where organized retail is highly developed supply chain efficiency is a concern. The nature of retail sector in India is different from other countries around the world. The biggest retailer in India, Pantaloon Retail is yet to open stores in each & every major city in India. For example Indian supply chain for food products is characterized by extensive wastage and poor handling. The wastage occurs because of multiple points of manual handling, poor packaging, and lack of availability of temperature controlled vans. The most important part of retailing business is to find a balance between investing in front-end and back-end operations.

Human resource

Even though AT Kearny places India as most attractive retail market for the second consecutive year in a row but it is lagging behind in the retail labor index and positioned in the 8th place. At this point of time talent is in short supply and employee churn has been high for all players. It is very difficult to get experienced store managers to run stores. For example, currently Pantaloon Retail India is operating around 48 Food Bazaars across the county and planning to increase the number to over 80 stores by the end of 2006. The way the sector is growing in terms of opening stores it is very predictable that there is going to be huge scarcity of professionals to manage stores. Reliance Retail is planning to employ half a million work force in various levels in next five years. Currently the sector is facing a shortage of human resources. It is very difficult to develop human capital in a short time span of five years. If we look at the human resources employed by global retailers like Wal-Mart, Carrefour, Tesco, Home Depot and Ahold, we find that none other than Wal-Mart exceeds half a million. If, we use these resources properly we can develop a large talent pool to fulfill the growing demand for various positions in the retail organization.

Foreign Direct Investment

Though talk of opening up the retail sector for FDI has been making the rounds for quite some time now, no major breakthrough has happened yet. The country is expecting a strong economic growth of about 8-10% per year and this can be achieved by raising the rate of investments as well as by generating demand for the increased goods and services produced. Retail contributes about 10% to the national GDP and is expected to increase over the next decade or so. PricewaterhouseCoopers estimates that Indian retail will get USD 412 by 2011and majority of investment will be directed toward the two most popular retail formats: hyper markets and supermarkets.

Growth of this sector holds paramount importance to the Indian economy, so any augmentation of this sector will have a resultant growth effect on the economy. Although at this point in time FDI in retailing is receiving mixed reaction, but our feeling is that FDI would bring a lot of positive changes both for the operators and the consumer. The infusion of much-needed foreign investment would result in: (1) retail consolidation and increase in the share of the organised retail sector, (2) increase in employment in retail (3) increase supply chain efficiency which would lead to lower prices, superior quality for consumers, (4) enhanced opportunity for domestic operators to join hand with global retail players to bring in technical know how and global practices, (5) making shoppers feel international shopping experience.

9. Conclusion

Retailing in India is the most dynamic industry, which represents huge opportunities for both organized and unorganized players. The major opportunity and challenges for both organized and unorganized retailers remain same as they see each other as their biggest threat. There would be a win- win situation for both if they mitigate the challenges and leverage on the opportunities that could benefit both sectors. It would be tough to handle all the opportunity and challenges factors all at once. To enhance the growth the organized retailers needs to adopt strategies with respect to investment in technology and in supply chain management. Investment in technology would reduce their wastage of time, goods and efforts. There should be a strong networking between retailers for the use of technology and should also pressurize other channel members including suppliers to adopt compatible technology. The government should also ensure a single window clearance for retail chain and permit FDI in retail in different phases.

Government can encourage PPP model for infrastructural development It can also ensure flexibility of labour laws thereby ensuring the availability of skilled workforce for organized retailing. Retail marketing has been considered as a race without the finish time. The present study has it limitations as the selection of sample was judgmental and this may not be perfectly representative of current retail scenario in India.

In the 2005 India Economic Summit, delegates conveyed mixed message about FDI but one final message was loud and clear that India‟s retail development is inevitable. Most of the organized retailers in India are harping on quality, service, convenience, satisfaction and assured benefits to lure shoppers into the store. Retailers should create value for the consumer and must decide suitable vehicle to deliver desired consumer value. No doubt retail format is one of the vehicles to deliver value proposition and also it helps to position the store in the mind of target shoppers. Probably in a growing market no one finds difficulty in pulling customer into store but that may not be sufficient to operate profitably. Retailers need to find out what matches consumer requirement and offer better than competition. Retailers certainly need to be innovative in designing the value proposition and deciding the format to deliver that to the consumer. It is not all about deciding the format but all about serving the consumer better, faster and at less cost. Retailers can use their store as an indicator of what they stand for and what value they offer. Retailers have to out think consumer in providing service and value. At this juncture, most of the retailers are concerned about growth in number of stores rather than creating value for consumer. Some companies like Pantaloon Retail has gone one step ahead to start e-tailing format along with brick and mortar formats. The most important issue in e-tailing is credibility and trustworthiness of the supplier. If Pantaloon Retail India gets the same credibility and trust it is able to find from current customer base it is highly probable that the new format is going to be successful. Again some of the product categories books are highly successful on internet as those categories require less feel and touch. Our conclusion is that consumer is the focus of retail business and the retailers should serve the consumer better, faster and at less cost.

10. References

1. Aggarwal S. Rising Mall Rentals in Major Cities Dampen Retailer's Early Euphoria, Indian Express, 2008.
2. Banerjee R, Balakrishnan R. Second Tier Retailing is a Smart Idea, The Economic Times, 2008.
3. Berman B, Evans JR. Retail Management: A Strategic Approach, 9th Ed, Prentice Hall Publ, 2003.
4. Chadha AS. India Most Attractive Retail Destination in the World, The Economic Times, 2008.
5. Freathy P. The Retailing Book: Principles and Applications, Prentice Hall, 2003.
6. Guha R, Jayaswal R. Government may allow FDI in food retail. The Economic Times, 2008.
7. Gupta SL. A Study on Trends in Retailing Industry in India - A Case Study on Shopping Malls, BVIMR Management Edge Journal of Bharati Vidyapeeth University, 2007.
8. Singhal A. Impending Economic Impact of a resurgent Indian retail sector, Technopak report on organizedretailing in India, 2007.
9. Writangar M. Frauds steal retail show, The Economic Times, 2008.