

CHAPTER 1

INTRODUCTION

1.1 Background

The word “Retail” Originates From a French – Italian word. Retailer – someone who cuts-off or sheds a small piece from something. Retailing is the set of activities that markets products or services to final consumers for their own personal or household use. It does this by organizing their availability on a relatively large scale and supplying them to consumers on a relatively small scale. Retailer is a person or agent or agency or company or organization who is instrumental in reaching the goods or Merchandise or Services to the End User or ultimate consumer.¹

Retailing involves all activities incidental to selling to ultimate consumer for their personnel family and household use. It does this by organizing their availability on a relatively large scale and supplying them to customers on a relatively small scale. Retailer is any person/organization instrumental in reaching the goods or merchandise or services to the end users. Retailer is a must and cannot be eliminated.²

Modern retailing has entered India in form of malls and huge complexes offering shopping, entertainment, leisure to the consumer as the retailers experiment with a variety of formats, from discount stores to supermarkets to hypermarkets to specialty chains. However, kiranas still continue to score over modern formats mostly due to the convenience factor i.e. near to their house.³

The retail industry is divided into organized and unorganized sectors. Over 12 million outlets operate in the country and only 4% of them being larger than 500 sq ft (46 m²) in size. Organized retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses. Unorganized retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, the local kirana shops, owner manned general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors, etc.⁴

¹ http://www.indianmba.com/Occasional_Papers/OP95/op95.html

² <http://www.managementparadise.com/forums/archive/index.php/t-42292.html>

³ <http://www.managementparadise.com/forums/archive/index.php/t-42292.html>

⁴ "ICRIER Begins Survey of Indian Retail Sector." 19 March 2007.

Most Indian shopping takes place in open markets and millions of independent grocery shops called kirana. Organized retail such supermarkets accounts for just 4% of the market as of 2008. Regulations prevent most foreign investment in retailing. Moreover, over thirty regulations such as "signboard licences" and "anti-hoarding measures" may have to be complied before a store can open doors. There are taxes for moving goods to states, from states, and even within states.⁵

An increasing number of people in India are turning to the services sector for employment due to the relative low compensation offered by the traditional agriculture and manufacturing sectors. The organized retail market is growing at 35 percent annually while growth of unorganized retail sector is pegged at 6 percent.⁶

India has topped the A.T. Kearney's annual Global Retail Development Index (GRDI) for the third consecutive year, maintaining its position as the most attractive market for retail investment. The Indian economy has registered a growth of 8% for 2007. The predictions for 2008 is 7.9%.⁷ The enormous growth of the retail industry has created a huge demand for real estate. Property developers are creating retail real estate at an aggressive pace and by 2010, 300 malls are estimated to be operational in the country.⁸

With over 1,000 hypermarkets and 3,000 supermarkets projected to come up by 2011, India will need additional retail space of 700,000,000 sq ft (65,000,000 m²) as compared to today. Current projections on construction point to a supply of just 200,000,000 sq ft (19,000,000 m²), leaving a gap of 500,000,000 sq ft (46,000,000 m²) that needs to be filled, at a cost of US\$15–18 billion.⁹

According to the Icrier report, the retail business in India is estimated to grow at 13% from \$322 billion in 2006-07 to \$590 billion in 2011-12. The unorganized retail sector is expected to grow at about 10% per annum with sales expected to rise from \$ 309 billion in 2006-07 to \$ 496 billion in 2011-12.¹⁰

⁵ "Retailing in India Unshackling the chain stores". [The Economist](http://www.economist.com/displayStory.cfm?story_id=11465586). 2008.
http://www.economist.com/displayStory.cfm?story_id=11465586

⁶ "India again tops global retail index." 22 June 2007.

⁷ "Economic and financial indicators" 3 July 2008.

⁸ "Indian Retail story from Myths to Mall." 11 August 2007.

⁹ Demand for retail real estate to soar"

¹⁰ Centre consulting states for setting up retail regulator." 2 July 2008.

1.2 Origin of Retail Sector:

Early Trade:

When man started to cultivate and harvest the land, he would occasionally find himself with a surplus of goods. Once the needs of his family and local community were met, he would attempt to trade his goods for different goods produced elsewhere. Thus markets were formed. These early efforts to swap goods developed into more formal gatherings. When a producer who had a surplus could not find another producer with suitable products to swap, he may have allowed others to owe him goods. Thus early credit terms would have been developed. This would have led to symbolic representations of such debts in the form of valuable items (such as gemstones or beads), and eventually money.

(1.2.1) How Retail Developed:

Peddlers and Producers:

The Retail Trade is rooted in two groups, the peddlers and producers. Peddlers tended to be opportunistic in their choice of stock and customer. They would purchase any goods that they thought they could sell for a profit. Producers were interested in selling goods that they had produced.

General Store:

This division continues to this day with some shops specializing in specific areas, reflecting their origins as outlets for producers (such as Pacific Concord of Hong Kong), and others providing a broad mix, known as General Store (such as Casey's in the Midwest of the U.S.A.).

Although specialist shops are still with us, over time, the general store has increasingly taken on specialist products. Customers have found this to be more convenient than having to visit many shops - thus the term "Convenience Store" has also been applied to these shops. As the popularity of general stores has grown, so has their size. This combined with the advent of Self-Service has lead to the Supermarket, or Superstore.

Early Markets:

Over time, producers would have seen value in deliberately over-producing in order to profit from selling these goods. Merchants would also have begun to appear. They would travel from village to village, purchasing these goods and selling them for a profit. Over time, both producers and merchants would regularly take their goods to one selling place in the centre of the community. Thus, regular markets appeared. The First Shop: Eventually, markets would become permanent fixtures i.e. shops. These shops along with the logistics required to get the goods to them were, the start of the Retail Trade.

The Birth of Distance Retailing:

Defined as sales of goods between two distant parties where the deliverer has no direct interest in the transaction, the earliest instances of distance retailing probably coincided with the first regular delivery or postal services. Such services would have started in earnest once man had learned how to ride a camel, horse etc.

When individuals or groups left their community and settled elsewhere, some missed foodstuffs and other goods that were only available in their birthplace. They arranged for some of these goods to be sent to them. Others in their newly adopted community enjoyed these goods and demand grew. Similarly, new settlers discovered goods in their new surroundings that they dispatched back to their birthplace, and once again, demand grew. This soon turned into a regular trade. Although such trading routes expanded mainly through the growth of traveling salesmen and then wholesalers, there were still instances where individuals purchased goods at long distance for their own use. A second reason that distance selling increased was through war. As armies marched through territories, they laid down communication lines stretching from their home base to the front. As well as garnering goods from whichever locality they found themselves in, they would have also taken advantage of the lines of communication to order goods from home.

(1.2.2) Origins of Retail

It is likely that, as markets became more permanent fixtures they evolved into shops. Although advantageous in many respects, this removed the mobility that a peddler or traveling merchant may still have enjoyed. For some shopkeepers, it made sense to obtain extra stock and open up another shop, most probably operated by another

family member. This would recover business from peddlers and create new business and the greater volume would allow the shopkeeper to strike a better deal with suppliers. Thus the retail chain would have started. Its thought that this process would have started in china over 2200 years ago with a chain of shops owned by a trader called Lo Kass.

The First Self-Service Store:

This all changed in 1915 when Albert Gerrard opened the Groceteria in Los Angeles, the first documented self-service store. This was soon followed a year later by the Piggly Wiggly® self-service store, founded by Clarence Saunders in Tennessee in the U.S.

Growth:

This new type of shopping was more efficient and many customers preferred it. Although personal service stores remain to this day, this new concept started a rapid growth of self-service stores in the United States. Other countries were slow to take up the idea, but there has been a steady rise in the global amount of self-service stores ever since.

Efficiency:

These entrepreneurs noticed that their staff had to spend a great deal of time taking grocery orders from customers. The groceries were stacked on shelves allowing customers to walk around and browse, collecting their shopping in a basket that was supplied. The shopkeeper would only need to tot up the final bill at the end of the process and transfer the goods from the basket to the customer and receive payment.

(1.2.3) From Family Business to Formal Structure:

Although retail chains would have been mostly run by families, as some chains grew, they would have needed to employ people from outside of their family. This was a limiting factor as there would have been a limit to the amount of trusted non family members available to help run the chain. Another, even more definite limiting factor was the distance the furthest shop would have been from the original shop. The greater the distance, the more time and effort would have been needed to effectively manage outpost shops and to service them with goods. There was, therefore, a natural barrier to expansion. That was the case until transport and communications became

faster and more reliable. When this happened towards the end of the 19th century, chains became much bigger and more widespread. Many of these businesses became more structured and formalized, leading to the retail chain that we see today.¹¹



Fig no: 1.1 Retail Formats



Fig no: 1.2 Indian Retail

(1.3) Definitions:

(1.3.1) Consumer Behavior:

The term consumer behavior is defined as the behavior that consumer display searching for purchasing, using evaluating and disposing of products and services that they expect will satisfy their needs. Consumer behavior focuses on how individuals make decisions to spend their available resources (time, money, effort) on consumption –related items. That includes what buy it, why they buy it, when they

¹¹ Shaikat Mallick (2007-2008), "Retail sector in india." Page no:10,11,12.

buy it, where they buy it, how often they buy it, how often they use it, how they evaluate it after the purchase, the impact of such evaluation on future purchases and how they dispose of it.¹²

(1.3.2)Theories of Consumer Behaviour

1. Five Stage Model of Consumer Buying Behaviour:

Consumers buy and consume a wide variety of products and services. These could be broadly classified into three categories: (i) non- durable tangible goods that are bought and consumed frequently eg: soap, food grains; (ii) durable tangible goods that are used over a longer period of time eg: television, automobiles and (iii) services which are not tangible but satisfy certain needs eg. Telephone services, banking (Dholakia, Khurana, Bhandari and Jain 1978). While buying any of these products or services consumers go through a five stage process and most marketing books refer to this as Five-Stage Model of Consumer Buying Process (Kotler and Kelly 2006; Assael 1990).

Figure 1.3: Five Stage Model of Consumer Buying Behaviour



¹²Lean Schiffman & Leselie lazar Kanuk(2007), “consumer behavior ”,Page No:23

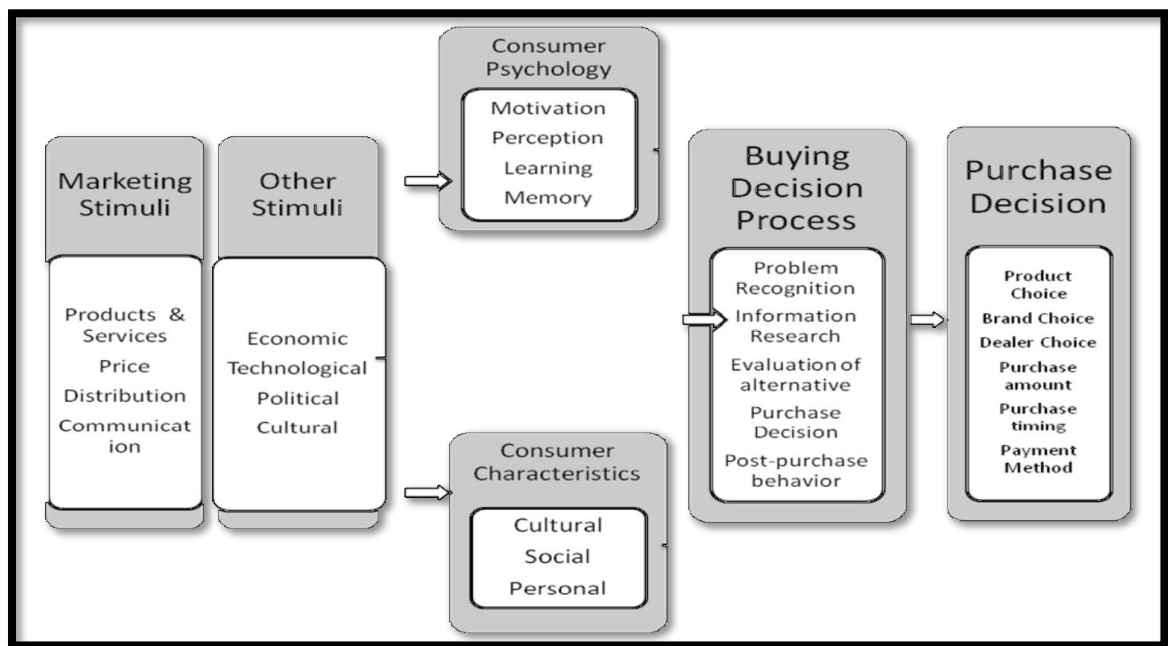
2. The Kotler and Keller Model of Buyer Behaviour

While the need satisfaction is the underlying motive for all purchases, different disciplines provide different approaches to understanding the needs and processes that influence the formation and satisfaction of such needs. There are broadly five major approaches (Bennett and Kassarian 1976; Dholakia et al 1978):

- (1) Hierarchy of needs model- Maslow's hierarchy of needs provides a basic framework for understanding the structure of human needs.
- (2) Economic model- Economics is seen as the mother of the discipline of marketing.
- (3) Learning model- Classic psychologists concern themselves with formation of needs and taste.
- (4) Psychoanalytic Model- Human needs and motives operate both at a conscious and sub-conscious level.
- (5) Sociological model- Groups heavily influence the behaviour and buying habits of members.

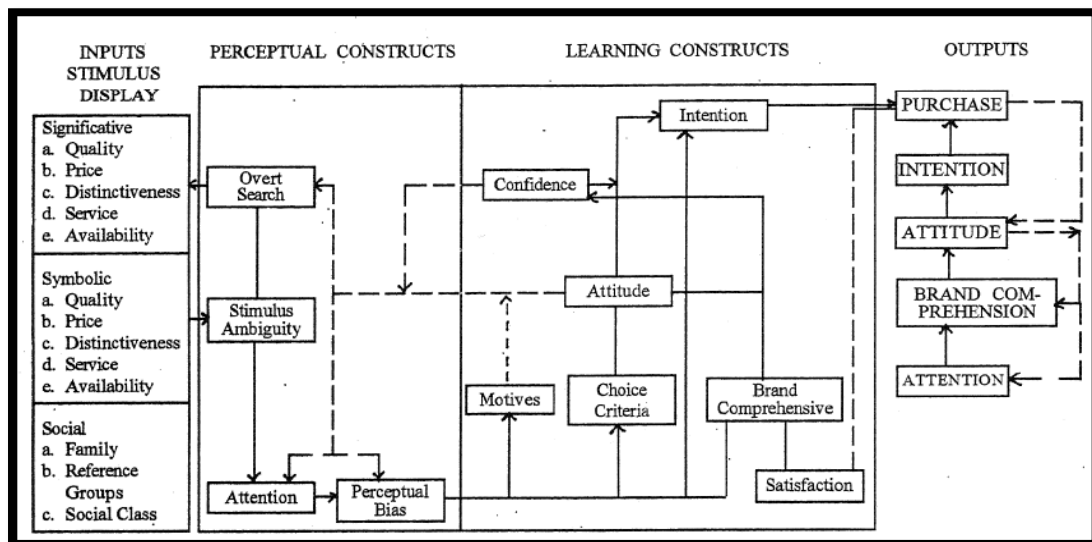
The study of consumer behaviour has been seen to be a study of many intermingling concepts including economics, sociology, psychology, political sciences and cultural anthropology (Bennet & Kassarian 1976; Wells and Prensky 1996). Consumer behaviour is the study of consumer as they exchange something of value for a product or service that satisfies their needs.

In a broad sense Kotler presents a model of buyer behaviour that incorporates many dimensions examined above (Kotler and Keller 2006). Kotler's model consists of key variables such as Marketing Stimuli (Products & Services, Price, Distribution and Communications), other stimuli (Economic, Technological, Political, Cultural), Consumer Psychology (Motivation, Perception, Learning, Memory), Consumer Characteristics (Cultural, Social, Personal), Buying decision process (Problem Recognition, Information search, Evaluation of Alternatives, Purchase Decision, Post Purchase Behaviour) and Purchase Decision (Product Choice, Brand Choice, Dealer Choice, Purchase Amount, Purchase Timing and Payment Method).

Figure 1.4: Kotler and Keller Model of Buyer Behaviour

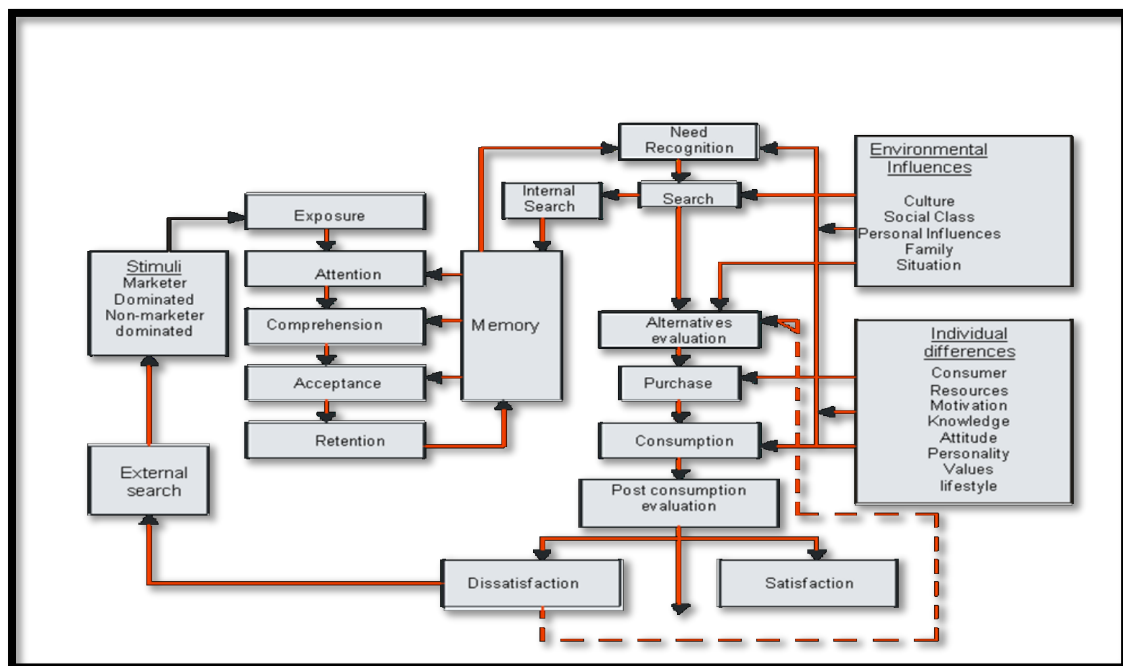
3. The Howard and Sheth Model of Consumer behavior

One of the earliest theories of Buyer Behaviour was the one presented by Howard and Seth (1969). This model categorized buying behaviour into inputs (Which consisted of significative, symbolic and social), Perpetual Constructs (Search, stimulus ambiguity, attention and bias), Learning Constructs (attitudes, motives, comprehensions etc.) and outputs. This model too postulated that while the buying process would follow the stages explained earlier, the process is acted upon the several overlapping constructs.

Figure 1.5: Howard and Sheth Model of Consumer behavior

4. The Engel Kollat Blackwell Model of Consumer Behaviour

The Engel Kollat Blackwell (1986) proposed a model that looked at the consumer behaviour through four stages: Input (stimuli from marketer, external search), Information Processing (consumer's exposure, attention perception, acceptance and retention), Decision process (search evaluation, purchase and outcome) and Variables influencing Decision process (individual characteristics, social influences, situation variables).

Figure 1.6: Engel Blackwell Miniard Model of Consumer Behavior

Across all consumer behaviour models there are primary three broad factors: the environmental factors, the individual factors and the purchase decision process (Zikmund and d' Amico 2001). The purchase decision process consists of the five stages, starting with problem or need recognition and ending with post purchase behaviour. The individual factors consist of motives, perception, attitudes, personality and learning. Possibly the biggest of all are the environmental factors which include (i) culture, sub culture, social class/ income/ education, reference groups; (ii) family, social values / norms, roles, situational factors and (iii) marketing mix variables (Wells and Prensky 1996). Attitudes are shaped by cognitive component (knowledge) affective component (feelings) and behavioural component (behavioural tendencies) (Zikmund and d' Amico 2011). Many early theories concerning consumer behavior were based on economic theory on the notion that individuals act rationally to maximize their benefits (satisfactions) in the purchase of goods and services. Later research discovered that consumers are just as likely to purchase impulsively and to be influenced not only by family, friends, advertisers, and role models, but also by mood, situation, and emotion. All of these factors combine to form a comprehensive model of consumer behavior that reflects both the cognitive and emotional aspects of consumer decision making.¹³

(1.3.3)Retail Outlets:¹⁴

“The sale of goods of commodities in small quantities directly to consumer.”

“Retail sector is a market where there is organized methodology for sale of goods.”

- **Unorganized Retail Outlets:**

“Unorganized retailing” is defined as an outlet run locally by the owner or caretaker of a shop that lacks **technical** and **accounting standardization**. The supply chain and sourcing are also done locally to meet local needs. Its organized counterpart may not obtain its supplies from local sources.¹⁵

Un-organized Retail Sector refers to the collection of businesses that operate one or two brick-and-mortar retail stores (also see Brick and Mortar Retail Formats). In the

¹³ Sharma, Kiran, 2012, “Impact of affective and Cognitive processes on impulse buying of consumers”, *page no 33-38*

¹⁴ www.wikianswer.com

¹⁵ www.wikianswer.com

western world, mom-and-pop stores are typically categorized into this sector. In India, Kirana Stores are typically categorized into this sector¹⁶

- **Organized Retail Outlets:**

The retail sector is presently undergoing a transition in India. Previously, customers used to go to kirana stores to purchase their necessities. This later changed to bigger shops run by one man with a few employees. Here, all the work was done manually. Gradually, more sophistication seeped into this sector and department stores came into being.

Beginning in the mid-1990s, however, there was an explosion of shopping malls and plazas where customers interacted with professionals and not with just one single person - the owner. An important point here is that customers' requirements are catered to by trained staff. Today, organized retailing has become an experience characterized by comfort, style and speed. It is something that offers a customer more control, convenience and choice along with an experience¹⁷

(1.4)Unorganized Retail Outlets:

In Ancient India there was a concept of weekly HAAT, where all the buyers & sellers gather in a big market for bartering. It takes a pretty long time to & step to shape the modern retail. In between these two concepts (i.e. between ancient retail concept & the modern one) there exist modern kirana/ mom and pop shops or Baniya ki Dukan.¹⁸

Unorganized Indian retailing is in dire straits, with the onslaught of organized retailing, even as they still play a domineering role in the retail market. There has been a wide scale entry of organized retail players in the industry, as leading corporate giants make their foray into a vibrant market, challenging the clout exercised by unorganized retailers. Unorganized retailers on their part are giving a stiff competition, putting up a big fight to zealously guard their turf. These trends have given the traditional retailers a serious time for thought to relook and review their action plans. In order to move along with the changing times, unorganized retailers have to revamp and remodel their outlets.

¹⁶ <http://retail-industry.blogspot.com/2006/04/definition-of-unorganized-retailing.html>

¹⁷ www.wikipedia.com

¹⁸ <http://blog.jack-wills-sale.com/tag/unorganized/> May 12, 2010

Unorganized retail consisting of convenience stores, weekly markets, road-side stall, street vendors and mom and pop outlets are in deep trouble; their business models that have been running successfully for years, generation after generation is under threat. They have to strategies and formulate plans of actions so that they can exist side-by-side with the organized retailers, without hurting their business interests. Organized retail, run by big companies have introduced novel ideas and plans that have paved the way to gain a foothold in the vast unorganized retail market in India; they are on the way to wipe out their traditional counterparts.

However, unorganized retailers do have certain tricks under their sleeves that would act as an impediment to the intruding organized retail players. Unorganized retailers enjoy a good rapport, developed over the years, with the consumers. With features like home-delivery, proximity to residential suburbs and credit facilities, they still have an edge over the new entrants. Traditional retailers have to play these cards very cleverly, close to their hearts, so that they can maintain and retain their customer base by building on these positive factors and succeed in the Indian retail market.

Focusing on products and services like perishable food, groceries and other household items that would save time and energy for consumers, who don't have to take the unnecessary trouble of traveling miles, to get them would be a good fillip and impetus to unorganized retailers. Innovation is the order of the day; and traditional retailers have to redefine their policies to maintain their turf from being overrun by the biggies.¹⁹

(1.4.1)Unorganized Formats of Retailing:

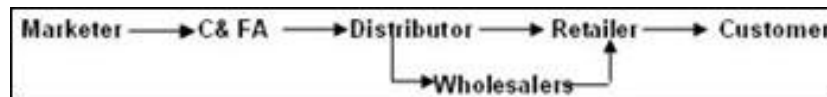
Indian retail sector is pre-dominantly controlled by traditional and unorganized formats of retailing. These formats have emerged and developed with the growth of population in the country in rural and semi urban areas, the haats/weekly bazaars exist since long time. The traditional "kirana "or "Baniya ki Dukan" still enjoy the leadership and commanding position in retail trade. In smaller towns and urban areas we may see the power of small family run independent 'mom and pop' store offering a wide range of merchandise mix. These store formats are traditional and do not enjoy

¹⁹ <http://www.articlesbase.com/small-business-articles/traditional-indian-retail-fights-for-their-turf-1404730.html>

professionalism. A large number of these stores are family business involving more than one generation. These retailers have developed a rapport and goodwill among customers and popularly known as "Dukan Wala bhaiya "

Mostly these stores are managed by family members and in some cases even involve the services of one-two hired workers which depend upon the turnover. Traditional distribution channel of above retailing sector includes following factors-²⁰

Fig 1.6-Distribution channel.



(1.5)Organized Retail Outlets:

In late 1990's the retail sector has witnessed a level of transformation. Retailing is being perceived as a beginner and as an attractive commercial business for organized business i.e. the pure retailer is starting to emerge now. Organized retail business in India is very small but has tremendous scope.

Organized retailing will grow faster than unorganized sector and the growth speed will be responsible for its high market share, which is expected to be \$ 17 billion by 2010-11.

Retailing will show good prospects in cities like Mumbai, Delhi, Chennai, Kolkata, Banglore and Kanpur. After Dubai, Singapore and Hong Kong, In India Delhi will be the next big retail destination, According to Confederation of Indian Industries whose findings have shown that Delhi has the good resources and good conditions for the retail sector. Out of the total earnings of the Government of Delhi Rs 11,000 crore, Rs 6,500 crore is achieved from the retail sector.

The organized sector is expected to grow faster than GDP growth in next few years driven by favourable demographic patterns, changing lifestyles, and strong income growth. This organized retail sector mix includes supermarkets, hypermarkets discounted stores and specialty stores, departmental stores.²¹

²⁰ [Surbhi Khosla \(2009\), Understanding Retail Sector in India: A Journey from Ancient to Modern Era.](http://www.indianmba.com/Faculty_Column/FC1050/fc1050.html)
http://www.indianmba.com/Faculty_Column/FC1050/fc1050.html

²¹ <http://www.managementparadise.com/forums/archive/index.php/t-42292.html>

Today people look for better quality product at cheap rate, better service, better ambience for shopping and better shopping experience. Organized retail promises to provide all these. The Industry The various formats of organized retail are: Hypermarkets: They store products of multiple brands comprising food items and non-food items. Supermarkets: These are self service stores selling food and personal care products. E.g.: Subhiksha. Departmental stores: Retails branded goods in non-food categories. E.g.: Shoppers Stop. Specialty Chains : These stores focuses on a branded product or a product category. E.g.: Bata Convenience stores: These are small self service outlet located in crowded urban area. Malls: A huge enclosures which has different retail formats. e.g.: Nucleus Key players in organized retail are: Pantaloon Retail: It was started by Kishore Biyani- India's largest retailer. The various formats of pantaloon retail are: Pantaloons, Big Bazaar, Food Bazaar, Central etc.

(1.5.1) Organized Formats of Retailing:

The last decade has witnessed dynamism in Indian retail sectors. Various urban areas have been the center of attraction wit emergence of different kinds of organized retail formats gaining momentum. It is largely due to rising Income, increase purchasing power credit facilities, changing patter of consumer behavior, increased consumer awareness etc. Although the share of organized retailing is mere 3% of the total retail till 2004, and it has expected to be 9% till 2010.

Retailing has emerged as one of the most important sector of Indian economy since 1990s. A large number of retail model retail formats have come in force offering a wide spectrum of merchandise and services. The professional orientation and incorporation of various technology-enabled software has offered these retailers better customer relationship management, merchandise offering, store atmosphere and inventory management etc.

Various new and improved formats of Retailing like departmental stores, supermarket, hypermarket, Discount stores, convenient stores and even up-market specialty stores are no longer a dream. We have seen the mushrooming growth and proliferation of these formats of retailing in various metro cities of India²²

²² [Surbhi Khosla \(2009\)](http://www.indianmba.com/Faculty_Column/FC1050/fc1050.html), Understanding Retail Sector in India: A Journey from Ancient to Modern Era.
http://www.indianmba.com/Faculty_Column/FC1050/fc1050.html

Table1.1: Organized Retail Formats:

Format	Description	The Value Proposition
Branded Stores	Exclusive showrooms either owned or franchised out by a manufacturer.	Complete range available for a given brand, certified product quality
Specialty Stores	Focus on a specific consumer need, carry most of the brands available	Greater choice to the consumer, comparison between brands is possible
Department Stores	Large stores having a wide variety of products, organized into different departments such as clothing, house wares, furniture, appliances, toys, etc.	One stop shop catering to varied/ consumer needs.
Supermarkets	Extremely large self-service retail outlets	One stop shop catering to varied consumer needs
Discount Stores	Stores offering discounts on the retail price through selling high volumes and reaping economies of scale	Low Prices
Hyper- mart	Larger than a supermarket, sometimes with a warehouse appearance, generally located in quieter parts of the city	Low prices, vast choice available including services such as cafeterias.
Convenience stores	Small self-service formats located in crowded urban areas.	Convenient location and extended operating hours.
Shopping Malls	Enclosure having different formats of in-store retailers, all under one roof.	Variety of shops available to each other.

Table:1.2 Category Wise Major Retailers:

Category	International Retailers	Indian Retailers
Food & Beverages	MC –Donald, Dominos, Pizza-hut, Pizza-Corner, TGIF, Ruby Tuesday, Subway, Baskin Robbins	Nirulas, Haldiram, Barista, Café Coffee Day, Sagar ratna, Wimpy, MTR, Rameshwar's
Apparel & sporting goods	Benetton, Lee Cooper, Nike, Levis, Reebok, Marks & Spencer, Lacoste	Raymond's, Woodland, Liberty, Action Shoes, Pantaloons, S. Kumar, Shopper Stop, Life Style
Durables	Sony, Philips, LG, Samsung, Electrolux, Nokia,	Videocon, BPL, Singer, Onida,
Grocery	Metro Cash&Carry, Shoprite holdings	Food WMD, Nilgirinanz, Subhikha
Luxury	LVMH, Swatch, Esprit, Bulgari, Cartier	Tanishq, Titan, DTC

(1.6) Retailing Formats in India:

- 1. Malls:** The largest form of organized retailing today. Located mainly in metro cities, in proximity to urban outskirts. Ranges from 60,000 sq ft to 7,00,000 sq ft and above. They lend an ideal shopping experience with an amalgamation of product, service and entertainment, all under a common roof. Examples include Shoppers Stop, Pyramid, Pantaloon.

2. **Specialty Stores:** Chains such as the Bangalore based Kids Kemp, the Mumbai books retailer Crossword, RPG's Music World and the Times Group's music chain Planet M, are focusing on specific market segments and have established themselves strongly in their sectors.
3. **Discount Stores:** As the name suggests, discount stores or factory outlets, offer discounts on the MRP through selling in bulk reaching economies of scale or excess stock left over at the season. The product category can range from a variety of perishable/ non perishable goods.
4. **Department Stores:** Large stores ranging from 20000-50000 sq. ft, catering to a variety of consumer needs. Further classified into localized departments such as clothing, toys, home, groceries, etc
5. **Department Stores:** Departmental Stores are expected to take over the apparel business from exclusive brand showrooms. Among these, the biggest success is K Raheja's Shoppers Stop, which started in Mumbai and now has more than seven large stores (over 30,000 sq. ft) across India and even has its own in store brand for clothes called Stop!.
6. **Hypermarkets/Supermarkets:** Large self service outlets, catering to varied shopper needs are termed as Supermarkets. These are located in or near residential high streets. These stores today contribute to 30% of all food & grocery organized retail sales. Super Markets can further be classified in to mini supermarkets typically 1,000 sq ft to 2,000 sq ft and large supermarkets ranging from of 3,500 sq ft to 5,000 sq ft. having a strong focus on food & grocery and personal sales.
7. **Convenience Stores:** These are relatively small stores 400-2,000 sq. feet 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 the convenience premium.
8. **MBO's:** Multi Brand outlets, also known as Category Killers, offer several brands across a single product category. These usually do well in busy market places and Metros.²³

²³ Shaikat Mallick (2007-2009),RetailSector in India.”Page No:18

(1.7) Current Retail Scene: An Overview

(1.7.1) International Retail

Global retail sales are estimated to cross US\$12 trillion in 2007.¹ Almost reflecting the growth in the world economy, global retail sales grew strongly in the last five years (2001-06) at an average nominal growth of about 8 per cent per annum in dollar terms (Table 3). This is in contrast to near stagnant global retail sales during the previous five years, 1996-01. Grocery dominates retail sales with a share of approximately 40 per cent which varies from about 30 per cent in rich Japan to an average of 60 per cent in poor Africa. Retail sales through modern formats have been rising faster than total retail sales; the share of modern retail has risen from about 45 per cent in 1996 to over 52 per cent in 2006.²⁴

Table 1.3: World Retail

	1996	2001	2002	2003	2004	2005	2006	CAGR ³ (1996-01)	CAGR ³ (2001-06)
1. Total Retail Sales ¹ (US\$ Billion)	7682	7833	7987	8827	9833	10657	11375	0.4	7.7
2. Total Grocery Sales ¹ (US\$ Billion)	3284	3161	3213	3571	3970	4308	4611	-0.8	7.8
3. Modern Retail Sales ² (US\$ Billion)	3478	3916	4149	4672	5246	5633	5969	2.4	8.8
4. Modern Grocery Sales ² (US\$ Billion)	2577	2816	2979	3378	3800	4074	4325	1.8	9.0
2 as % of 1	42.7	40.4	40.2	40.5	40.4	40.4	40.5	-1.1	0.1
3 as % of 1	45.3	50.0	51.9	52.9	53.4	52.9	52.5	2.0	1.0
4 as % of 3	74.1	71.9	71.8	72.3	72.4	72.3	72.5	-0.6	0.2
5. Nominal GDP (US\$ Billion)	30055	31889	32888	36904	41470	44713	48141	1.2	8.6

(1.7.2) Organized vs Unorganized Retail

In the developed economies, organized retail is in the range of 75-80 per cent of total retail, whereas in developing economies, the unorganized sector dominates the retail business. The share of organized retail varies widely from just one per cent in Pakistan and 4 per cent in India to 36 per cent in Brazil and 55 per cent in Malaysia (Table 4). Modern retail formats, such as hypermarkets, superstores, supermarkets, discount and convenience stores are widely present in the developed

²⁴Mathew Joseph, Nirupama Soundararajan, Manisha Gupta & Sanghamitra Sahu (2008), "Impact of Organized Retailing on the Unorganized Sector", "ICRIER", Page no 3.

world, whereas such forms of retail outlets have only just begun to spread to developing countries in recent years. In developing countries, the retailing business continues to be dominated by family-run neighborhood shops and open markets. As a consequence, wholesalers and distributors who carry products from industrial suppliers and agricultural producers to the independent family-owned shops and open markets remain a critical part of the supply chain in these countries.²⁵

Table 1.4: Share of Organized Retail in Selected Countries, 2006

Country	Total Retail Sales (US\$ bn)	Share of Organized Retail (%)
USA	2,983	85
Japan	1,182	66
China	785	20
United Kingdom	475	80
France	436	80
Germany	421	80
India	322	4
Brazil	284	36
Russia	276	33
Korea, South	201	15
Indonesia	150	30
Poland	120	20
Thailand	68	40
Pakistan	67	1
Argentina	53	40
Philippines	51	35
Malaysia	34	55
Czech Republic	34	30
Vietnam	26	22
Hungary	24	30

Source: Planet Retail and Technopak Advisers Pvt. Ltd.

(1.7.3) Indian Retail:

The growth of the retail trade in India is associated with the growth in the Indian economy. Gross domestic product (GDP) grew by an annual rate of 6.6 per cent during 1994-00 but the growth slackened to 4.7 per cent per annum during the next three years before the growth remarkably rose to 8.7 per cent per annum in the last four years (Table 5). This meant a substantial rise in disposable income of Indian households since the mid-1990s. Based on the *Market Information Survey of Households (MISH)* of the National Council of Applied Economic Research (NCAER), the number of people in the income groups of “aspirers” and the middle class with annual income ranging from Rs. 90,000 to one million, more than doubled from 157 million to 327 million during the last decade

²⁵ Mathew Joseph, Nirupama Soundararajan, Manisha Gupta & Sanghamitra Sahu (2008), “Impact of Organized Retailing on the Unorganized Sector”, “ICRIER”, Page no 3.

1995-96 to 2005-06.²⁶ The data from the Central Statistical Organization (CSO) indicate that the growth of real private final consumption expenditure, which dipped from an average of 5.7 per cent per annum during 1994-00 to 4 per cent per annum during 2000-03, shot up to 6.7 percent per annum during 2003-07. Retail sales (in nominal terms) in the country also followed a similar pattern: a high annual growth of 13.6 per cent during 1994-00, a low growth of 4.8 per cent during 2000-03 and a smart pick up in the last four years, 2003-07 at around 11 per cent.²⁷

Table 1.5: GDP, Private Final Consumption Expenditure and Retail Sales

Growth, 1994-07 (Compound Annual Growth Rate)

	1994-95 to 1999-00	2000-01 to 2002-03	2003-04 to 2006-07
Real GDP	6.6	4.7	8.7
Real private final consumption expenditure	5.7	4.0	6.7
Retail sales	13.6	4.8	10.9

Source: CSO, NSSO, and Technopak Advisers Pvt. Ltd.

(1.7.4) Organized vs Unorganized Retail

Indian retail is dominated by a large number of small retailers consisting of the local *kirana* shops, owner-manned general stores, chemists, footwear shops, apparel shops, *paan and beedi* shops, handcart hawkers, pavement vendors, etc. which together make up the so-called “unorganized retail” or traditional retail. The last 3-4 years have witnessed the entry of a number of organized retailers²⁸ opening stores in various modern formats in metros and other important cities. Still, the overall share of organized retailing in total retail business has remained low.

Table 6 gives the category-wise growth of Indian retail, total as well as the organized sector, in recent years. While total retail sales have grown from Rs. 10,591 billion (US\$

²⁶ The NCAER gives data in terms of the number of households and they have been converted into number of people by using the average household size of 4.7 persons derived from the NSSO surveys.

²⁷ Mathew Joseph, Nirupama Soundararajan, Manisha Gupta & Sanghamitra Sahu (2008), “Impact of Organized Retailing on the Unorganized Sector”, “ICRIER”, Page no 7

²⁸ Organized retail or modern retail is usually chain stores, all owned or franchised by a central entity, or a single store that is larger than some cut-off point. The relative uniformity and standardization of retailing is the key attribute of modern retail. The size of each unit can be small so that a chain of convenience stores is modern retail. A single large department store is also modern retail.

230 billion) in 2003-04 to Rs. 14,574 billion (US\$ 322 billion) in 2006-07, which is at an annual compound growth rate of about 11 per cent, the organized retail sales grew much more at about 20 per cent per annum from Rs. 350 billion (US\$ 7.6 billion) in 2003-04 to Rs. 598 billion (US\$ 13.2 billion) in 2006-07. As a result, the share of organized retail in total retail grew, although slowly, from 3.3 percent in 2003-04 to 4.1 per cent in 2006-07.²⁹

Table 1.6: Growth India Retail - Total vs Organized

	2003-04	2004-05	2005-06	2006-07	CAGR 2004-07 (%)
India Retail (Rs. bn)					
1. Food & grocery	7,028	7,064	7,418	8,680	7.3
2. Beverages	212	309	373	518	34.7
3. Clothing & footwear	777	993	1,036	1,356	20.4
4. Furniture, furnishing, appliances and services	512	656	746	986	24.4
5. Non-institutional healthcare	950	972	1,022	1,159	6.9
6. Sports goods, entertainment, equipment & books	212	272	308	395	23.0
7. Personal care	371	433	465	617	18.5
8. Jewellery, watches, etc.	530	610	655	863	17.7
Total Retail	10,591	11,308	12,023	14,574	11.2
Organized Retail (Rs. bn)					
1. Food & grocery	39	44	50	61	16.5
2. Beverages	11	12	13	16	14.7
3. Clothing & footwear	168	189	212	251	14.3
4. Furniture, furnishing, appliances & services	67	75	85	101	14.8
5. Non-institutional healthcare	14	16	19	24	20.0
6. Sports goods, entertainment, equipment & books	25	33	44	63	37.0
7. Personal care	11	15	22	33	46.9
8. Jewellery, watches, etc.	18	24	33	49	40.5
Total Organized Retail	350	408	479	598	19.5
Share of Organized Retail in Total Retail (%)	3.3	3.6	4.0	4.1	

Source: CSO, NSSO, and Technopak Advisers Pvt. Ltd.

Food and grocery constitutes the bulk of Indian retailing and its share was about two thirds in 2003-04 gradually falling to about 60 per cent in 2006-07 (Table 7). The next in importance is clothing and footwear, the share of which has been about 7 per cent in 2003-04 and rose to 9 per cent in 2006-07. The third biggest category is non-institutional healthcare whose share has slowly reduced from 9 per cent in 2003-04 to 8 per cent in 2006-07. The next is furniture, furnishing, appliances and services, whose share rose from about 5 per cent in 2003-04 to 7 per cent in 2006-07. The category of jewellery, watches, etc. constituted about 6 per cent of total Indian retailing in 2006-07, rising from 5 per cent in 2003-04.³⁰

²⁹ Mathew Joseph, Nirupama Soundararajan, Manisha Gupta & Sanghamitra Sahu(2008), "Impact of Organized Retailing on the Unorganized Sector", "ICRIER", Page no 9

³⁰ Mathew Joseph, Nirupama Soundararajan, Manisha Gupta & Sanghamitra Sahu(2008), "Impact of Organized Retailing on the Unorganized Sector", "ICRIER", Page no9

Table 1.7: India Retail - Share of Categories (per cent)

	2003-04	2004-05	2005-06	2006-07
1. Food & grocery	66.4	62.5	61.7	59.6
2. Beverages	2.0	2.7	3.1	3.6
3. Clothing & footwear	7.3	8.8	8.6	9.3
4. Furniture, furnishing, appliances & services	4.8	5.8	6.2	6.8
5. Non-institutional healthcare	9.0	8.6	8.5	8.0
6. Sports goods, entertainment, equipment & books	2.0	2.4	2.6	2.7
7. Personal care	3.5	3.8	3.9	4.2
8. Jewellery, watches, etc.	5.0	5.4	5.4	5.9
Total Retail	100.0	100.0	100.0	100.0

Source: Computed from Technopak Advisers Pvt. Ltd. data.

While the overall share of organized retailing remains low, its share in certain categories is relatively high and in certain other categories quite low. Thus, for clothing and footwear, the share is already in the range of 19-22 per cent, for the category of sports goods, entertainment, equipment and books the share is 12-16 percent, and for furniture, furnishing, appliances and services, the share is 10-13 percent (Table 8). In contrast, the share of organized sector in the largest category of food and grocery retailing, although growing, remains just below one per cent.³¹

Table 1.8: Share of Organized Sector in Total Retail by Category (%)

	2003-04	2004-05	2005-06	2006-07
1. Food & grocery	0.5	0.6	0.7	0.7
2. Beverages	5.0	3.8	3.6	3.1
3. Clothing & footwear	21.6	19.0	20.4	18.5
4. Furniture, furnishing, appliances & services	13.0	11.4	11.3	10.2
5. Non-institutional healthcare	1.5	1.7	1.9	2.1
6. Sports goods, entertainment, equipment & books	11.6	12.1	14.4	16.0
7. Personal care	2.8	3.5	4.7	5.4
8. Jewellery, watches, etc.	3.3	4.0	5.1	5.6
Total Retail	3.3	3.6	4.0	4.1

Source: Computed from Technopak Advisers Pvt. Ltd. data.

³¹ Mathew Joseph, Nirupama Soundararajan, Manisha Gupta & Sanghamitra Sahu(2008), "Impact of Organized Retailing on the Unorganized Sector", "ICRIER", Page no 10

1.8. Objectives

Following were the objectives of this research

1. To present a demographic characteristics of consumers of selected cities in Gujarat.
2. To study consumers demographic differences between consumers who preferred organized retail outlets and who preferred unorganized retail outlets of selected cities in Gujarat.
3. To study the method and pattern consumers to organized and unorganized retail outlets of selected cities in Gujarat.
4. To study the source of information about outlets between organized and unorganized retail outlets of selected cities in Gujarat.
5. To study the preference of payment method between organized and unorganized retail outlets of selected cities in Gujarat.
6. To find out between organized and unorganized retail outlets have changed consumers buying behaviour of selected cities in Gujarat.
7. To study the preference of consumers between organized and unorganized retail outlets of selected cities in Gujarat.
8. To study the consumers purchase frequency level from their selected purchase outlets viz organized and unorganized retail outlets and their reasons of selected cities in Gujarat.
9. To study consumers preference for organized and unorganized retail outlets as per different product categories of food and grocery of selected cities in Gujarat.
10. To study various product categories on which consumers spend at the organized and unorganized retail outlets of selected cities in Gujarat.
11. To study identify the various factors that affect the choice of format viz organized and unorganized retail outlets of selected cities in Gujarat.
12. To study consumer behaviour for organized and unorganized retail outlets in terms of their perception, motivation and other socio-economic factors of selected cities in Gujarat.
13. To study various attributes of organized and unorganized retail outlets of selected cities in Gujarat.
14. To find out the impact of organized and unorganized retail outlets buying behaviour of the consumers of selected cities in Gujarat.