A STUDY ON POPULAR RETAIL FORMATS ADOPTED BY RETAILERS IN INDIA

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Abstract: Retailing is a set of business activities that adds value to the product and service sold to the consumer for the personal or family use. The study mainly focused on popular retail formats adopted by various retailers, their current position. The study was based on secondary data. The major formats adopted by retailers in India were Kirana stores, Hypermarkets, Supermarkets and Departmental stores.

Retailing is a set of business activities that adds value to the product and service sold to the consumer for the personal or family use. The Indian retail market, over the last decade, has shown greater acceptance for organized retailing formats. The Indian retail industry has grown at a Compounded Annual Growth Rate (CAGR) of 13.3 percent for the period year 2006-2010. India‘s retail market, valued at US$ 353 billion in the year 2010, is projected to grow at a rate of 12 per cent per annum and is projected to reach at US $ 543 billion by the year 2014 according to the report of IBEF 2010.

It is difficult for the retailers to fit a successful international format directly and expect a similar kind of performance in India. Before adopting a format it is necessary to access local conditions, culture, buying behavior of consumer and so on. In country like India the taste and preference of consumer vary from time to time, to match with the same the retailers have also done experiments by launching more than one format to identify the winning format suited to different geographies and segment. Apart from geography even rural and urban divide poses different kind of challenges to retailers. Pantaloons has adopted several retail formats to cater to a wide segment of consumer in the market. With the help of different

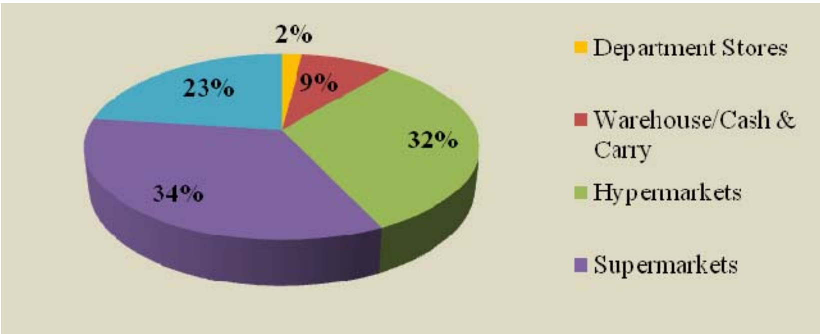

Figure 1.1:- Format- wise Brake-up of expected investment in Indian Retail

(Source: Technopak Analysis)

formats the retailer can segment the market. With over 12 million outlets, the country has highest retail outlet density in the world.

The major retail formats available in India are as followed:

1. Kirana Stores (Mom and Pop Stores)

It is a retail outlet that is owned and operated by individual. The range of products are very selective and few in numbers. These stores are normally located in local community area. These stores are usually family run business.

Due to the growth of organized retail sector, the existence of Kirana stores is in danger. According to S.Ramesh Kumar, professor from IIMB said that Kirana shops which number around 15 million to 20 million are a part of Indian shopping culture. They are spread throughout the country and cannot be completely eliminated by modern retail formats.

Due to increasing competition from organized retailers, Kirana stores have also tried to improve themselves by increasing product category, providing services like home delivery and also improved aesthetics of store plus they are also giving credit too. Further during the time of sale or discount in hyper market, local kirana store owners purchase goods in bulk and then sell them at their store without providing discount to the customers.

According to ICRIER the unorganized sector will retain around 84 percent of the total retail market till the year 2013.Though the share of unorganized retail sector will reduce with the growth of large format stores but any negative effect will be less with time. Recently Future Group has started to sell staples, dry grocery and FMCG products through SKS' network of kirana stores in the north. Due to this kirana stores get quality products delivered at their outlet at a reasonable price.

2. Street Markets

Held at fixed centers in urban or rural areas on a daily or weekly basis, street markets comprise multiple stalls selling wide range of food and non-food products. These markets compete on both variety and price and also sell smuggled goods too. Street markets have traditionally acted as a place for social gathering. Even today also these street markets in majority of cities on weekends.

3. Departmental Stores

A departmental store is a large trading organization. It has a number of departments which are classified and organized accordingly. Departments are designed as per different types of goods to be sold. In departmental store, individual departments are established for the purpose of selling groceries, garments, stationery, cutlery, cosmetics, computers, furniture and so on. Here the motive is to make available everything under one roof so that it is convenient to customers.

Departmental stores are also known as 'Universal Providers' or 'One spot shopping'. The concept of departmental store is first originated in France. All the departments run under the same ownership, managed and control. In departmental store all the goods are sold on a cash basis. Generally the size of departmental store is in a range of 20000-50000 square feet. In India departmental stores were less as compare to hypermarket and supermarket. In the year 1991 Shopper's stop opened its first departmental store at Andheri which was selling only menswear and in the year 1995 they opened their second store at Bangalore and currently they have 40 stores in 18 different cities with over 2.05 million square feet area in India. The store strongly focuses on lifestyle retailing and mainly divided into apparel, accessories, footwear, mother care, toys, and cosmetics and so on.

Another player is the Dubai base Landmark Group's store chain, lifestyle India which began its operations in the year 1998 has opened its first store at Chennai in 1999 and in March 2006 they have opened one of the largest departmental stores in the same city. Currently they have 26 stores. Lifestyle is divided into five major departments under one roof which are apparel, footwear, children's wear & toys, furniture & home furnishing and personal grooming. Lifestyle is providing wide range of national and international brands.

In the year 1987, India's first branded trousers company, Manzwear Pvt.Ltd, was launched by Future Group. Later the company's name was changed to Pantaloon Retail (India) Ltd. in year 1999.The first Pantaloons was opened in Garihat, Kolkata in year 1997.Initially the store mostly sold external brands.'Pantaloons stores have wide variety of categories like casual wear, formalwear, party wear and sportswear for men, women and kids. Currently Pantaloons is having 56 outlets in 27 cities.

Ebony Retail Holdings Ltd. A part of the DS Group is a Delhi-bases retailer with five stores in five cities spread across 97000 sq feet total retail space. Ebony, the word that is synonymous with the retail revolution in India, was promoted with an aim of bringing a global shopping experience to its customers. The format includes categories like Apparel for men, women and children; household goods and lifestyle products.

4. Hypermarket

Hyper markets operations are expected to spread throughout India. According to KPMG and Associated Chamber of Commerce and Industry of India, there will be around 315 hypermarkets established in tier I and II cities by the year 2011 and opening of hypermarket is expected in tier III cities after year 2011.

The pioneer of hypermarket concept was Fred Meyer chain, which opened the first hypermarket in the year 1931 in Portland, Oregon. Hypermarkets were very controversial in US and face opposition from preservationists who feel they destroy conventional grocery .The world's largest chain of hypermarket is Wal-Mart. The first hypermarket in the UK was opened by Tesco in the year 1976.

In country like India hyper markets emerged as the biggest crowd pullers as Indian people tend to enjoy shopping and weekly shopping is a trend in India. Hypermarkets provide an extensive merchandise mix which involves FMCG to electronics, value apparels, house ware, and furniture and so on. Normally the size range of hyper market is between 15000 square feet to 1, 00,000 square feet. Number of players operating in hypermarket is increasing day by day. One of the leading players in this format is Pantaloon Retail India Limited which operates. Big Bazaar was launched in September 2001 with the opening of three stores in Calcutta, Bangalore and Hyderabad in 22 days. Today Big Bazaar has more than 100 stores (133 stores) in 80 cities and towns across India with total occupied space are over 10 million square feet. Most of Big Bazaar stores are multi-level and are located in stand-alone building in city centers as well as within shopping malls. More than 30,000 small and medium Indian manufactures and entrepreneurs are connected with Big Bazaar and over 200 million customers visiting its stores.

Reliance Mart which is another major player in this format launched itself on 14th August 2007 at Ahmadabad. The hypermarket offers a large variety of products in every category ranging from fresh produce, food and grocery, home care produces, apparel and accessories, non food FMCG products , consumer durable and IT ,lifestyle products ,footwear and so on. RelianceMart offers some of the services to customers such as tailoring, shoe repair, laundry service. The store also offers ice-cream train for the kids, a chakki and pickle for housewives.

Spencer's hyper is another major player in hypermarket format owned by RPG (Rama Prasad Goenka) Group. In year 2001, they have established their first hyper market in Hyderabad. Spencer's hyper are megastores which combine a superstore with a departmental store. They have more than 70,000 items stocked in the area of 15,000 square feet, which provides fantastic deals to shoppers across food, fashion, home and entertainment under one roof. Currently they have 20 hypermarkets operating in 16 cities.

Aditya Birla Group in March 2008 entered into hypermarket segment by launching more. MEGASTORE. more. MEGASTORE offers a wide range of products that includes grocery, fruits and vegetables, electronic products, computers and accessories, mobile phones, apparels, footwear, sports and FMCG products etc. Currently nine hypermarkets operate under the brand more.MEGASTORE in Mysore, Vadodara, Aurangabad, Indore, Bangalore, Mumbai, New Delhi, Hyderabad and Vashi. Company is also targeting to open 65 hypermarkets in India by the year 2016.

In country like India, Hypermarkets holds a great potential to grow. Majority of hypermarkets use food and grocery as crowd puller, so price is one of the major factors. Apart from price, service providers must focus on offering right product mix. Service providers must focus on development of store aesthetics to pull the crowd. Hypermarkets will be successful if the retailer understands the shopper better and design product offering tailor-made for specific segment of consumer. One of the better ways to improve margin is to increase percentage of private label or store brand.

5. **Supermarket**

A concept of supermarket is not new to Indian consumers. The British colonial government introduced the idea of supermarket to facilitate its officers with access of household goods under one roof. The first super market in the United States was opened by a former Kroger employee, Michel J Cullen, on 4th August 1903. The supermarkets largely concentrate on selling food related products and are considerably from hypermarkets. The supermarkets offered relatively less assortments but focus on specific product categories. Their main focus is on convenience and affordability of customers.

Normally Indian people use to purchase vegetables and fruits from Sabji mandi or local mobile vegetable seller. So in the beginning people hesitate to purchase vegetables and fruits from supermarkets because of which the growth of supermarket hinders. But situation is changing and slowly supermarket operators are coming to their own. The typical size of supermarket is in the range of 3000 to 15000 square feet.

A supermarket normally sells grocery, fresh cut vegetables, fruits, frozen foods, toiletries, cosmetics, utensils, cutlery, stationary and gift items. In India Food World, Food Bazaar, Nilgiri, more. for you and Reliance Fresh are the leading supermarket operators.

Foodworld which is previously known as Spencer’s Daily is a chain of supermarket store. It was started in May 1996 as a division of Spencer’s &Co, a part of RPG Group. In August 1999 it became a separate company. Currently it operates 67 stores in Bangalore, Hyderabad and Chennai. Foodworld supermarket has a size of 3000 to 5000 square feet. The company is targeting 200 Foodworld stores across the country in different formats. Foodworld is focusing on delivering convenience, quality fresh food, and wider range of products at lower price.

Aditya Birla Group launched its first supermarket, ‘more. for you’ in May 2007. ‘more. for you’ is a neighborhood supermarket which takes care of everyday household. With a range of over 4,000 products, the supermarket is able to fulfill all the needs of customers under one roof. Till the end of year 2009, company has established 640 supermarkets and company plans it to increase it to 1300 by year 2016.

Food Bazaar which is another player entered supermarket format in April 2002. Food bazaar is providing Western as well as Indian values to provide satisfaction to the customers. The western values of convenience, cleanliness and hygiene are offered along with the Indian value of “See-Touch-Feel” are offered to the customers. Further Food Bazaar has also created “bazaar-like” atmosphere and also selling at economic and affordable prices without compromising on quality. Currently Food Bazaar has more than 190 outlets in India.

Reliance has entered retail segment with the launch of the first retail format called Reliance Fresh at Hyderabad on 3rd November 2006. Reliance Fresh is spreads over 2000-5000 square feet. The Reliance Fresh supermarket chain is RIL's 25,000 crore venture and plans to add more stores to make its presents in India. The supermarket sells fresh fruits, vegetables, grocery, fruit juice and dairy products.

6. Convenience Stores

Convenience stores are relatively small in size ranging from 500 to 2000 square feet are located near residential area. They stock a limited range of high-turnover products and the price is average to above average depending on the product category. Normally convenience store remain open for extended periods during a day, seven days a week and shoppers use it for buying fill-in merchandise and emergency purchase. In India convenience stores occupied retail space of 23 thousand sq.meter in the year 2005 and were expected to occupy 85 thousand square meter of selling space by the year 2010 and during same period sales was expected to reach at Rs. 5271 million and number of outlets were expected to reach at 2434. The "In & Out" store at Bharat Petroleum petrol pumps, which was launched in the year 2001, offered wide range of services which include ATMs of leading banks, beverages from Pepsi, coffee and snacks from Café Coffee Day and Coffee Day Xpress, other FMCG products, toiletries and selected range of branded groceries. Currently they have more than 240 In & Out stores across India.

7. Discount Stores:

Stores offering discounts on retail price through selling high volume and reaping economies of scale are known as discount store. According to Gibson G.Vedamani, the CEO of Retailers Association of India "Any store that sells 60 percent to 70 percent of its merchandise at 15 percent to 25 percent or more, below the maximum retail price, all through the year, qualifies to be a discount store. Wal-Mart, the largest retailer in the world is a discounter operates 1300 discount stores in the U.S is extremely successful in U.S but the same retailer struggles in Asian countries like china.

Along with lower price, discount stores also offer wide range of products with quality assurance. Earlier discount outlets sold factory/store rejects or seconds which are also odd in size or last season leftover stock. But today the situation is different. They said that they offer fresh stock and also are able to provide discount because they buy at reduced price and often make payment in cash to the manufacturer or distributor. Though Indian consumers are highly price sensitive and look for saving in terms of money while purchasing grocery still there is hardly any national level discount chain operating in India. One of the major failures of discount store in India was Subhiksha. It began operations in the year 1997 and expected to reach 1600 stores has taken huge debt. It was close in the year 2009 amid accusation of mismanagement and fraud.

The LOOT is another Mumbai base discount store established in 2004.The LOOT is a multi-brand, multi-location discount chain offering customers wide range of apparels, footwear and accessories for Men, Women and kids with discount ranging between 25 percent to 60 percent throughout the year. In the year 2011, they have 145 stores in 24 states and more than 3, 00,000 square feet area is under construction.

Future Group's Brand factory is offering Indian and International brands at smart price. The brand list includes Levis, Pepe Jeans, Wrangler, Arrow, Reebok, Louis Philip, Allen Solly, Reid and Taylor and so on. Brand factory presents the brands in fully air condition environment. Currently they have around 12 stores operating at Ahmadabad, Aurangabad, Bangalore, Ghaziabad, Hyderabad, Kolkata, Mumbai and Pune.

As the organized retail penetration in rural area is increasing. And people from rural area are also becoming brand conscious. In this situation discount stores can open their outlet in rural area and cover the untapped rural market.

8. Category Killer

Category killer is a term used in marketing to describe a product, service, brand or company that has developed distinct sustainable competitive advantage that competing firms find almost impossible to operate profitably in the industry or in the same local area. Category killer offers less variety but deep assortment of merchandise. By offering deep variety of merchandise at low price, category specialist can be able to “kill” that specific category from other retailers.

9. Malls

A shopping mall is a building or set of buildings that contain stores and have interconnecting walkways that make easy for people to walk from store to store. In India malls are known as “Latest Temples”. As two decades earlier people went to temple for the worship of god and after the worship people use to meet their relatives and spend time. Today for the later purpose people prefer malls. Mall development in India is phenomenal. According to CB Richard Ellis Report, shopping malls in India is growing at a tremendous pace by showing unbelievable growth of 50 percent by growing 280 malls in the year 2011 from 190 in the year 2010.CN Richard said that India has added 5 million square feet retail space in the year 2010 and approximately 15 million square feet is ready to get operational in the year 2011-12. Shopping Malls normally ranges from 60,000 sq ft to 7, 00,000 sq ft and above and generally provide everything from necessarily to luxury. It provides facilities like multiplex, food courts, entertainment under one roof which attracts a lot of people to visit mall. Sheth Developers & Realtors, Mumbai's leading real estate developers has launched India's largest mall Vivacity in the year 2011. Some of the major players are Central Mall owned by Pantaloon retail launched in Bangalore in the year 2004 currently have 16 Malls established in Ahmadabad, Bangalore, Hyderabad, Pune, Mumbai, Vadodara, Gurgaon, Indore, Surat and Jaipur. Other players are Spencer mall, DLF mall, Sahara Ganj mall, Ansal Plaza mall, Inorbit mall and so on.

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