

# Role Of Retailing And Growth Of Hypermarkets In India

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## INTRODUCTION

Liberalization of the economy in the nineties and the entry of large players in the retail business have brought the retail industry into spotlight. Big players and national retail chains are changing the rules of the game. After supermarkets, departmental stores and convenience stores, Indian retail has seen the concept of **hypermarkets** coming of age. The hypermarkets are not new to the western countries. Players like Wal-mart, Metro have established hypermarkets in many countries. In India, the hypermarket concept is in its nascent stage. Retailers like Pantaloons and RPG have started hypermarket operations and they are having plans to expand aggressively to all the regions of India. A large number of international retailers have evinced interest in India, despite the absence of favorable government policy for foreign players.

Hypermarkets originated in France. Hypermarkets range between 80,000 and 220,000 square feet and combine supermarket, discount and warehouse retailing principles. Product assortment goes beyond routinely purchased goods and includes furniture, large and small appliances, clothing items and many other items. Bulk display and minimum handling by store personnel with discounts are also offered to customers who are willing to carry heavy appliances and furniture out of the store.

Given the size, the geographical, cultural and socio-economic diversity of India, there is no role model for Indian suppliers and retailers to adapt or expand in the Indian context. The industry is witnessing the development of region-specific formats. With organized retail penetrating into B-class towns, larger discount formats, popularly known as hypermarkets, are now emerging as major competitors for both unorganized and organized retailers. Penetration of organized retail into the lower income groups and increasing consumer demand for value-for-money has improved the prospects of these formats. It offers customers a wide array of low-priced products ranging over categories like groceries, processed food, fresh food, apparel and consumer durables. On an average in India, hypermarkets are spread over 50,000 sq. ft. There are more than 25,000 SKUs (Stock Keeping Units). In case of Hypermarkets, the largest part of their operating cost goes towards rentals. High costs arise from labor, social security to employees, high quality real estate, bigger premises, comfort facilities such as air-conditioning, back-up power supply, taxes etc. Degree of personal involvement and information dependency are the two crucial factors which affect the purchasing behavior of the customer.

Indian retail industry is still a “protected industry” from foreign direct investment (FDI). Though FDI can help generate employment in this sector, it is likely to pose stiff competition for existing small businesses. Unlike the country’s FDI investment objective of technology transfer and export promotion in 1980s, today’s infusion of capital can bring in issues like size of investment, percentage of stake or ownerships in the company and takeovers of domestic companies by foreign giants.

**Hypermarkets** are witnessing tremendous growth in India. Big Bazaar, Giant and Super Sabka Bazaar are the three major players in this segment. That Indian consumers are taking to hypermarkets is clear from the way all the three existing chains (with nine stores between them) are doing good business and making cash profits within a year of launch.

Hypermarkets are springing up all over India since consumers can buy groceries, food, garments, home appliances, durables, toys, cosmetics, toiletries, books and music at a price that is always lower than the market price by 5-50 percent.

Now, we live in an India that is more affluent. Generally, the middle-upper classes across the country are richer than they were three decades ago. The middle classes have been laboring for decades. Now, they have decent jobs, bank balances, and homes. Their offspring, the “computer generation” of our world, are born with the “Can

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Do, Will Do”, “Respect-Nobody” mindset. The future belongs to them. The middle and affluent strata are willing to loosen their purse strings.

Indian consumers are rapidly evolving and accepting modern formats overwhelmingly. Retail Space is no more a constraint for growth. India is on the radar of Global Retailers and suppliers. Brands world-wide are willing to partner with retailers here. Further, large Indian corporate groups like Tata, Reliance, Raheja, ITC, Bombay Dyeing, Murugappa and Piramal Groups etc. and also foreign investors and private equity players are firming up plans to identify investment opportunities in the Indian retail sector. The quantum of investments is likely to sky-rocket as the inherent attractiveness of the segment lures more and more investors to earn large profits. Investments into the sector are estimated at INR 20 - 25 billion in the next 2-3 years, and over INR 200 billion by end of 2010.

Stocks in the retail sector are also becoming increasingly attractive from an investor’s point of view. Successful development of value based concepts as well as development of retail space in smaller cities and towns shall drive the organized retail into the next level of cities. Retailers have responded to this phenomenon by introducing contemporary retail formats such as hypermarkets and supermarkets in the new pockets of growth. Prominent ‘tier-II’ cities and towns which are witnessing a pick-up in activity include Surat, Lucknow, Dehra Dun, Vijaywada, Bhopal, Indore, Vadodara, Coimbatore, Nasik, Bhubaneswar, Varanasi and Ludhiana among others.

With consumption in metros already being exploited, manufacturers and retailers of products such as personal computers, mobile phones, automobiles, consumer durables, financial services etc are increasingly targeting consumers in tier II cities and towns. In addition, petro-retailing efforts of petroleum giants scattered throughout the country’s landscape have also ensured that smaller towns are also exposed to modern retailing formats.

In India, the number of people living below the poverty line dropped from 50% in 1972 to about 25% in 2007. Thus, about 250 million more consumers entered the lower middle class segment. They provide a sizeable market for all types of products, ready-made garments, packaged foods, household products etc.

Supermarkets, being in the organized and visible sphere, pay taxes diligently, unlike many small private traders. They are governed by labor laws, and do hire and fire staff at whim.

## **GEOGRAPHICAL AND ENVIRONMENTAL SET-UP FOR BUILDING HYPERMARKETS**

The hypermarkets are located outside big cities within reach via highways and national routes. It is assumed that the buying population possesses a car and will find it convenient to drive over an average of 5 to 10 kms to the shopping area. An area of 1,000,000 metre square is reserved for the purpose of reconstructing the whole spectrum of goods and services usually scattered over small boutiques and shops in the city.

To invite people to drive to the area, an old style building in the tradition of open market has been built whereby post modernity imitates traditional inheritance. The hypermarket operates inside this building with close neighborhood to number complementary service providers. Other facilities set up in the shopping area are the parking lots for above 600 cars at peak hour, the automobile repair garage and the auto spare parts warehouse.

To further enhance these facilities, the Hypermarket has set its own outdoor proximity services such as gas and filling station and on-site light mechanic maintenance. These are services made compulsory by public opinion to accommodate and handle the needs of a throughput of 20 cars per minute. As a matter of comparison, the toll traffic congestion on highways measured at peak hour is around 40 cars /minute. The whole area offers high traffic security making it easy to drive in and out for drivers.

City master plans in India make no distinction between a convenience store and a mall. They are treated as the same. They do not make any separate demand on the large stores either in parking terms or impact assessment. On the contrary, cities the world over have a more detailed classificatory system for shops. Land-use plans and building rules make these distinctions and specify separate rules for each of them.

There is no regulation that is binding on big stores in Indian cities. They can come up even in the middle of a dense neighbourhood without any consideration for the traffic or the environment. The only regulating tool available is the land-use plan. And even those are outdated. For example, in Chennai, the land-use plan was prepared in 1975 and it is yet to be revised.

## THE MALL BOOM

Another notable trend is the development of integrated retail-cum-entertainment centres or shopping malls. An increasing number of retailers are focusing on malls now as opposed to standalone developments. While the number of shopping malls has seen a massive surge in the recent past in the metros and their suburbs, the latest trend in this sector is the increasing focus on providing leisure activities such as multiplexes, facilities for kids' entertainment, eateries etc. within the mall premises. These are enclosed, air-conditioned, multi-level malls of at least 100,000 sq. ft.

Critical to these malls is the concept of the anchor, the key outlet or store around which other outlets cluster. The most popular Indian anchors include Shoppers Stop, Globus, Pantaloon, Lifestyle and hypermarkets like Big Bazaar and Giant. Cinemas also often anchor malls. Driven by the lucrative tax breaks, the old single screen theatres are being divided into three-five smaller screens, as was done in the US years ago. Gurgaon, adjoining New Delhi, has the highest concentration of malls in the country now, with the average size of its malls being around 200,000 sq. ft. and the anchors occupying 50,000-60,000 sq. ft. space. Newer malls are bigger, with some planned in the 500,000 sq. ft. to 1.1 million sq. ft. range.

A noticeable feature in this sector is the fact that investment in the retail real estate space continues to yield the highest returns as compared to the residential and office segments. Yields are in the range of 13-16 percent annually. For example, the housing and retail financing major, HDFC, has achieved a net annual return of 15.43 per cent on its initial investment into the Shoppers Stop, Pune. The space leased out by Adidas at New Delhi's Ansal Plaza has yielded an annual net return of 15.84 per cent to the investor.

## GROWTH OF HYPERMARKETS IN INDIA

Indian retailers are currently focusing their attention on smaller formats located in urban areas with 380 convenience stores that opened in 2007, as compared to 58 hypermarkets and 30 discount outlets. However, Bharti Enterprises, partnered with Wal-Mart; and Tata Group, partnered with Tesco, have both signaled their intention to drive expansion through hypermarket openings in the coming years.

Much of the focus of modern retailers has remained on urban areas. However, rural retailing is on the rise in India. Since 2003, Godrej Agrovet Ltd. and ITC Ltd. have opened town and rural outlets. These retailers are stepping up the pace of growth in rural areas, with ITC planning 100 stores by March 2010 and Godrej Aadhar planning 1,000 stores by 2010. Reliance is currently contemplating tapping into demand in towns by setting up 700 Reliance Town Centres to cater to towns with a population of less than 300,000.

The hypermarkets will sell anything from automobiles, fruits, vegetables, consumer durables to needles under one roof. 212 towns have sufficient market potential for hypermarkets for break even existence. That is a different matter that this potential is yet to be realized.

Hypermarkets are designed to generate higher revenues and delivery gains in terms of branding, merchandising, display, variety and choice for partners, consumers, retailers and the government alike. Owing to the huge volume of sales generated at hypermarkets, overheads stay low and they are able to function like discount stores.

Some call them the Godzillas of retailing, as they are several times bigger in scope and scale than department stores. They are usually located at the edge-of-the-town, and have an extremely complex supply chain.

Going forward, in 2011, this number is anticipated to grow to 52 as a few tier III towns also gain the market potential to support 5 or more hypermarkets. Tier IV towns (that constitute the bottom of the pyramid), considered for this analysis emerge as unviable for modern retail formats not only in 2008 but also in 2011.

Globally, hypermarkets account for 60 per cent of the retail sales. However, a few established retailers are setting up hypermarkets in India. For instance, the Rs 6,000-crore RPG group of Food World, Health and Glow and Music World fame opened its hypermarket by the name of Giant early this year in Hyderabad. Hypermarkets, thus, are clearly a volumes game and in India, with its value-for-money conscious public, if managed well, they could change the retail scene for good.

In terms of product mix, retailers will need to keep in mind the varying consumption patterns across the spectrum of cities considered for this analysis. Not only are the annual disposable incomes, and hence household expenditure levels higher in the larger cities vis-à-vis smaller towns, but also, the percentage spend on food and

grocery is lower since consumers in larger cities spend more on lifestyle-driven categories such as consumer electronics, eating out, entertainment etc.

Further, variations in spending patterns exist even at a sub-category level as well. For example, while microwave ovens, ready-to-eat foods, white formal shirts etc regularly feature on hypermarket shelves in tier I and II towns, these sub-categories may not find an addressable market in smaller towns. Retailers will need to account for these consumption patterns before deciding on the width and depth of assortment for stores in these towns.

Further, when the global giants such as Wal-Mart, Tesco, Carrefour etc. commence operations in the Indian market, it is anticipated that they, much like their Indian competitors, will initially concentrate on the larger cities. Hence, at least for the next 5 – 7 years, foreign retailers are not expected to establish presence of their large format hypermarkets beyond the top 40 – 50 Indian cities.

Moreover, the benefits of India's economic boom are not likely to be limited to the larger cities alone as consumers in smaller town begin to mirror the aspirations of their counterparts in the larger cities. Due to these factors, urban towns beyond the top 50 appear to provide a considerable untapped opportunity for organized retail players.

On the occasion of Independence Day in India in 2007, Reliance Retail opened the largest Hypermarket in India called Reliance Mart in Ahmedabad. The hypermarket is spread over 1.65 lakh sq.ft. and deals in all types of merchandise under a single roof.

In India, however, the Hypermarkets have not done very well in the past. There have been some attempts in the past that have not grown the way it was planned for. Around the world, eight of the ten biggest retail chains revolve around different variants of hypermarkets. So Wal-Mart has its Sam's Club, Carrefour its own signature hypermark, as does Tesco, Metro, Krogers, Sainbury's and Aldi's. However, people aware of retailing know that retailing is a country/culture specific thing and the same formats are not successful all over the world.

In 2004, RPG Retail had opened up the mega-mart "Giant" with ambitious plans for growth that never took wings. Incidentally, Raghu Pillai who is now heading the Reliance Megamart efforts was heading RPG Retail's efforts. Giant was later renamed "Spencers" and has not grown as planned. Similarly, K. Raheja's Hypercity has not grown beyond the single big-box store in Malad. It's the same story with Star India Bazaar, the hypermarket from Trent. Magnet, another hypermarket floated by Ashok Maheshwari, a Mumbai-based entrepreneur, hasn't done much either: it has opened two stores in nearly two years of existence.

Hypermarkets will not sound the death-knell for small stores. A visit to a large store has to be planned, due to the transit and shopping time. Consumers continue to visit the corner shop (kirana store) for their daily grocery purchases. The phobia of hypermarkets is irrational and not borne by international experience.

With the arrival of modern retailing and hypermarkets, the smaller neighbourhood stores invariably spruce up in terms of layout, hygiene, merchandising and customer service. The entire trade becomes more hygiene and customer conscious!

Eventually, retailers will expand city limits/borders – a large hypermarket would need 100,000 to 200,000 square feet for a good-quality outlet. It would be smart to position the outlets outside the cities, where the land and rentals are cheaper. These concepts come with restaurants, etc., and would be a weekend shopping outlet. The Government's role is crucial in fostering the Retail industry.

## TRENDS IN RETAILING

**Modern retail formats** - The growth of western-style malls is changing the way urban consumers shop. We're seeing many bigger box, value based formats setting up shop. The size of these stores is about 50,000 square feet, a departure from the smaller mom and pop-type store that dominate the local retail landscape.

- **Shoppers Stop - Department Store** format.
- **Westside** - Emulated the Marks and Spencer model of **100 per cent private label**, very good value for money merchandise for the entire family.
- **Giant and Big Bazaar** - hypermarket/cash and carry store.

- **Food World and Nilgiris – Supermarket** format.
- **Pantaloons and The Home Store - Specialty** retailing.
- **Tanishq** has very successfully pioneered a very high quality organized retail business in fine jewellery.

A new entrant in the retail environment is the ‘**discounter**’ format. It is also known as **cash and- carry or hypermarket**. These formats usually work on bulk buying and bulk selling. Shopping experience in terms of ambience or the service is not the mainstay here. RPG group has set up the first ‘discounter’ in Hyderabad called the **Giant**. Now Pantaloon is following suit. India will see the first Rs. 1,000-crore plus retailers by 2005 in two categories: food and grocery, and apparel.

Major Players in India			
Retailer	Current Revenues (Rs. Millions)	Outlets	Projected outlets
Pantaloon	7000	31	74 (by 2005)
RPG	5500	1	12 (by 2006)
Shoppers Stop	4000	13	40 (by 2005)
Lifestyle	2300	7	15 (by 2005)
Westside	1200	13	21-23 (by 2005)
Ebony	850	8	14 (by 2005)
Piramyd	720	3	19 (next four years)
Globus	NA	7	15-17 (by 2005)

Source : Business World

## ENTRY OF GLOBAL BRANDS

U.K.-based department store, **Marks and Spencer**, clothing retailer **Benetton**, Spanish clothing chain **Mango**, **Hugo Boss** have also broken ground in India. Apparel retailer **Tommy Hilfiger** is reportedly the latest entrant into India. According to trade publication *Women's Wear Daily*, the company is expected to open at least six free-standing Tommy Hilfiger stores in major cities, carrying men's and junior sportswear and jeans wear.

International Retailers Eying India		
Retailer	Type	Status
Carrefour	Multi-format retailer	Postponed entry
Auchan	Hypermarkets	Evaluating
Shoprite	Supermarkets	Opening in Mumbai
Marks & Spencer	Lifestyle stores	Already in
Dairy Farm	Multi-format retailer	Tied up with RPG
7-eleven	Supermarkets	Evaluating
Metro	Cash-and-carry	Already in
Wal-Mart	Hypermarkets	Wait & watch
Landmark	Lifestyle stores	Already in
Mango	Apparel Retailer	Already in

Source : Business World

## KEY ISSUES RELATED TO HYPERMARKETS IN INDIA

India is among the top 15 global retail hypermarkets but it is also perhaps among the least actively competed for with global retailers.

### Space and Infrastructure

- To establish a retail shop / mall, the real estate and the infrastructure are extremely vital. The expenditure and availability on both the accounts do hinder the growth of the retail chain. The lack of secondary infrastructure also affects the logistics and supply chain management for retail companies.
- It has a complicated tax structure. Implementation of VAT has also been postponed.



**Growth in non-Metros** - Most retailers concentrate on the top eight metros. That's because the market here is ready for organized retail and a premium pricing strategy is easier to adopt. But the question to be asked is that does that leave enough room for growth. Already malls are coming up in small cities like Indore, Ludhiana, Chandigarh and Meerut.

**Differentiation and Reach** - Too many department stores, too many exclusive outlets all too close to each other. There's hardly enough differentiation and this could make it hard to build store loyalty. Besides, customers don't want to travel more than 20 minutes to visit a store. So, building higher levels of traffic when catchments are shrinking is a tough challenge.

## MAJOR RETAIL PLAYERS IN INDIA

Name	Retail Category	Name	Retail Category
Subhiksha	Food and Grocery	Shoppers Stop	Fashion
Food World	Food and Grocery	Globus	Fashion
Nilgiris	Food and Grocery	Lifestyle	Fashion
Apna Bazaar	Food and Grocery	Trent	Fashion
		Westside	Fashion
Planet M	Music	Piramyd	Fashion
Musicworld	Music	Ebony	Fashion
Oxford	Books	Pantaloon	Fashion
Crossword	Books		
Giant	Hypermarket		
The Home Store	Home furnishing		
Big Bazaar	Hypermarket		
Loft	Footwear		
Vijay Sales	Electronics/Durables		

## INDIA'S CHANGE IN FOCUS OVER THE NEXT 5 YEARS IN RETAIL INDUSTRY

Besides the 6 metros, India has 61 other cities with populations greater than 0.5 million –these cities represent 80% of India's population and contribute about 14% to the country's GDP. Even though the 6 metros have the greatest concentration of India's wealth, the other 61 cities have consistently outpaced the metros in growth rates since 1995. These cities are witnessing higher incomes and a fundamental change in consumer mindset. Increasing awareness levels in Tier II cities are eroding the earlier difference between metros and Tier II cities in terms of 'urban aspirations'. International brands increasingly relying on Tier II cities to drive growth are Nokia, Pizza Hut, Ford, Reebok and Adidas.

## KEY FINDINGS AND HIGHLIGHTS

- Indian hypermarkets constitute 1.99% of the total organized retail and the segment was estimated at INR 7.28 billion during 2005-06, growing by 37.21% over 2004-05.
- Indian retail industry size was estimated at INR 10,754.21 billion in 2005-06, out of which the organized retail contributed about 3.41% or INR 366.21 billion.
- Indian hypermarket industry is more vibrant than ever, with major industry players vying for their share in the retail segment.

## RETAIL-THE NEXT BIG THING IN INDIA

There is no doubt that retail is the next big thing in India as retail shops are doing a brilliant business at present. Many Indians believe that the retail shops are a good idea as they provide goods at a discount.

Now the Mega Corporation Reliance too has come into the fray of retail market. A chain of convenience stores with the name of 'Reliance Fresh' is now spread across the NCR area with an estimated investment of Rs 8,000 crore ahead of Bharti- Wal Mart. It is worth mentioning in this regard that this tie up has thrown up a big and one of the world's most attractive retail markets with a population of over one billion.

Indian consumers are smart and they are all price conscious and they want to finish the work as fast as they can. They do not go to a provision store for fun. The retail shops are helping the consumers save more and in some way; it is capable of supporting the middle class of India.

By 2010, organized retailing in India will cross US \$21.5 billion mark from the current size of US \$7.5 billion. This is quite different from the situation ten years ago when there was not even one shopping mall in India. At the present juncture, in Delhi, Mumbai and their suburbs, there are about 700 malls. Organized retailing in small towns in India is growing at an impressive 50-60 per cent annually compared to 35-40 per cent in the bigger cities.

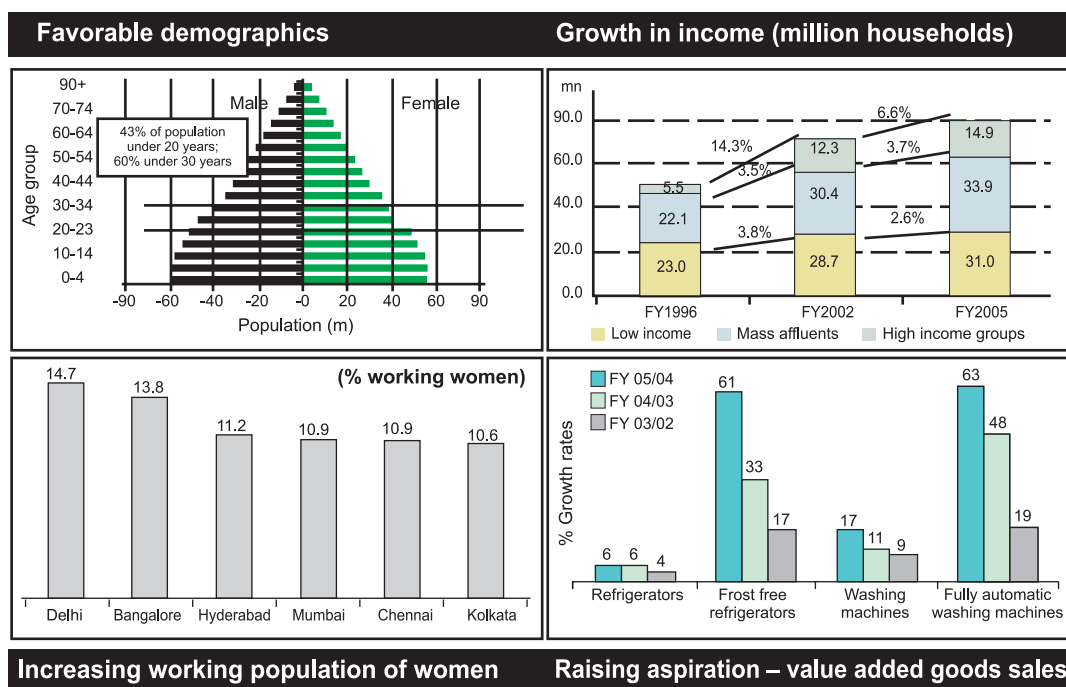
## INDIAN RETAIL: SHIFTING GEARS

India is witnessing an unprecedented consumption boom. The economy is growing between 7 and 8 percent and the resulting improvement in income dynamics along with factors like favorable demographics and growth in aspirational consumption are the drivers. Retailing in India is currently estimated to be US\$ 200 billion, of which organized retailing (i.e. modern trade) makes up 3 percent or US\$ 6.4 billion. Organized retail is expected to grow at 25-30 percent p.a., and is projected to attain US\$ 23 billion by 2010.<sup>1</sup> At these levels, organized retail would constitute up to 9 percent of overall retail sales.

## INDIAN RETAIL – THE RIGHT ENABLERS ARE FALLING INTO PLACE

There are multiple factors driving Indian retail growth. With roughly 60 percent of the total population below 30 years of age, favorable demographics are expected to drive consumption across categories. The purchasing power of a young consuming middle class has been talked of since the time of economic liberalization in 1991. However, it is only today that we are witnessing the spending power associated with this consumer segment. For example, 50 percent of cellular phone purchases in the past year were by the under-30 age group. This consumption is expected to continue due to the aspirational nature of spending associated with this consumer segment. The AC Nielsen Online Omnibus Survey 2005 rates India in the highest category of Aspiration Index in Asia, along with China, Indonesia and Thailand.

**Multiple drivers leading to a consumption boom...**



Source: NSSO; AC Nielsen; IRS-2002; KPMG in India Analysis 2005

The inspirational nature of consumption is underlined by the trends witnessed in the consumer durables sector. While the overall refrigerator segment has been growing at 6 percent, frost-free refrigerator sales have been growing at 61 percent; similarly, while the washing machine market grew at 17 percent in FY2005, the sales of

automatic washing machines grew by 63 percent. The positive demographics and the Indian consumer's increasing disposable income have been highlighted by several studies. Increasing double income families in cities is another positive factor. Salary hikes in India are also expected to increase at a faster pace than other developing countries. All these portend a sustained growth in discretionary spending in India.

## FOOD AND APPAREL RETAILING LIKELY TO DRIVE GROWTH

With various factors impacting growth in retail, some segments are bound to grow faster than others. For instance, increasing affluence is driving growth in the watches and jewelry segment, while awareness of health is driving growth in lifestyle pharmaceuticals. The retailers who participated in the survey expect growth in retail segments across the board; however, food and grocery is expected to see the highest growth, with clothing emerging as the second fastest growing segment.

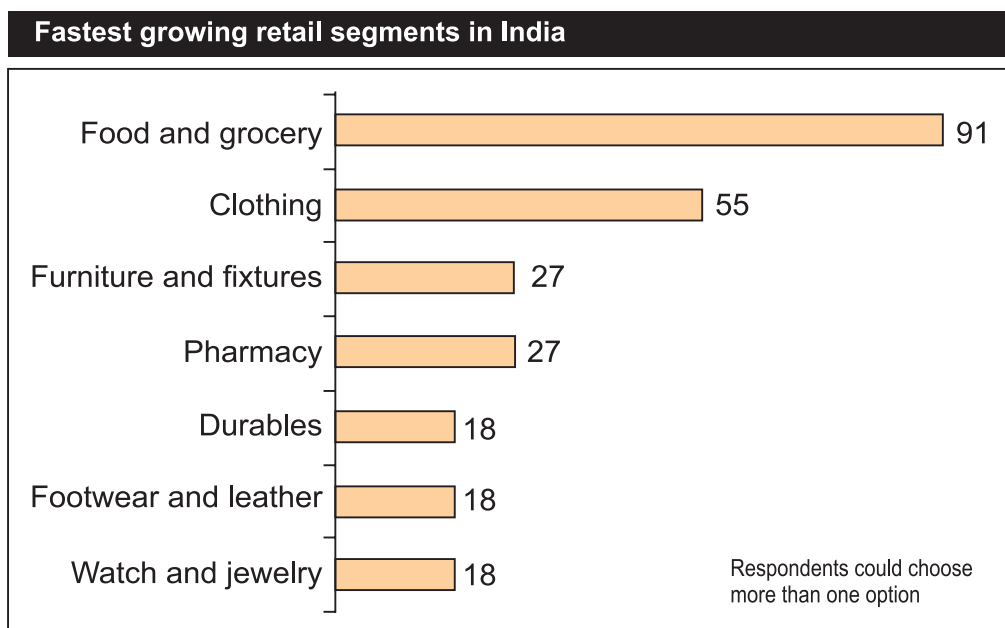
## HOW HAS THE INDIAN CONSUMER CHANGED OVER THE YEARS?

In the past few years, the whole concept of shopping has been altered in terms of format and consumer buying behavior. With the increasing urbanization, the Indian consumer is emerging as more trend-conscious. There has also been a shift from price considerations to designs and quality as there is a greater focus on looking and feeling good (apparel as well as fitness). At the same time, the Indian consumer is not beguiled by retail products which are high on price but commensurately low on value or functionality. However, it can be said that the Indian consumer is a paradox, where the discount shopper loyalty takes a backseat over price discounts.

Indians have grown richer and thus spending more on vehicles, phones and eating out in restaurants. The spending is focused more outside the homes, unlike in other Asian countries, where consumers have tended to spend more on personal items as they grow richer. Spending on luxury goods has increased twice as fast and with two-third of India's population under 35 years of age, consumer demand is clearly growing. The mall mania has brought in a whole new breed of modern retail formats across the country catering to every need of the value-seeking Indian consumer. An average Indian would see a mall as a perfect weekend getaway with the family-offering them entertainment, leisure, food, shopping -all under one roof.

Percentage of organized retail	
Food and groceries	8 percent
Clothing	2 percent
Consumer durables	5 percent
Jewelry and watches	4 percent
Footwear	1 percent

*Source: HSBC 'Jumbo retailing - Organized retailing in India gets hyper', May 2005 and KPMG in India Analysis 2005*



Source: KPMG in India Retail Survey 2005



	<b>Map of India's Income Classes</b>		
	1994 – 95	1999 – 00	2005 – 09
<b>RICH</b> (Annual Income > US\$4,700) Benefit Maximizers Own cars, PCs	1 million households	3 million households	6 million households
<b>CONSUMING</b> Cost benefit optimizers: Have bulk of branded consumer goods, 70% of two wheelers, refrigerators, washing machines	29 million households	56 million households	76 million households
<b>CLIMBERS</b> Cash-constrained benefits seekers	48 million households	66 million households	78 million households
<b>ASPIRANTS</b> New entrants into consumption: Have bicycles, radios, fans	48 million households	32 million households	33 million households
<b>DESTITUTES</b> Hand-to-mouth existence: Not buying	36 million households	24 million households	17 million households

Source: Ernst & Young, *The Great Indian Retail Story*, 2006

With reference to the map of India's income class, it can be noticed that the real driver of the Indian retail sector is the bottom 80% of the first layer and the upper half of the second layer of the income map. This segment of about 40 million households earns USD 4,000-10,000 per household and comprises salaried employees and self-employed professionals and is expected to grow to 65 million households by 2010 <sup>1</sup>. In addition to this, facilities like credit friendliness, availability of cheap finance and a drop in interest rates have changed consumer markets. Capital expenditure (jewelry, homes, and cars) has shifted to becoming redefined as consumer revenue expenditure, in addition to consumer durables and loan credit purchases.

## CONCLUSION

The hypermarket format is slated to emerge as a large segment as metro suburbs become swankier hotspots compared to downtown shopping areas. In smaller towns, retail has empowered women to get freedom from the 'shopkeeper-in law' with new shopping arcades and malls gaining increasing acceptance among the women of these towns. Even if the rules of the game are evolving, some basics remain as relevant as ever. The three essentials of retail branding are innovation, innovation and innovation. You have to take care of the customer, be in contact, provide an emotional benefit and respect his or her individual style. In a people-contact business like retail, it's not about the share of wallets, it's people. The modern retailer is essentially looking out for two things that will help this industry grow — increased manpower and more space for expansion.

India is a rising star at the beginning of a growth cycle, with consumer spending increasing at a strong rate, and people seeking and demanding a better quality of life. Organized retailing is witnessing a wave of players entering the industry. These players are experimenting with various retail formats. The entry of foreign players will not only affect ownership, but also change the basics of business. Huge investments in stores and their supply chains can transform the entire scenario.

India's vast middle class and its almost untapped retail industry are key attractions for global retail giants wanting to enter newer markets. As India continues to get strongly integrated with the world economy riding the waves of globalization, the retail sector is bound to take big leaps in the years to come. Investors would have to watch for these developments.

Many agencies have estimated differently about the size of organized retail market in 2010. The one thing that is common amongst these estimates is that Indian organized retail market will be huge in 2010. The status of the

(Contd. on page 18)

- Apart from having celebrity endorsers in the promotional campaigns, local opinion leaders like military personnel and influencers and information sources like local repair shop owners should also be taken into consideration while designing the promotional activities.
- Direct distribution programs through self help groups consisting of rural women can be used to reach households even in the smallest village. The same strategy has successfully been employed in case of *Project Shakti*<sup>2</sup> by Hindutan Lever Ltd.
- Marketers can carry out promotional campaigns targeting village schools and also distribute samples and sachets among students to induce trial.

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<sup>2</sup>Project Shakti is a rural initiative by Hindustan Lever Limited which seeks to empower underprivileged rural women by providing income-generating opportunities by organizing them in Self Help Groups (SHGs) carrying out direct distribution programmes (Pralhad, 2005).

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## (Contd. from page 11)

retail industry will depend mostly on external factors like Government regulations and policies and real estate prices, besides the activities of retailers and demands of the customers which also impact the retail industry.

As the retail market place changes shape and competition increases, the potential for improving retail productivity and cutting costs is likely to decrease. Therefore, it is important for retailers to secure a distinctive position in the market place based on values, relationships or experience. Finally, it is important to note that these strategies are not strictly independent of each other; value is function of not just price quality and service but can also be enhanced by personalization and offering a memorable experience.

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