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CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION OF RETAIL

The final stage of any economic activity is retail and so, it has an important place in the world economy. According to Philip Kotler, 'Retailing includes all the activities involved in selling goods or services to the final consumers for personal, non-business use. Selling to the final consumers whether it is by a manufacturer, a wholesaler or a retailer-is retailing irrespective of the fact that the goods or services are sold (by person, mail, telephone, vending machine or internet or where they are sold – in a store, on the street or in the consumer's home).'

¹

To conclude, it can be said that, Retailing is the final step in the distribution of merchandise, for consumption by the end consumers.

'It is necessary to understand that in the complex world of trade, today, retail would include not only the goods but also the services that may be provided to the end consumer. Thus, one can say that purchase of a railway ticket, services of a plumber, parlour services, dry cleaning, consultation of a doctor etc. are all under the category of retail transaction.

Also, another important thing to note here is that regarding the concept of "final consumer". Intermediate customers are also found, but that does not match with the meaning of retailing. For example, a paanwala may buy beetle leaves from a wholesaler, but this would not be termed as retailing as this is being done by him for his business use. Now, finally when this paan is sold to the consumer for consumption it will fall under the category of retailing.'

²

Organized Vs. Unorganized Sectors

The Indian retail industry is divided into organized and unorganized sectors. The unorganized retail comprises of the local baniya or kirana shop, paan and beedi shops and the other owner manned general stores . These retailers normally do not pay taxes and most of them are not even registered for sales tax, VAT, or income tax.

On the other hand, the organized retail comprises of the licensed retailers who are registered for sales tax, income tax etc. and it comprises of the malls, supermarkets, hypermarkets etc.

1.2 MEANING OF UNORGANIZED RETAIL



A local kirana shop

“Unorganized retailing” is defined as an outlet which is run locally by the owner or the caretaker of a shop who lacks the **technical** and the **accounting standardization**. The supply chain and the sourcing are also usually done locally to meet the local needs. ³

Unorganized merchandising, refers to the normal formats of cheap retail, the native kirana retailers, the owner manned general stores, paan / beedi retailers, the convenience stores, hardware stores at the corner of one’s street, small medical shps etc. ⁴

Small-store (kirana) retailing has been one of the easiest ways to generate what is called self-employment as it requires a very limited investment in land, capital and labour. It is generally a family run business; there is lack of standardization and the retailers who run this store lack education, experience and exposure.

1.3 TRADITIONAL BUSINESS MODELS IN INDIAN RETAIL

India encompasses a wealthy ancient history of retail trade. An outsized range of the business models are living since long, and they still have their presence across the country. That may be the rationale why they are taken into thought at this stage of analysis. However, most of those models concentrate on food grains, cereals and alternative connected food stuff.⁵

1.3.1 Mandis



The vegetables and the Grain Mandi

Ruling the market hierarchy are *mandis*, which owe their development partly to government policies on agricultural marketing. *Mandis* are agricultural markets set up by the state governments to procure the agricultural produce directly from farmers. These markets can be categorised as grain mandis, cotton mandis, soya mandis, vegetable mandis, etc.

There are 7,161 regulated markets, or *mandis*, in India which are mostly primary wholesale markets, and are usually governed by the Agricultural Produce Marketing Committee (APMC) Act.⁶

1.3.2 *Haats*

Unlike the regulated markets, there are also unregulated markets known as *haats*, *peta*, *angadi*, *hatwari*, *shandies*, *chindies* or *painths*. A *haat* is a periodic market which exists typically at a village level. A *haat* can be said to be a public gathering of buyers and sellers of commodities, fruits, vegetables, household goods, clothes, accessories like bangles, etc. Most of the *haats* (75%) are held once a week while others (20%) are held twice a week and the rest are held daily.⁷



The haats in villages

These haats are the heart of every village's economic, social and cultural life as the producers as well as the farmers are very much dependent on them in their day to day life.

1.3.3 *Melas*





A view of Holi Mela at Sujapur

The melas

The rural life has another distinct feature with it and that is the melas which are quite popular in our country and around 25,000 of them are held each year. The classification of the melas can be done according to their nature as the commodity fairs and religious fairs; on the basis of the time period as one day, less than a week or weekly fairs. Normally, the melas have around 800 outlets .⁸

1.3.4 The Local Baniya/ Kirana



A local baniya

‘The local *Baniya* or the *Kirana* store as it is popularly referred to in India, is the nearby shop to one’s home that stores goods of basic daily needs like staples, FMCG products and many a times certain snacks which are ready to eat. A typical store stocks close to 1000 units ranging from FMCG products like soaps, shampoos, toothpaste, hair oils, etc. to staples like dal, rice, pulses, etc. Most stores also stock daily provisions and grocery products like cooking oils, juices, dairy products, chocolates, masalas, dry fruits, etc. Some of the retailers also stock unbranded goods like idli mix, etc.’⁹

1.4 MEANING OF ORGANIZED RETAIL

‘Organized Retail refers to the set-up of any retail chain supported by a well defined Supply Chain which usually has a small number of middlemen when compared to the unorganized sector. Due to a number of factors like cutting down of middlemen, removing of bottlenecks along the supply chain, efficiency in the processes, etc., the end user is rewarded with a better product at a cheaper price as against the unorganized retail sector. As the consumer base is growing each minute, the organized retail sector is believed to have a huge growth potential.’¹⁰

1.5 DRIVERS OF RETAIL CHANGE IN INDIA

There is a drastic change happening in retail in the country. The native bania has bit by bit reworked himself and reformed into a little grocery store. This change is not confined only to the big cities but has rapidly spread to smaller cities and towns as well. The person responsible for this change is the Indian consumer. Following are the reasons that drive retail change in India:

- ***Socio- Economic Factors***

‘The socio-economic factors are indispensable to the development of a country like India which has a large middle class and a large youth population.

The increase in life expectancy from 58 years to 66 years and also the easy availability of basic amenities like drinking water and electricity are the prime indicators of socio economic change in the country and so it can be said that there is a definite improvement in the basic quality of life of an average Indian citizen because of organized retail in the scene.

- ***Changing Income Profiles***

The economic growth in the country has led to an increase in the personal income of the people, especially, the middle class which actually forms the backbone of the country. The building up of the Indian middle class and the higher income echelons provides a demand for the niche and the branded products.

- ***Foreign Retailers Looking For Entry Options***

The increasing attractiveness of the sector is also drawing the interest of foreign retailers who are entering the Indian market of retail through joint ventures, franchisees etc. as they cannot start operations on their own. The very first MNC to get into the business was Spencer's, a tie up between the RPG group and Dairy Farm International, a \$10 billion Hong Kong-based company, and a part of the Jardine Matheson group.¹¹

- ***More Of Working Women And The Evolving Family Structure***

'The women of today have become economically independent as compared to the past. The purchasing habit of a working woman differs from a housewife, since the former has lesser time to devote to the household tasks and so, she would prefer a one-stop shop for purchasing the regular products. Besides that, the propensity for spending is higher for a working woman than that of a housewife. The increase in the number of working women will thus lead to the establishment of many retail formats in India. Also, it is seen that a large no. of nuclear families are emerging nowadays which again works in the favour of organized retailing as people have less and less time and so, they want to shop from a place where they can get everything under one roof. Thus, the nuclearisation of families is also seen as one of the drivers of modern retail trade.

- ***Consumer Pull***

‘In today’s demand led market, consumer is the king, and he is the one who calls the shots. Over the past decade, a major evolution within the Indian shopper is seen, reason being the liberalization of the buyer product business that initiated within the mid- eighties, accelerated through the nineties, combined with growing consumerism driven by the media, new opportunities and increasing wealth.

- ***New Entrepreneurs***

Since there is growing attractiveness of the retail trade, there are new entrants who are coming up and want to join the industry with new ideas and funds which is obviously a growth driver for the retail.’¹²

- ***The Age Factor***

‘When you compare with the other advanced nations, the population in India is much younger that creates a demand for leisure related and impulse products. The increasing youth population starts earning early, and this also increases the overall purchasing capacity in the country.

- ***Explosion Of Media***

Now there are more of cable connections and a large no. of channels subscribed by consumers and this media bombardment have raised the expectations of the consumers regarding the choice, variety, value, service and experience of the goods and services offered which becomes a driver for the growth of retail in India.

- ***Technological Impact***

The most dynamic change agent today in the retailing industry is technology. With the computerization of the various operations in the retail store, things have become much easier. Much valuable information is processed very easily and the chances of theft have also gone down using the bar code systems, video cameras etc. Besides, the customer life has also become very easy using technology as one can use the debit or the credit card. Also, the toll free numbers have brought about a revolution in consumer ordering and feedback mechanisms.’¹³

- ***The Rural Market: Waking Up***

‘Now, the rural market has become one of the important consumption area as it accounts for more than one third of the demand for most key consumer durable and non durable products. The manufacturers of consumer goods have also started developing products and marketing strategies keeping the rural consumer in mind.

- ***The Changing Consumption Basket***

Gone are times when an individual used to stick to one job for ages. In today’s time, the youth has no hesitation in switching the jobs and explore the unexplored. They are ready to face the changes and try new things. Also, the media has made things easier for them. There is also an easier acceptance of luxury and an increased willingness to experiment with the mainstream fashion.

- ***Increased Credit Friendliness***

The consumers of today are more credit friendly. Usually, when one starts a business, buys a car, purchases a house or any such investment, loans are taken. There are a no. of banks and other sources which provides money on credit and people have no

hesitation taking it. Also, a lot of shopping is done using the credit cards especially the online shopping. This increased credit friendliness has led to the increase in the organized retail formats.’¹⁴

1.6 SIGNIFICANCE OF ORGANIZED RETAIL

- ***Employment Generation***

‘Modern selling has the potential for generating employment to an oversized range of individuals in varied retail operations that is very needed in a country like India.

- ***Increasing Efficiency In Agriculture***

The concept of middleman in the food supply chain is no longer in use. Now the systems have become more and more technology driven. The farmers of today are cultivating crops as per the demand of the retailers. Also, the customers are getting benefits of reduced pricing and visa - versa the farmers are receiving higher returns for their produce. This has been made possible by organized retail which provides mass marketing of processed and package foods.

- ***Entertainment Along with Shopping***

Today’s time is of having fun with shopping as everyone is so busy and people usually have only weekends when they can shop and enjoy also. An organized retail offers this dual purpose of one stop shopping with many product baskets at a single location and also excellent ambience and entertainment.

- ***Creating Positive Social Change***

Organized retailing is leading to improvement in the local infrastructure by providing various facilities like adequate parking, ATM along with a safe and secure environment which has encouraged the setting up of 24 hrs. convenience stores. This has enabled a positive social change in the industry.

- ***Economies Of Scale***

Organized retailing eventually leads to economies of scale as they are going for vertical integration from outlets to establishing the malls.’¹⁵

- ***Rapid Economic Growth***

The Indian economy is growing at a fast and furious pace which has become a driving force for Indian consumerism. Now the Indian consumers are confident about their earnings and they spend a large portion of their high disposable incomes. The analysts project that India has the potential to be labelled the fastest growing economy and outpace the developed economies by 2050.

- ***Potential Untapped Market***

In India, the penetration of the organised retail is on the rise and it offers an attractive proposition for both i.e. the entry of new players as well as expansion for the already existing players. Also, the rise in the percentage of the rich and the super rich population with the impressive disposable incomes has opened new avenues providing a spectrum of opportunities in various spheres. Also, the impressive retail space availability and the growing trend of consumerism everywhere has added to the market attractiveness.

- ***Low Cost Of Operations***

Organized retail has lead to economies in the cost of operations as now the target areas for retail establishments and manpower sourcing are Tier II and Tier III cities which offer a cost advantage by providing low cost skilled human resources.