

CHAPTER -I

INTRODUCTION - THE RETAILING INDUSTRY

Indian organized retailing is under transition today, bringing a lot of changes in the formats of retailing. The shoppers enjoy the privilege of shopping the goods and services required by them in a variety of formats. Recently, Bangalore is witnessing this change and the shoppers at Bangalore are exposed to various formats of shopping, ranging from local Kirana's shop, convenience stores, supermarkets to hypermarkets. The major retailers of India are opening up their hypermarkets in the city. In this context, studies on customer preferences and experiences will be of use to the retailers in shaping their retail outlets and offering services.

DEFINITION OF RETAILING

Retail comes from the French word *retailleur*, which refers to "cutting off, clip and divide" in terms of tailoring (1365). It first was recorded as a noun with the meaning of a "sale in small quantities" in 1433 (French). Its literal meaning for *retail* was to "cut off, shred, paring".

Like the French, the word retail in both Dutch and German (*detailhandel* and *Einzelhandel* respectively), also refers to the sale of small quantities of items.

Some important definitions of Retailing are given below.

According to David Gilbert "Any business that directs its marketing effort towards satisfying the final consumer based upon the organization of selling goods and services as a means of distribution¹"

¹ David Gilbert 'Retail Marketing Management' 2nd edition, Pearson Education

2. Chetan Bajaj, Rajnish Tuli, Nidhi V Srivastava, 'Retail Management', Oxford University Press, 2005, pp 03

According to Chetan Bajaj “Retailing is defined as a conclusive set of activities or steps used to sell a product or a service to consumers for their personal or family use. It is responsible for matching individual demands of the consumers with supplies of all the manufacturers²”.

In simple terms we can say that retailing means the sale of goods or commodities in small quantities directly to consumers.

FUNCTIONS PERFORMED BY RETAILERS

Retailer performs various functions while selling their products and services to their customers and it is these functions that enable the products to ultimately be sold successfully. In this context, they perform various functions like sorting, breaking bulk, holding stock, as a channel of communication, storage, advertising and certain additional services.

Sorting

Manufacturers usually make one or a variety of products and would like to sell their entire inventory to a few buyers to reduce costs. Final consumers, in contrast, prefer a large variety of goods and services to choose from and usually buy them in small quantities. Retailers are able to balance the demands of both sides, by collection of an assortment of goods from different sources, buying them in sufficiently large quantities and selling them to consumers in small units.

The above process is referred to as the sorting process. Through this process, retailers undertake activities and perform functions that add to the value of the products and services sold to the consumer. Supermarkets in the US offer, on and average, 15,000 different items from 500 companies. Customers are able to choose from a wide range of designs, sizes and brands from just one location³. If each manufacturer had a separate

³ <http://www.docstoc.com/docs/12163960/RETAIL-CONCEPT>

store for its own products, customers would have to visit several stores to complete their shopping. While all retailers offer an assortment, they specialize in types of assortment offered and the market to which the offering is made. Westside provides clothing and accessories, while a chain like Nilgiris specializes in food and bakery items. Shoppers' Stop targets the elite urban class, while Pantaloons is targeted at the middle class.

Breaking Bulk

Breaking bulk is another function performed by retailer. The word retailing is derived from the French word retailer, meaning 'to cut a piece off'. To reduce transportation costs, manufacturers and wholesalers typically ship large cartons of the product, which are then tailored by the retailers into smaller quantities to meet individual consumption needs.

Holding Stock

Retailers also offer the service of holding stock for the manufacturers. Retailers maintain an inventory that allows for instant availability of the product to the consumers. It helps to keep prices stable and enables the manufacturer to regulate production. Consumers can keep a small stock of products at home as they know that this can be replenished by the retailer and can save on inventory carrying costs.

Additional Services

Retailers ease the change in ownership of merchandise by providing services that make it convenient to buy and use products. Providing product guarantees, after-sales service and dealing with consumer complaints are some of the services that add value to the actual product at the retailers' end. Retailers also offer credit and hire-purchase facilities to the customers to enable them to buy a product now and pay for it later. Retailers fill orders, promptly process, deliver and install products. Salespeople are also employed by retailers to answer queries and provide additional information about the displayed products. The display itself allows the consumer to see and test products before actual purchase. Retail essentially completes transactions with customers.

Channel of Communication

Retailers also act as the channel of communication and information between the wholesalers or suppliers and the consumers. From advertisements, salespeople and display, shoppers learn about the characteristics and features of a product or services offered. Manufacturers, in their turn, learn of sales forecasts, delivery delays, and customer complaints. The manufacturer can then modify defective or unsatisfactory merchandise and services.

Transport and Advertising Functions

Small manufacturers can use retailers to provide assistance with transport, storage, advertising and pre-payment of merchandise. This also works the other way round in case the number of retailers is small. The number of functions performed by a particular retailer has a direct relation to the percentage and volume of sales needed to cover both their costs and profits.

EVOLUTION OF A RETAILING

Retailing was never as seen today. It is believed that the first true department store in the world was founded in the Paris in 1852 by Aristide Boucicaut and was named as Bon Marche⁴.

In the early twentieth century, chain store the Great Atlantic and Pacific Tea company of America (now known as the A & P chain of stores) started introducing new methods of food selling at less price. Soon these chain shops introduced the concept of one-stop shopping commonly known as super market and relieving house wife from moving one shop to another to complete their shopping. By the late 1950, about 40% of American

⁴ Lamba, A J (2003), The Art of Retailing, Tata McGraw-Hill publishing Company Ltd. – pp-04

population was buying its groceries from these organised retail stores. A supermarket grew, they extended the self service concept to other foods besides groceries.

In the 1940s, meat began to be sold as pre-packaged. Customers liked speed and convenience of picking up a package of meat that already been weighed and priced. Overtime, this pre-packaging method was extended to fruits and vegetables and soon the supermarkets concept of self-service has become the rule rather than an exception all over America. It has, in fact now spread to the entire globe and is seen in almost every country in the world, though the extent of its implementation varies from country to country⁵

Indian context

The emergence of organized retail in India dates back to the pre-independence era when the country's established business houses, mostly textile majors, ventured into the retail arena through company-owned or franchisee outlets. There were also exclusive tailoring shops, that ultimately expanded their span of operations to become leading regional fashion retailers - Mumbai's Charagh Din, Kolkata's Burlington, Delhi's Mohanlal Sons and Bangalore's PN Rao, to name a few⁶

It is worth to mention that southern India took the lead to establish the first organized retail chain in the food and grocery (F&G) segment in India, with stores such as Nilgiri's, Foodworld, Margin Free, etc.

The consumer durables segment too has its roots in the south with regional players like Viveks, Giria's, Pai International, etc. India's first 500,000 sq.ft. shopping centre from Mangal Tirth Estate called Spencer Plaza, came up in 1990 in Chennai.

The retail revolution can be explained in four stages in India:

1. Initiation - Pre 1990s
2. Conceptualization - 1990 - 2005
3. Retail Expansion - 2005 through 2010

⁵ Lamba, A J (2003), The Art of Retailing, Tata McGraw-Hill publishing Company Ltd. – pp-06

⁶ <http://india.retailmantra.com/2010/02/how-did-organized-retail-shape-in-india.html>

4. Consolidation and Growth - 2010 onwards

The developments in the four phases are as given under⁷:

Retail Initiation - This phase was essentially dominated by manufacturers establishing their presence in retail. Bombay Dyeing, the Raymond Group, the S Kumars Group and Bata to name a few. Government initiatives were - Mother Dairy, Kendriya Bhandar, Super Bazaar, etc Foodworld, was the first national retail chain from the RPG Group in the Super Market segment.

Retail Conceptualization - This time around it was not the manufacturer looking for an alternative sales channel, but pure-play retailers who entered the retail market, to expand pan-India, for instance Pantaloons, Shoppers' Stop and Lifestyle. The first generation of international brands to make an Indian entry during this phase included McDonald's, Benetton, Levi Strauss, VF Corporation, Adidas, Reebok and Nike, to name a few.

Retail Expansion - This is perhaps the most active phase of the Indian retail industry in terms of growth, entry of new players and development of new formats. With virtually unlimited potential on desk, Reliance, Tata, Aditya Birla and Mahindra entered the bandwagon. Their success brought in global retailers such as Metro AG, Max Retail, Shoprite, Hypercity, etc and more recently Carrefour, Tesco and Zara that announced their India entry and are optimistic about their growth in this market. Bharti-Walmart is a noticeable JV that entered in this phase. During this phase, a new concept in Retail Real Estate emerged - Minimum guarantee and revenue sharing models. The rapid growth soon attracted the luxury product segment - With the FDI policy 2005-2006 allowing single-brand foreign retailers to take up to 51% stake in a joint venture with a local firm, the intervening years saw the entry of several premium brands (Giorgio Armani, Versace, Gucci, etc.) mostly through joint ventures.

⁷ <http://india.retailmantra.com/2010/02/how-did-organized-retail-shape-in-india.html>

Retail Consolidation and Growth - We are currently in this phase. The organized retail sector witnessed an 11% decline in sales in 2008. Considering the challenges faced by the industry at present, retail chains are likely to focus on consolidations to cut costs and survive in the market.

RETAIL GROWTH DRIVERS IN INDIA

The factors that have led to the growth of organized retailing in India are enumerated here.

Emerging Trends in Consumers' Income & Consumption Pattern:

NCAER study and some other data published by different research & consulting sources indicate the following trend in Consumer income and put the following projections about the Indian retailing:

- 1) **Growing Prosperity: Making Indian Consumers Great:** As per India's Marketing White book (2006)⁸ 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 2, 15,000. This is a sizable proportion which offers excellent opportunity for organized retailers to serve.

- 2) **Increase in the Sizable Disposable Income:** Business communities believe that sizable disposable income in India is concentrated in the urban areas and well off and affluent classes; income distribution in India is unequal compared to other Asian economies. In fact, the 20 million middle class home in rural India equals the number in urban India⁹ and thus have the same purchasing power. Therefore, there is significant and considerable opportunity for organized retailers in the rural areas as well. There is no denying that the rural market holds immense

⁸ Marketing White book (2006), Business World, pp.114-15

⁹ NCAER Research on Indian consumers, the Great Indian Consumers, 2005

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 infrastructural facilities.

- 3) **Place is no more important:** The Major issue is to find out a suitable business model and retail format to fit local taste and preferences. Of course, cost of doing business in rural market would be lesser, as compared to urban market but reaching out to the mass is a concern. 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.

- 4) **Increasing Potential in Rural Markets:** NCAER data shows that for 1998-99, for a basket of 22 FMCG products it tracks, a total of over Rs. 91,500 crore was spent. Of this, 37% was spent by the two lowest-income groups in rural India, and only about 20% by the top two income groups in urban areas. This is, perhaps, the best and only statement of the structure and potential of the Indian market. Hence, marketers have to worry about purchasing power of consumers not where do they reside. For example there are nearly 42,000 rural haats, average number of sales outlets per haat is 300 and average sales per outlet is INR 900 and average foot fall in a haat is about 4,500. In rural India there are 50 million Kissan Credit Card (KCC) holders. These are some of the indicators how rural India is performing well & coming up.

- 5) As per NCAER data no. of Household having income of < 90,000 per annum in 2005-06 was 1,32,249 (000) is projected to come down to 1,14,394 by 2009-10

which indicates that middle class is growing and they are emerging as real customers.¹⁰

- 6) **Higher Proportionate Rural Expenditure:** While an average City-dweller may be spending almost twice than his counter-part in rural areas but in terms of allocation of his budget to key segments, the villager has sprung a few surprises. According to the latest data on household consumption expenditure, rural India is allocating almost 10% of the monthly household Budget for fuel & Lighting while an average urban household spends 9% under the same head.¹¹ Still it remains attractive because of intense competition in Urban India.

In value terms, however there is a sharp difference with rural Indian households earmarking Rs. 60 a month as consumption expenditure, compared to Rs.110 in cities and towns. After all, at Rs.19 a day or Rs. 625 a month, the average consumption spending too is low in rural areas, compared to Rs. 39 a day or Rs.1171 a month in urban India.

The rapid rise in incomes will lead to an even faster increase in demand for consumer durables and expendables. Result by; the ownership of goods will also go up significantly by getting empowered through rise in the size of the great Indian middle class¹².

- 7) **Young Population:** By 2010 almost half of our citizens will be in the working age group of 20-24 years. A youthful, exuberant generation, bred on success will not drive the productivity but also set a spiraling effect on consumption & generation of income. 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

¹⁰ The Great Indian Market Results from the NCAER,s Market Information Survey of Households, August, 9,2005

¹¹ The Times of India, New Delhi, Febuary 1,2008 pp..14

¹² The Great Indian Market Results from the NCAER,s Market Information Survey of Households, August 9,2005

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 per annum.

- 8) **Fundamental Changes in Indian Economy:** There are significant changes taking place in our economy. In January 2006, the government announced that foreign companies can own up to 51 percent of a single brand retail company, such as Nike or Adidas. This decision would certainly encourage retailers such as Zara¹³ and Gap¹⁴ to enter this market. Tesco is planning to enter the market through a partnership with Home Care Retail Mart Pvt Ltd and expects to open 50 stores by 2010¹⁵.

Changing Retail Formats

Organized Food & Grocery Retailers in India are experimenting with the different formats of retailing ranging from supermarkets, discount stores to hypermarkets to identify the winning format suited to different geographic segments. Nearly all the early retailers in India started with a single-format, single-region focus. IGD estimates that in the Indian context, the value proposition for the convenience sector is limited as the traditional kirana stores (typically not more than 500 sq ft in size) operate in this space - they are open long hours, offer limited range, and are conveniently located.

¹³ Leading Spanish fashion retail chain operates the eight store formats.

¹⁴ Gap Inc is one of the world's largest specialty RETAILER WITH MORE than 3000 stores offering clothing, accessories & personal care products for men, women and children.

¹⁵ Manfred Krafft, Murali K. Mantrala (2010), Retailing in the 21st Century: Current and Future Trends, Springer, New York, pp 122

A typical supermarket's trading area is about 2,000 – 5,000 sq ft each, and hypermarkets trade from 15,000 - 65,000 sq.ft. of space¹⁶.

Technology developments

Technology has been assisting large scale operations of retailers. The complex issues relating to supply chain management, storing and sorting, identification and billing are resolved by new software. Retailers are using spot sourcing from many B2B sites to meet their requirements of core merchandise as well as peripherals. Physical retailers who would extend their offering by having a web presence will dominate grocery e-tail. The primary source of fulfillment of a web order will be the store rather than a dedicated warehouse. Wireless LANs will be the predominant media of information in a store. There will be high use of advanced communications technology like ATM. Frame Relay by retailers to share the large volume of data with their suppliers or others.

FDI trends

At present Foreign Direct Investment (FDI) up to 51% is allowed only in single-brand retail with government approval whereas in the wholesale cash-and-carry segment, up to 100% FDI is allowed. According to the estimates of PricewaterhouseCoopers the Indian retail will get USD 412 by 2011 and majority of investments will be directed towards the most popular retail format: hyper market and supermarkets.

The Indian government wants to promote FDI at the back-end of retail activity such as logistics, cold chain and technology so that it also helps traditional retailers. Owing to the restrictions on FDI, the modern retail sector is currently biased towards domestic retailers. Wal-Mart has announced its intention of launching multiple formats of stores in this market and has announced its tie-up with Indian business house Bharti Enterprises. Carrefour, Tesco and Auchan have also announced their intentions of entering the Indian market in the medium-term.

¹⁶ IGD Research and Estimates, 2007

On December 17, 2007 India's Minister of State for Food Processing Industries Subodh Kant Sahai called for an India model for retailing that protects the small grocery stores (kirnana) from the big retailers to give a fillip to the food processing sector. Inaugurating the two-day conference and exhibition on 'Winning with Intelligent Supply Chains' organised by FICCI in New Delhi, Sahai said that India may open up its US\$ 330 billion retail market after being convinced that the kirana stores will not be affected by big retailers.

He added that DIPP has engaged an agency to make an in-depth study on the impact of FDI in food retail on India's domestic market and the report is expected to be available by March 2008¹⁷.

E-Tailing Trends

E-Tailing is considered as the fastest growing sector of the retail industry. In 2000 the share of E-Tailing was just 0.3% of the total retail business in India. This has given an immense opportunity for most of the retailers to enter into this field. The study of McKinsey and Confederation of Indian Industry (CII) points out that the growing consumer base and the development of e-commerce infrastructure is indicating a trend in favour of e-tailing. The internet users in India are estimated as four millions. They are young, well educated males with a monthly income of Rs. 15,000 of top a cities. Women users are increasing gradually in the country. It is predicted that for grocery a significant share of the existing phone-based ordering and home delivery system which accounts for 10-15% of the total grocery purchases in major metros is likely to shift to e-tailing.

Many Indian companies have entered the retail industry in India and this is also a factor in the growth of Indian organized retail sector. Reliance Industries Limited is planning to invest US\$ 6 billion in the organized retail sector in India by opening 1500 supermarkets and 1000 hypermarkets. Bharti Telecom is planning a joint venture worth £ 750 million with Tesco a global retail giant. A pantaloon is planning to invest US\$ 1 billion in order to increase its retail space to 30 million square feet. Such huge investments are also a factor in the growth of the organized retail sector in India.

¹⁷ Indian Retail Observer – online editions of January 2008

Global retail giants are also entering the retail industry in India and this is also one of the factors in the growth of the organized retail sector in India. The global retail giants who are entering the organized retail sector in India are:

- Wal- Mart
- Tesco
- Carrefour SA
- Metro AG

RETAIL FORMATS IN INDIA

The Shoppers today can shop for goods and services at a wide variety of stores. Multipurpose shopping is a prominent and relevant feature of shopping behavior. Retail agglomeration helps attract not only multipurpose but also single-purpose trips. Furthermore, it appears that the perceived purpose specific utilities of shopping destinations exhibit significant and positive joint attraction effects¹⁸.

The demand for one-stop shopping has been a major driver of the increasing scale of operation in retail¹⁹.

The growth in retailing has impact on formats too. While the traditional models of retailing street-end pan shop, kirana shop, fancy stores, and department stores continue, the new formats like supermarket, malls, hypermarket, and specialty stores are running parallel.

Convenience store: As name suggests these are the shops which provide a highest level of convenience to the customers especially in terms of food and other essential items. They offer a limited assortment and variety of merchandise, usually charge higher price than the supermarkets. 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

¹⁸ [http://www.insidermedia.com/productsandservices/archive/ybi/2006-11/retail/KSATechnopak](http://www.insidermedia.com/productsandservices/archive/ybi/2006-11/retail/KSATechnopak;);
Consumer outlook for 2005

2005 and are expected occupy 85 thousand square meter of selling space by 2010(Table I-1)

Table I- 1 : Convenience Stores: Value Sales, Outlets and Selling Space, 2001-2005						
	2001	2002	2003		2004	2005
Value sales Rs million	15	68	22 5	431	998	1,347.30
Outlets	5	28	99	249	370	510
Selling Space '000 sq m	1	2	5	9	16	23
Source: Euromonitor Report on Indian Retail, 2006						

Specialty stores: They are limited line stores and offer a much different range of services than Convenience stores. They specialize in a particular line of merchandise in which they have a large variety both in terms of the width and depth of their respective product. They offer customer a better selection and sales expertise in that category than would be provided by department or discount stores.

Departmental stores: A department store offers an extensive assortment 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 India¹⁴. The main focus is on lifestyle retailing and divided into five departments such as apparel, accessories, home décor, gift ideas and other services.

Supermarkets: The supermarkets largely concentrate on selling food related products and are considerably smaller in size compared to hypermarkets. The supermarkets offer relatively less assortments but focus on specific product categories. In India Food World, Food Bazaar, Nilgiris (30 plus stores), and Adani are the leading super market operators (Table I-2).

Table I- 2: Super markets in Indian Cities							
City/Metro	Food Bazaar	Foodworld	Adani	Haiko	SPAR	Foodland	Total
Agra	1						1
Ahmedabad	4		27				31
Ambala							1
Anand			1				1
Bangalore	9	28					37
Baroda			10				10
Bhubaneswar	2						2
Chennai		27					27
Coimbatore		3					3
Delhi	3						3
Durgapur	1						1
Erode		1					1
Gandhinagar			1				1
Ghaziabad	3						3
Gurgaon	1						1
Hyderabad	2	15					17
Indore	1						1
Kodai		1					1
Kolkata	6						6
Lucknow	1						1
Mangalore	1						1
Mumbai	6			1	2	6	15
Mundra			1				1
Nadiad			1				1
Nagpur	1						1
Nasik	1						1
Navsari			1				1
Pondicherry		1					1
Pune	2	7					9
Rajkot	1		2				3
Salem		1					1
Sangli	1						1
Secunderabad		4					4
Surat	1		3				4
Thane	2						2
Trivandrum		1					1
Vellore		1					1
Vizag	1						1
Total	52	90	47	1	2	6	198

Source: Adopted from Piyush Kumar Sinha, Sanjay Kumar Kar W.P. No.2007-03-04, March 2007 "An Insight into the Growth of New Retail Formats in India"

Discount stores: A discount store offers a wide variety of merchandise. However the quality and price range of the product is a little different with limited service but discounted prices. They mainly focus on the lower and middle income consumers unlike the departmental stores which cater mostly to the higher income group. Wal-Mart, the largest retailer in the world is a discounter. According to Euromonitor (2006) report, in India there are 410 discount stores with 63 thousand sq. meter selling space and by 2010 that figure is going to be 555 discount retail outlets with 85 thousand selling space Subhiksha, the Chennai based discount retail chain is going national and it is leading discount stores in the country.

Malls: Shopping malls are not retail stores in the true sense of the term. In a mall a large number of stores are located. The variety of retailers that are located within them are usually quite different from each other. For example a shopping mall may have a McDonald's outlet as well as popular departmental store as its anchor store. With almost no malls in India in 1998 today we have around 220 malls in our country and there is going to be 600 malls by 2010¹⁹ (Table 1-3)

City	Number of malls	Gross leasable area (m.sf)
Delhi	96	23.5
Mumbai	55	16.2
Bangalore	14	8.0
Chennai	6	2.5
Kolkota	10	3.2
Hyderabad	12	4.2
Pune	19	5.6
Ahmadabad	7	2.7

Source: Duetsche Bank Research May 8, 2008. Trent Ltd

¹⁹ <http://ideas.repec.org/p/iim/iimawp/2007-03-04.html>

Hyper markets: Hypermarkets not only offer consumers the most large merchandise mix, product and brand choices under one roof, but also create value for money. Their product offering ranges from fresh produce and FMCG products to electronics, value apparels, house ware etc., the number of players operating hypermarket format are increasing day by day. One of the leading players in this format is Pantaloon Retail India Limited which operates 32 Big Bazaars in twenty cities. In early 2006, the K. Raheja Corp (C.L. Raheja Group) has introduced its value retail concept Hypercity which is the country's largest hypermarket at 118000 sq ft. Reliance too operating hypermarket under the caption 'Reliance Mart' in Ahmedabad from December 2006 in 1.5 lakh sq ft of space. Currently there are around 40 hypermarkets in India.

Branded store: These are the stores which deal with a single brand merchandise. These formats are very commonly seen in Apparels retailing. They satisfy customers who are more brand conscious and loyal to their own brands. For Example Raymond a nation wide retail chain has 260 Raymond shops deals in fabrics, apparels and accessories. Liberty in footwear is one of the leading branded stores of the county. Reebok in sport shoes is also one of the leading branded stores in India.

Category Killer: The category killer concept originated in the U.S. 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. This format utilizes the 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. In India, Mega-Mart is one sort of category killer which sells apparel products.

E tailing: It is selling of retail goods on the Internet. It is the short form for "electronic retailing. E-Tailing is considered as the fastest growing sector of the retail industry. In 2000, the share of E-Tailing was just 0.3% of the total retail business in India. This has given an immense opportunity for most of the retailers to enter into this field. The study of McKinsey and Confederation of Indian Industry (CII) points out that the growing

consumer base and the development of e-Commerce infrastructure is indicating a trend in favor of e-tailing. The internet users in India are estimated as four millions are young, well educated males with a monthly income of Rs. 15,000 of top cities. In India internet retailing is growing by 29% CAGR and Euromonitor report estimates that the a CAGR 48 per cent and in value term it going to touch INR 27 billion by 2010 from INR 4 billion in 2005. The report also predicts that the contribution of internet retailing to non-store retailing to is likely to be 46 per cent by 2010. The Pantaloon India Pvt. Ltd is operating through Future bazaar in e-tailing segment along with Fab mall and others.

Retail Chain

A chain retailer operates multiple outlets (Store units) under common ownership, it usually engages in some level of centralised purchasing and decision making. In the United States, there are roughly 90,000 retail chains that operate about 6,50,000 establishments. The relative strenght of chain is great, and their popularity is rising, even though the number of retail chain is small (4% of US retail firms). The dominance of chains varies greatly by the type of retailer. The retailers that own and operate multiple outlets generates 75% or more of total categories sales from department stores, discount department stores and gross restored. On the other hand, stationer, beauty salon, furniture and liquor store retailers with multiple outlets produce far less than 50% of total retail sales in their categories.

RETAIL CHAINS IN INDIA

Over the last few years, many large retail chains have entered the Indian market, mostly by setting up hypermarkets and large departmental stores. These range from Indian chains such as Spencer's and Reliance Fresh, to international players like the American retail giant Wal-Mart.

Advantages

There are a number of competitive advantages for a chain retailer:

- Many chains have bargaining power with supplier due to their volume of purchases. These chains receive new items as soon as they are introduced, get proper service and selling support from the suppliers.
- Chains can achieve cost efficiency by doing wholesaling functions themselves.
- Efficiency in multiple store operations can be gained through shared warehousing facilities, large purchases of standardized store fixtures, employee uniforms and so on.
- Chains because of their resources can use computers in ordering merchandise, taking inventory, forecasting and book keeping etc.
- Chains, particularly national or regional ones, can take advantage of a variety of media, including TV, magazines and traditional newspapers.
- Most chains have defined management philosophies. Strategies are detailed and employees responsibilities are clearly defined.
- Many chains spend considerable time and resources in long-run planning. Hence opportunities and threats are carefully monitored.

Disadvantages of Retail chains

- Once chains are established, their flexibility may be limited. Additional non-overlapping store locations may be hard to find.
- Investment may be high
- Difficult to pay attention towards different local needs of the customers.
- Management control can be hard, especially for chains with geographic dispersed branches.
- Personnel in large chains may have limited independence in their jobs.

INDIA'S LEADING RETAIL CHAINS

Nanz in North India, Nilgiris in the South, Pantaloon in the East and Crossroad in the West were the pioneers of the retail revolution in India. Nanz faced several obstacles in their business and had to finally down their shutters. Nilgiris, due to some strange reason, did not see any logic to expand beyond the southern frontiers. Pantaloon went to scale up and become bigger and bigger to form the Future Group, that is now omnipresent in almost all formats right from small groceries to e-tailing. Crossroads in Mumbai imparted some valuable lessons to their parent, the Piramyd Group, who has since then gone on an expansion drive with other formats of retailing in different cities.

The big players in Indian retail landscape now are the Future Group, Shoppers Stop, Westside, Subiksha and RPG Spencer. The newcomers who are knocking at the gates are Reliance Retail, Bharti Walmart and Aditya Birla Trinethra. Here, we intend to do a brief profiling of the major retail chains in order to understand the retail business in a better manner.

1 The Future Group



The Future Group, which was earlier known as PRIL (Pantaloon Retail India Limited) began as a trouser manufacturer in the mid 1980s. The Future Group is divided into six verticals – Future Retail, Future Capital, Future Brands, Future Space, Future Media and

Future Logistics. The Future Group started operations in the mid 1987s by incorporating the company as Menz Wear Private Limited. The company went on to manufacture ready made trousers under the “Pantaloons” brand name. It came out with a public issue in 1991 and later changed their name to Pantaloon Fashions (India) Limited (PFIL).

The first exclusive men’s store called Pantaloon Shoppe was inaugurated in 1992. Pantaloons went for a franchisee route to expand the number of retail outlets and by 1995, it had reached to a crucial number of 70. The first departmental store called Pantaloons was opened in Kolkata in 1997 with an investment of Rs 0.7 million. The store was a success and recorded revenues of Rs 100 million within the first year of operations. In 1999, the company’s name was changed to Pantaloon Retail (India) Limited (PRIL).

The success of Pantaloons departmental stores encouraged PRIL to come up with other retailing formats such as “Big Bazaar” to retail low cost general merchandising, and “Food Bazaar” to retail food products. As of 2005, the Future Group has 3.5 million sq ft of retail space and over 100 stores across 25 cities in India. It employs more than 12,000 people and has a customer base of more than 120 million.

Kishore Biyani, the promoter of the group who likes to address himself as “Chief Knowledge Officer” has plans to launch 18 formats and over 3,340 stores, thereby turning the Future Group into a US\$7 billion company with over US\$1 billion in profits by the year 2010.

2 Shoppers Stop



Shoppers' Stop, promoted by the real estate group K Raheja, was one of the first movers to have set up a large retail outlet in New Delhi with international ambience. Shopper's Stop Ltd now has a considerable presence all over the country with over 7 lakh square feet of retail space and stocks over 200 brands of garments and accessories. The stores are spread all over India with presence in Mumbai, Delhi, Bangalore, Hyderabad, Jaipur, Pune , Kolkata, Gurgaon, Chennai & Ghaziabad.

Shoppers' Stop is also very well known for having pioneered several quality retailing concepts in India like CROSSWORD, HyperCITY and Mothercare. They are the only retailer from India to become a member of the prestigious Intercontinental Group of Departmental Stores (IGDS).

Shoppers' Stop is positioned as a family store delivering a complete shopping experience. With its wide range of merchandise, exclusive shop-in-shop counters of international brands and world-class customer service, Shoppers' Stop brought international standards of shopping to the Indian consumer providing them with a world class shopping experience. Shoppers' Stop's core customers represent a strong SEC A skew. They fall between the age group of 16 years to 35 years, the majority of them being families and young couples with a monthly household income above Rs. 20,000/- and an annual spend of Rs.1,50,000/-. A large number of Non - Resident Indians visit the shop for ethnic clothes in the international environment they are accustomed to.

The stores offer a complete range of apparel and lifestyle accessories for the entire family. From apparel brands like Provogue, Color Plus, Arrow, Levi's, Scullers, Zodiac to cosmetic brands like Lakme, Chambor, Le Teint Ricci etc., Shoppers' Stop caters to almost every lifestyle need.

Shoppers' Stop also retails its own line of clothing namely Stop, Life , Kashish, Vettorio Fratini and DIY. The merchandise at Shoppers' Stop is sold at a quality and price assurance backed by its guarantee stamp on every bill.

3 Trent – Westside



Established in 1998, Trent operates some of the nation's largest and fastest growing retail store chains. A beginning was made in 1998 with Westside, a lifestyle retail chain, which was followed up in 2004 with Star India Bazaar, a hypermarket with a large assortment of products at the lowest prices. In 2005, it acquired Landmark, India's largest book and music retailer. In a recently signed deal, Trent has agreed to anchor 12 malls set up by DLF Universal Ltd across the country, at its Westside, Landmark and Star India Bazaar outlets. This amounts to about 27 locations, totaling to about a million square feet of space.

Trent retails garments and household accessories for men, women and children, cosmetics and perfumes at Westside, food, beverages, health and beauty products, vegetables, fruits, dairy products, consumer electronics and household items at Star India Bazaar and books, music and stationery at Landmark.

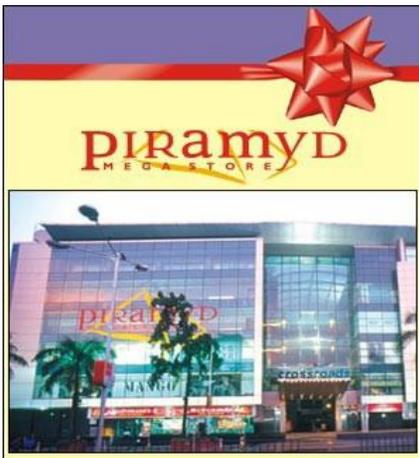
Westside has 25 outlets across 17 cities in India offering a variety of designs and styles in garments, footwear and accessories, as table linens, artifacts, home accessories and furnishings. Well-designed interiors, sprawling space, prime locations and coffee shops enhance the customers' shopping experience.

Trent also runs another chain of retail stores called Star India Bazaar. Launched in 2004, Star India Bazaar provides a large assortment of high quality products made available at

the lowest prices coupled with a unique shopping experience. Star India Bazaar is located in Ahmedabad and offers a wide choice of staple food, beverages, health and beauty products, vegetables, fruits, dairy products, consumer electronics and household items at the most affordable prices.

Trent has also recently acquired a 76 per cent stake in Landmark, one of the largest books and music retail chains in India. Landmark commenced its operations in 1987 with its first store in Chennai, and now has nine stores in the major metros of the country. Earlier Landmark was focused on books, stationery and greeting cards. In 1996 it added music to its product portfolio and also started the trend of stocking curios, toys, music, CDs and other gift items.

4. Piramyd



Piramyd Retail is part of the Piramal Group, which has presence in diverse sectors spanning Pharmaceuticals, Textiles, Real Estate, Engineering, Family Entertainment and Retail with manufacturing operations in 19 locations across five states and employing over 18,000 people. The promoters launched the apparel business in 1999 under Piramyd Retail and Merchandising Pvt. Ltd. (PRMPL) while its food; home & personal care businesses (FHPC) were housed under Crossroads Shoppertainment Pvt. Ltd. (CSPL). As the apparel and food businesses individually reached a critical mass the management merged the two companies into Piramyd Retail Ltd. due to distant synergies in two businesses in March 2005. Pyramid also has a smaller format of stores called TruMart that caters to Food and Personal Care products.

Piramyd Retail currently has 5 Mega stores and 8 TruMart stores mainly in Maharashtra . The company plans to increase these numbers to 17 Mega stores and 69 TruMarts by 2008. The floor space is expected to be 5 times on successful expansion.

The FHPC (Food & Personal Care) business is volume driven while the Lifestyle store is a margin driven business. Piramyd Retail plans to increase the contribution of private labels from existing 7% to 18-20% of the revenues by 2010. Gross margins from private labels are over 40% and hence the company is planning to increase this business. Most of the stores are on the lease format and the company is prone to higher lease rentals due to the overall increase in real estate prices. This may bring the profit levels down substantially.

Piramyd Retail did have a first mover advantage in many locations but it has actually failed to capitalise over this advantage. Its competitors like Pantaloon, Shoppers Stop and Trent gained larger benefits of their far more aggressive business & marketing strategy in the retail space.

5. Subiksha

The Chennai based Subiksha grocery chain runs around 200 outlets all over the country and it's current turnover stands at Rs 224 crores. Their target customer is the middle income value conscious buyers. The main aim of Subiksha is to offer a functional and transactional shopping experience. This retail chain has no qualms and spends almost no money on creating a pleasant shopping experience, and all stores are non-air conditioned. There is no false roofing or sparkling vitrified tiles on the floor.

A few years ago, Subiksha did not even offer shoppers self service. The customer had to place an order at a computerized teller and the goods were billed and delivered after cash is collected. Customers had to bring their own carry bags or pay to buy them from the store. Subiksha even attempted to charge the customers for home delivery. However, now

Subiksha has slightly tweaked their business model in order to create a better appeal to customers who were defecting to the competitors.

The store formats are still small and non air conditioned. But customers have the option to pick from shelf spaces. They also get shopping bags and free home delivery. But the selling USP(unique selling proposition) remains the same ---Subiksha tries to be as close to the customer as possible and offers the lowest price and huge savings in comparison to competitors. It's slogan happens to be --- *bachat mera adhikar hain* (saving is my fundamental right).

6. RPG Spencer

RPG's Spencer presently has 125 stores across 25 cities covering a retail trading area of half a million square feet and with a clientele of 3 million customers a month. Spencer's has a national footprint with seven hypermarkets, three supermarkets and 70 daily use outlets, called Dailies. All the newly opened Spencer's stores stock every conceivable product that is required by a household on a daily basis. At Spencer's Daily shoppers can get fresh fruits, vegetables, fast-moving consumer goods, household items, groceries, with regular offers and discounts. Spencer's outlets are divided in to three retail formats.

These are, Spencer's Hyper, the over 25,000-sq ft hypermarkets stocking over 25,000 items. The 8,000sq ft to 15,000-sq ft mini hyper stores, branded as Spencer's Super and the daily purchase 4,000-sq ft to 7,000-sq ft Spencer's Daily for groceries, fresh food, chilled and frozen products, bakery and weekly top up shopping.

7. Reliance Retail



On June 26, 2006, Mukesh Ambani, Chairman and Managing Director, Reliance Industries Limited, announced a Rs 25,000-crore investment in the retail sector. Reliance Retail started its retail operation with “Reliance Fresh”, a grocery store that sells vegetables, fruits, personal care items and other food products. Soon, these retail outlets will also be selling apparel and footwear, lifestyle and home improvement products, electronic goods and farm implements and inputs. They will also offer products and services in energy, travel, health and entertainment. In addition to this, partnerships would be developed to bring the best of global luxury brands to India as well.

Reliance Retail plans to extend its footprint to cover 1,500 Indian cities and towns with outlets of a varied format, a mix of neighborhood convenience stores, supermarkets, specialty stores and hypermarkets. Reliance also plans to open restaurant outlets, financial services marts and tourism counters within its stores.

Mukesh Ambani’s ultimate ambition seems to be to create the Indian equivalent of Wal-Mart by scaling up the business to unprecedented heights to reach every nook and corner of the country. With its retailing venture, Reliance expected a revenue target of US \$20 billion through its retail operations by 2010. Over a span of five years, RRL expects a 20% return-on-investment.

The first store christened “Reliance Fresh” opened in November 2006 at Hyderabad. Within a few months they have now opened stores in Mumbai, Pune and Ahmedabad and plans foray into other cities on a rapid scale.

8. Bharti Wal-Mart



Bharti Retail (Pvt.) Ltd. Unveiled the roadmap for its retail venture on 19th February, 2007 envisaging an investment of \$2.5 billion with expectation of revenue of \$4.5 billion (about Rs. 20,000 crore) from this business by 2015. The first retail outlet is expected to open somewhere in the month of August .Bharti's plan is to invest \$2.5 billion by 2015 and open stores across all major cities. This investment would be only for setting up front-end stores. The modalities for its back-end linkage, including its joint venture with the world's largest retailer Wal-Mart, are in the process of being worked out.

A high-level team from Wal-Mart was visited India in the later part of February to work out the details of the back-end chain. While Bharti would manage front-end of the retail venture, Wal-Mart would be involved in the back-end, including logistics, supply chain and cash and-carry, he added.

The JV was presently scouting for 10 million sq. ft. of retail space, which would include hypermarkets, supermarkets and convenience stores and would provide employment to about 60,000 people. The company would open multi-format retail outlets in all cities with a population of about one million. Bharti is now conducting a massive consumer survey to take a final decision on branding and promotional campaign.

However, Bharti and Wal-Mart have been facing stiff opposition from the left parties and other political outfits who fear that the entry of the Bentonville giant will make life

difficult for the small grocers and create massive unemployment. They also expect Wal-Mart to take a tough stance on lowering prices and force farmers to sell their produce at lower rates. A lurking fear of monopolistic regime in the retail sector is also enhancing their fears. Both Bharti and Walmart are presently having a tough time in convincing the ministers, politicians, agriculturists, the NGOs and other pressure groups that their business model would serve to work in the best interests of all the stakeholders.

9. Aditya Birla – MORE



The Aditya Birla Group is India's first truly multinational corporation. Global in vision, rooted in values, the Group is driven by a performance ethic pegged on value creation for its multiple stakeholders. A US\$ 24 billion conglomerate, with a market capitalization of US\$ 23 billion and in the League of Fortune 500, it is anchored by an extraordinary force of 100,000 employees belonging to over 25 different nationalities. Over 50 per cent of its revenues flow from its operations across the world.” Our mission is to change the way people shop. We will give them more.” says Mr. Kumar Mangalam Birla, Chairman, Aditya Birla Group. The MORE promises a world-class pleasurable shopping experience to Indian consumers in their very own neighborhood.

MORE Quality, MORE variety, MORE convenience and MORE values are the four delivery cornerstones of the MORE. Chain of supermarket stores MORE promises best in market pricing. Linking up directly with farmers to source fresh fruits, vegetables and staples ensure great quality as well as great price. Add to this, the membership program Club more, which provides convenience, customized shopping solutions and savings, and

the more. Value promise becomes all the more evident. More is an inspirational brand for an inspirational country. MORE also has a range of products from its own stable available across value, premium and select ranges. The products have been quality-checked and are available in attractive packaging at competitive prices. To avail additional benefits, at no extra charge, customers can also enroll for the membership program Club MORE.

10. VISHAL RETAIL :



Vishal is one of the fastest growing retailing groups in India. Its outlets cater to almost all price ranges. The showrooms have over 70,00 products range which fulfills all your household needs, and can be catered to under one roof. It is covering about 1282000 sq. ft. in 18 states across India. Each store gives you international quality goods and prices hard to match. The cost benefits that is derived from the large central purchase of goods and services is passed on to the consumer. What started as a humble one store enterprise in 1986 in Kolkata (erstwhile, Calcutta) is today a conglomerate encompassing 51 showrooms in 39 cities. India's first hyper-market has also been opened for the Indian consumer by Vishal. Situated in the national capital Delhi this store boasts of the single largest collection of goods and commodities sold under one roof in India. The group's prime focus is on retailing.

The **Vishal** stores offer affordable family fashion at prices to suit every pocket. The group's philosophy is integration and towards this end has initiated backward integration in the field of high fashion by setting up a state of the art manufacturing facility to support its retail endeavors. Company has already tied up for 5-lakh sq ft space and is looking for more. Company will come up with 32 new stores this year. Company is doing

research on more formats. Company is looking for opportunities of expansion in the South.

Contribution of apparels business at 53% may slightly come down to 50%. India is a big country and there is huge space for four-five big retail players. Vishal can always sustain growth in this big market. Company can sustain margins as it is going for backward integration. Currently manufacturing contributes 10% of the business, which in the next two to three years, will go up to 25%. Company is increasing its focus on the non-apparel and FMCG segment. The current share of FMCG at 15% could go up to 20-25%. Apparel sales currently at 63% in the next 2-3 years should come down to 50% as the company is now also focusing on different segments. With growth in volumes, the cost of sourcing will come down in the near future. Company will venture wherever it gets real estate space. Currently, it has very little space in the south India. Eventually, it will have a pan-India set up.

11. METRO – CASH & CARRY INDIA



METRO Group today, is the third largest trading and retailing group in the world. The company employs over 2,50,000 staff in 30 countries. In the year 2005 METRO Group had generated sales of over €55.7 billion; 53% of total sales came from outside Germany.

METRO Cash & Carry started operations in India in 2003 with two Distribution Centers in Bangalore. With this METRO introduced the concept of Cash & Carry to India. These Centers offer the benefit of quality products at the best wholesale price to over 150,000

businesses in Bangalore. METRO offers assortment of over 18000 articles across food and non food at the best wholesale prices to business customers such as Hotels, Restaurants, Caterers, Food and Non-food Traders, Institutional buyers and professionals. METRO's Cash & Carry business model is based on a Business to Business (B2B) concept and focuses on meeting all the needs and requirements of business customers. It is a modern format of wholesale trading, catering only to business customers.

12. Viveks- The Unlimited Shop



Vivek Limited is a professionally managed public limited company carrying three retail brands - Viveks, Jainsons, Premier and continuously adding to the formidable strength of 1000 employees. Vivek Ltd is the largest consumer electronics & home appliances retail chain in India. Viveks popularized several brands by creating visibility and have the distinction of being market leaders and trendsetters with continuous support from the principal companies.

Viveks evolved its strategies to suit the larger scene where there was a stigma attached to borrowing. Very few hire purchase options were available and hence Viveks started Vivek Hire Purchase and Leasing Ltd to finance consumer durables, which enhanced the core retailing business also. Viveks grew from 3 stores to more than 52 stores and turnover increased to over Rs. 350 crores (USD 80 million) and also become a public limited company from a family run enterprise.

In this process, 14 store Jainsons was bought over in 1999, 2 store Premier in 2001 and Spencers in 2002 and have recently absorbed Spencers into the Premier brand. With the liberalization of economy and other changes in the global scene, Viveks streamlined the marketing and advertising activities and shopping ambience was improved.

NEED FOR THE STUDY

The retail environment today's changing more rapidly than ever before. It is characterized by intensifying competition and more sophisticated and demanding customers who have great expectations related to their consumption experiences (Sellers, 1990; Smith, 1989; Parikh, 2006). The physical environments of retail stores, hotels, restaurants, professional offices, banks and hospitals reflect the overall image of the organization and influence individual consumer behavior in these service organizations (Bitner 1992). Specifically, the physical environment creates a tangible representation or image of a service organization and its services (Baker, Berry, & Parsuraman, 1988).

For customers to patronise the store, there are many different reasons. The demographic background of customers may reveal some hints, but such background may not be powerful enough to compel a designated purchase action. There are many other variables that can have impact on customers' purchase decision and demographic background is but one of the variables (Wah-leung Cheung 2001).

Focus of the research

The present study is considered relevant as the growth in retail chain has become important for consideration of industry analysts and policy makers.

The retail industry is continuously changing as the global and regional economies are transforming worldwide. Retail Sector is the most booming sector in the Indian economy. It provides highest employment after agriculture in India.(Table 1)

**Table I-4
Share of Retailing in Total Employment**

Country	Share of Retail in Total Employment
India	6-7%
China	6%
Poland	12%
Brazil	15%
USA	11.7%
Korea	18%
UK	11%
Malaysia	7%

source: FDI in Retail Sector in India, Arpita Mukherjee, Nitisha Patel, ICRIER Publication Pg.31

Some of the biggest players of the world are going to enter into the industry soon. It is on the threshold of a big revolution after the IT sector. Although organized retail market is not so strong as of now, but it is expected to grow manifold by the year 2010. The sector contributes 10% of the GDP, and is estimated to show 20% annual growth rate by the end of the decade. The current growth rate is estimated to be 8.5%, but CRISIL report says that the retail market is most fragmented in the world and only 2% of the entire retailing business is in the organized sector. There are about 300 new malls, 1500 supermarkets and 325 departmental stores being built in the cities very soon²⁰.

The retail boom will face a strong competition from the 12 million mom-and-pop stores, which are easily accessible and approachable and provide services like free home delivery and goods at credit. But buying from Malls, Supermarkets and Department stores like Subhiksha, Marks & Spencers, etc gives a different feeling and the environment of pick and choose from a variety of products. A number of retail giants are also going to explore the market such as Reliance Retail Ltd and Wal-mart. The revolution is driven by large expectations where both domestic and international players

²⁰ <http://ideas.repec.org/p/iim/iimawp/2007-03-04.html>

will be channel through which other large stores in India are spreading themselves across the country.

According to FICCI 2001 Retail report, the share of the organised retail sector is likely to increase from the current rate 4% to 20% by 2010, as the overall retail sector grows from \$328 billion to \$430 billion. The organized retail will grow at a CAGR of 50% and set to be worth \$90 billion by 2010. Driven by changing lifestyle, strong income growth and favorable demographic pattern, Indian retail is expanding at a rapid pace. This growth rate is motivating many corporate to enter this field and this will lead to increase in the competition. Hence to woo the customer to the store retailers are providing a wide range of product, Quality ,and value for money, apart from creating a memorable shopping experience.

Loyalty is becoming increasingly important for retailers as it can provide the organization with a valuable and sustainable competitive advantage. In the Indian context there is a growing need to evaluate the true drivers of shopper' store choice criteria. Both retailers and shoppers are currently in an evaluation phase with no clear verdict as to what may drive the loyalty towards the stores in the longer term. This research focuses on hypermarket chain retailer.

Considering the significant importance of attracting and retaining customers by retail stores in today's business, it will make sense to compare and contrast the two prominent hypermarkets of Bangalore to know the reasons for customers getting attracted to these chains. Also to know the customer's rating towards these stores.

Retail Boom at Bangalore

Bangalore city is situated at height of over 3000 feet above sea level with a total geographic area of 2190 sq kms, with numerous lakes and lush green cover. Bangalore is the third largest city in India. It has the second-highest literacy rate among the country's metropolitan cities, next to Mumbai with a literacy rate of 83.91%. It has also become India's technology capital and is home to many software and telecommunication

companies and became 'Silicon Valley of India'. The population of Bangalore is 6.8 million persons with a sex ratio of 964:1000 (Females:Males), and Per Capita Income is Rs. 28,305. It is unique in every respect and has no other city like it in India. The city of future, Bangalore symbolizes India's transition from a developing nation to the hub of Information Technology.

Today the city is growing as a hub for Organized Retailers and becoming retail city by accommodating the leading retailers of India in its destiny. Apart from the traditional kiranas stores the other existing chain stores and big retailers include: Nilgris, Subhiksha, MTR, Food World, M. K Ahmed stores, Shoppers stop. Lifestyle, Archies Gallery, Globus, Music world, Sony World, VLCC, Apollo Pharmacy and many more. Apart from this the city is experiencing a new format of retailing in terms of Hypermarkets and Malls. Many hyper markets are coming up in the Bangalore. The leading hyper markets in the city are: the Pantaloon's Big Bazaar, Jubilant Group TOTAL, Tata's STAR, and Spar etc. Along with this the many more corporates like Reliance have opened its retail outlets like Reliance jewels, Reliance fresh, Reliance electronics etc. Aditya Birla group of companies have opened its retail outlet under the brand name MORE in the city.

According to Bikash Kumar, Head, Integrated Retail Management Consulting, the city can accommodate another 50-60 retail units of 30,000 – 40,000 sq.ft. He said ""Shanghai with a 15 million population has 120 super and hyper markets, Bangalore with 8 million can easily have more than half of that," Two years ago Bangalore had Big Bazaar, Globus, Lifestyle and Westside and some other outlets, accounting for 6 lakh sq ft of retail space. Since then, the 3.5-lakh sq ft Forum Mall, including an 11-screen PVR multiplex, and the 2.3-lakh sq ft Garuda Mall have also come up. In Bangalore unlike other cities the retailers also have the advantage of acquiring space here at low rentals — between Rs 60 and Rs 90 per sq ft. Bangalore looks set to have the largest number of Big Bazaars in the country.

Bangalore means big money for us as the middle-class population is not only huge but prepared to spend money," says Vishnu Prasad, Pantaloon's retail head for south. Both the Big Bazaars in the city have total sales of around Rs 150 crore, while the Bangalore Central Mall, another Pantaloon retail store catering to the higher income group, mops up an annual sale of Rs 100 crore.

Pantaloon's strategy at Bangalore is to identify itself with city, to achieve this 'Bangalore Hebbbar', the city's showcase for culture, is fully sponsored by them in place of government earlier.

The reason for the retail boom is the city's growing affluence. In the last 10 years Bangalore's population has increased around 30 per cent; it is ranked the seventh most affluent city in India. It is estimated that over one-third of the households in Bangalore have an annual expenditure between Rs 50,000 and Rs 1 lakh, while 40 per cent of the city's population has annual incomes ranging between Rs 70,000 and Rs 1.4 lakh.

The retail boom in Bangalore is not only seen in big retailers in every nook and corner as smaller shops which were struggling for survival have started expanding and one can see at least three-four supermarkets in almost every locality. "Very few *kirana* shops have closed down. They have in fact morphed into bigger stores or mini supermarkets," Bikash Kumar Said.

Leading hypermarkets of Bangalore

In Bangalore, at least five hyper markets have made a mark. A brief outline of the markets is given here.

1. **Big Bazaar** is a chain of hypermarkets in India in India with currently 75 outlets. It is owned by the Pantaloon India Retail Ltd, Future Group. It works on the same economy model as Wal-Mart and has considerable success in many Indian cities and small towns. The idea was pioneered by entrepreneur Kishor Biyani, the CEO

of Future Group. Currently Big Bazaar stores are located only in India. It is the biggest and the fastest growing chain of Hypermarkets and aims at being 350 stores by the end of year 2010. It is having ten outlets in Bangalore.

2. **Vishal Mega Mart:** It was started as one store enterprise in 1986 in Kolkata. Today it is having 82 showrooms in 58 cities. India's first hyper-market has also been opened for the Indian consumer by Vishal, situated in the national capital Delhi. This store boasts of the single largest collection of goods and commodities sold under one roof in India. It has opened its Bangalore outlet two years back located at Hosur road.

3. **Star India Bazaar:** TRENT Ltd, a Tata Group which owns and operates the Westside chain of department stores have entered Hypermarket format of retailing under the brand name 'Star India Bazaar'. It was launched in Ahmedabad. It is launched in Bangalore recently near Forum mall at Kormangala, where Big bazaar started its journey in Bangalore. The Star India Bazaar hypermarket is being targeted at the budget-conscious consumers. The product offerings include staple foods, beverages, health and beauty products, vegetables, fruits, dairy products, household items, garments and consumer electronics. The company has set up 14 stores across nine cities and plans to expand in both existing and new cities.

4. **TOTAL hyper Market:** Total Hypermarkets is the retail venture of the Jubilant Group. It was launched in November 2006 and has five outlets in Bangalore. The hypermarket offers the best variety and value on products such as Apparel & footwear, Consumer electronics & IT products, Fresh Fruits & Vegetables, Fresh Fish, Meat & Poultry, Staples & Groceries, Baker's Factory - Fresh Bakery, - Fresh Home Made Food , FMCG - Processed Foods & Non Foods, Furniture, Home furnishings etc. Each TOTAL outlet has a brand mall

which offers shoppers a wide variety of brands to choose from. It is planning to increase the number of hypermarkets in Bangalore.

5. Spar hypermarket Spar International, a Netherlands based 75 years old company has opened their hypermarket with their partner Max Hypermarkets, India, which is a 100% Indian owned company. The first hypermarket was opened at Bangalore on 29th September 2007, near Dairy Circle on Bannerghatta Road with a space of nearly 100,000 square feet. With Max Hypermarkets they plan to open seven Spar hypermarkets in India

Research Questions

Several research questions arise in the context of growth of organized retailing in India. Some of them are:

What will be the impact of organized retailing on traditional shopkeepers?

What will be the impact of organized retailing on consumer choices and satisfaction?

How is the retail sector performing and what are its growth prospects?

How are the retail chains functioning? How is their performance comparable?

The present study addresses the last question. It seeks to compare two prominent retail chains in Bangalore, Big Bazaar and TOTAL.

Structure of Thesis

The study is organized into six chapters.

Chapter –I is the introductory chapter that explains the growth of retailing in India and points out focus of the present study.

Chapter –II makes a review of relevant literature and outlines research methodology adopted in the study.

Chapter –III describes the profile and functioning of Big Bazaar and TOTAL -the retail stores chosen for study. It explains the corporate profile, marketing mix and human resources profile and recent developments.

Chapter –IV examines the comparative ratings by consumers of the two selected retail chains.

Chapter –V presents the views of some customers especially the weak points of both the retail chains.

Chapter -VI presents the conclusions and suggestions for the further improvement in the performance of the selected retail chains.