ORGANISED RETAILING IN INDIA: A STUDY OF ITS TREND, GROWTH AND IMPACT

Thesis submitted to the

UNIVERSITY OF CALICUT

For the award of the Degree of

DOCTOR OF PHILOSOPHY IN ECONOMICS

Under the Faculty of Social Science

By

SHAREEF. P

Under the Supervision of

Dr. C. KRISHNAN

Associate Professor, Department of Economics

Government College Kodanchery, Kozhikode

DEPARTMENT OF ECONOMICS

GOVERNMENT COLLEGE KODANCHERY

KOZHIKODE – 673 580

OCTOBER 2018

Dr. C. KRISHNAN
Associate Professor
Department of Economics
Government College Kodanchery
Kozhikode, Kerala – 673580
Email: ckcalicut@rediffmail.com

CERTIFICATE

This is to certify that the thesis entitled **"ORGANISED RETAILING IN INDIA: A STUDY OF ITS TREND, GROWTH AND IMPACT"** is a bonafide research work done by **Mr. SHAREEF. P,** research Scholar for the award of the Degree of Doctor of Philosophy under my guidance and supervision. The thesis is the outcome of his original work and has not formed the basis for the award of any degree, diploma, fellowship or other similar title or recognition of any other University /Institutions.

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I, SHAREEF. P. hereby declare that the thesis entitled **"ORGANISED RETAILING IN INDIA: A STUDY OF ITS TREND, GROWTH AND IMPACT"** submitted to the University of Calicut for the award of the Degree of Doctor of Philosophy in Economics is a bonafide record of research carried out by me during the course of research under the guidance and supervision of Dr. C. Krishnan, Associate Government College Kodanchery.

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DEPT. OF ECONOMICS
KOZHIKODE DIST
Date:........................
GOVT: COLLEGE, KODANCHERY

SHAREEF. P
Research Scholar
Department of Economics

Dr. C. KRISHNAN
Associate Professor
Department of Economics
Government College Kodanchery
Kozhikode, Kerala – 673580
Email: ckcalicut@rediffmail.com

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Kodanchery
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GOVERNMENT COLLEGE, KODANCHERY
KODANCHERY, KOZHIKODE - 673 580

Signature of the Guide 30/10/19

Dr. C. KRISHNAN
M.A., M.Phil., PGDDE., Ph.D
Associate Professor in Economics
Government College, Kodanchery
Kozhikode, Kerala - 673 580

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Place : Kodanchery
Date : 30/10/2019

SHAREEF. P
Research Scholar
Department of Economics

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Shareef. P

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LIST OF ABBREVIATION

AAGR	Average Annual Growth Rate
ASEAN	Association of South East Asian Nations
ANOVA	Analysis of Variation
CAGR	Compound Annual Growth Rate
CGR	Compound Growth Rate
CII	Confederation of Indian Industry
CV	Coefficient of Variation
CFO	Chief Financial Officer
DTH	Direct-to-Home
ECB	European Central Band
FDI	Foreign Direct Investment
FMCG	Fast Moving Consumer Goods
GDP	Gross Domestic Product
GMV	Gross merchandise value
GRDI	Global Retail Development Index
GVA	Gross Value Added
ICRIER	Indian Council for Research on International Economic Relations
IBEF	Indian Brand Equity Foundation
JLL	Jones Lang LaSalle Property Consultant (India) Pvt Ltd
MRP	Maximum Retail Price
MBA	Master of Business Administration
OLS	Ordinary Least Squares
PPP	Purchasing Power Parity
RBI	Reserve Bank of India
SWOT	Strength, weakness, opportunities and threat
SAARC	South Asian Agreement for Regional Co-operation
SDV	Standard Deviation
SEZ	Special Economic Zone
UAE	United Arab Emirates
UAUNCTAD	United Nations Commission for Trade and Development
UNIDO	United Nations Industrial Development Organisations
UNO	United Nations Organisation
WTO	World Trade Organisation

CHAPTER I
INTRODUCTION

1. Introduction

Retailing occupies an eminent position in the economies of all modern societies. India's retail sector is undergoing a tectonic shift over the last twenty years. From the traditional formats, primarily ruled by kirana shops, it is now transforming into large multi-formats like supermarkets, hypermarkets, departmental stores and specialty stores. Retail and wholesale trade is considered as the single largest component of the services sector with regard to its contribution to GDP. It is the largest contributor of employment next to the Agriculture and allied activities. (Joseph M. and Soundararajan N. 2008; Sabnavis M., et al. 2017). It is also to be noted that women are employed in this sector on a large scale. Considering the low work-participation of women in the country, it is crucial that the development of retail sector can promote the work participation rate of this most marginalized section of the society. (Sabnavis M., et al. 2017; Mishra, P. 2017).

Indian retail is dominated by a large number of small retailers consisting of the local kirana shops, owner-operated general stores chemists, footwear shops, apparel shops, paan and beedi shops, hand-cart hawkers, pavement vendors, etc., which together made up the so called traditional retailers. The last three to four years have witnessed the entry of a number of organitsed retailers opening stores in various modern formats in metros and other important cities. These include the supermarkets, hypermarkets and retail chains, and also the privately owned large retail businesses. (Goel, A. 2013; Kumar, K. A. 2014) The sector witnessed tremendous growth with the changing demographics and an improvement in the quality of the life of urban people. The growing affluence of India's consuming class, the emergence of the new entrepreneurs and import of diversified products in the food and grocery space, has driven the current retail boom in the domestic market. (Sinha. R. 2017).

The last few years witnessed immense growth in this sector, the key drivers being changing consumer profile and demographics, increase in the number of international brands available in the Indian market, increasing urbanization, credit availability, improvements in the infrastructure, increasing investments in technology and real estate building with a world class shopping environment for the consumers. In order to keep pace with the increase in demand, there has been a hectic activity in terms of entry of international labels, expansion plan, and focus on technology operations and processes. This has lead to more complex relationships involving suppliers, third party distributors and retailers, which can be dealt with the help of an efficient supply chain. (Akram, H. W. 2014; Kannan, R. 2016). A proper supply chain will help meet the competition head-on, manage the stock availability; supplier relations, new value-added services, cost cutting and most importantly reduce the wastage levels in fresh produce.

The retail industry can broadly be classified into Organised (or modern) and Unorganised (or traditional) retailing. Organised Retail comprises of chain stores, all owned or franchised by a central entity, or a single store that is larger than some cut-off point. The relative uniformity and standardization of retailing is the key attribute of modern retailing. The size of each unit can be small so that a chain of convenience store is modern retail format. A single large department store is also modern retail format. They are characterized by high investment requirements, large premises, trained staff where retailers are licensed and are registered to pay taxes to the government. Unorganised Retail refers to the traditional form of retail often situated near residential areas. It is generally characterized by low rentals, low tax payouts with a majority of it being owner-managed and employing personal capital. It includes formidable mix of conventional kirana shops, general stores, mom-&-pop stores, paan-beedi shops and other small retail outlets. (Joseph, M, N. S., 2008). Being a growth engine in emerging economies, the role of retail industry in employment generation and eradication of poverty need not be overemphasized. It is in this context that this study has been carried out to examine the impact of retail sector in our economy.

1.2 Importance of the study

Retailing is an integral part of our economic structure. Millions of producers produce varieties of products. These products are reaching to the ultimate consumer through retailing. Thus, retailing shapes and has shaped our way of life. Trading of goods had been a part of traditional society. However, in recent times, buying of goods and services has become a much more formalized and brand-dominated activity. The retail sector is being viewed as an important activity in the economy and its significance lies on a number of factors. For instance, retail sector employs a large proportion of the workforce, it accounts a significant proportion of GDP and at the same time, retailers are one among the large and most sophisticated organizations.

An important aspect of the current economic scenario in India is the emergence of organised retail. There has been considerable growth in organised retailing business in recent years and it is poised for much faster growth in the future. Major industrial houses have entered this area and have announced very ambitious future expansion plans. Transnational corporations are also seeking to come to India and set up retail chains in collaboration with big Indian companies. (Jyotsana Chawla, J. et al. 2016). However, opinions are divided on the impact of the growth of organised retail in the country. Concerns have been raised that the growth of organised retailing may have an adverse impact on retailers in the traditional sector. It has also been argued that growth of organised retailing will yield efficiencies in the supply chain, enabling better access to markets to producers including farmers and small producers and enabling higher prices for their products and, lower prices to consumers. In the context of divergent views on the impact of organised retail, it is essential that an in-depth analytical study on the possible effects of organised retailing in India is to be conducted.

1. 3 Scope of the Study

The study is an attempt to analyze the nature and growth of retailing in India and the major determinants of retail growth. India’s retail industry is developing along the economic development which is characterized by rapid urbanization and change in consumer behavior. The sector consists of majority of the traditional retailers and the fast growing modern retailers both of them are growing and modernizing. Since 2011, the government follows a liberal policy towards FDI in the retail sector. In late 2012, the Government of India approved the FDI policy which allowed global retailers to own up to 51 per cent in multi-brand retail and 100 per cent in single brand retail. Hence the study is designed to analyze the nature and growth of retail sector in India. Since the quality of service provided by any organization determines the success of the organization, it is also designed to measure the quality of service provided by the two retail formats.

1. 4 Research problem

An important aspect of current retail scenario of India is the co-existence of both traditional and modern retail formats. Retail market is valued at about USD 672 billion in the 2016-17, out of which organised retail accounts to USD 60 billion which is about 10 per cent of the sector, whereas unorganised retail market holds the rest (IBEF, 2017). Although India's organised retail penetration is much lower compared to other countries such as the United States which has organised retail sector penetration of 85 per cent, the sector is growing at a higher rate than the traditional sector. Substantial studies have been conducted there on various aspects related to the changing consumer behaviour and determinants responsible for retail store choice. Former studies conducted to reveal the shopping behaviour of Indian consumers.

In the study conducted by Singh and Pratyush Tripathi (2012), it was stated that Indian retail sector is witnessing a tremendous change by which the modern retail formats such as super markets, hyper markets, departmental stores and speciality stores are growing. In the report ‘ Indian Retail Change’ (2017) prepared by Confederation of Indian Industry (CII) and Jones Lang LaSalle Property Consultant (India) Pvt Limited discussed the changes taking place in the retail sector which is driven by the change in the consumer behaviour and fuelled by the technological advancements. Most of the studies pointed out that the traditional retail outlets are getting modernized and the modern retailing is growing very fast. The change in the attitudes of Indian consumers and the emergence of organised retail formats resulted in changes in the face of retailing in India (Kusuma, et. al, (2013); Sing, K. (2014) and IBEF (2016) and Mishra P. (2017)). They observed that change in demographic, increase in disposable income changes in the tastes and preferences of the consumers, increase in the working women population and the growing middle class are the major drivers of retail growth.

The studies conducted to analyze the challenges and opportunities of modern retailing in India are also many. In the studies of Anuj Goel (2013), Piyushkumar Sinha et al. (2012), Mathew Joseph, et. al (2008) focused on the impact of modern retailing on traditional retailers in India. Anuradha, A. and Maithili R.P. Singh (2013) argued that the liberal measures towards the FDI in India have enhanced the competition and diversity in the retail sector. They have pointed out the positive outcomes and drawbacks of FDI policy in India. These studies are examining the different dimensions of organized retailing. As we know, the quality of service provided by an organization determines its level of growth. Therefore, with the help of service quality we can analize the growth of different retail formats in a better way. But we cannot see much comprehensive studies analyzing the service quality and growth of organised and unorganized retailing in India. In this context a number of questions arise in connection with retailing. Why modern retailers are growing at a higher rate than the traditional retailers? What are the major determinants of retail growth? Is there any difference in the quality of services provided by traditional and modern retail formats? How does the growth of modern retailing affect the traditional retailers and customers? The study is designed to address this with the following specific objectives in mind.

1.5 Objectives of the study

Based on the above discussions, the following are the specific objectives of this study.

1. To study the nature and growth of retail sector of India
2. To examine the service quality of traditional and modern retailers
3. To study the impact of organised retailers on consumers and traditional retailers.

1.6 Hypothesis

In order to assess the growth of modern retailers and their impact on traditional retailers and consumers, the study has put forward the following hypotheses:

Study hypothesis (Ho)

- There is no significant difference between the service quality of traditional retail formats and modern retail formats.
- There is no significant difference between the service quality parameters of traditional retail formats and modern retail formats
- Policy changes like changes in display, price, store space, self-service facility and credit facility of traditional retail formats are not associated with their sales.

1.7 Methodology and Data Source

The study has used both primary and secondary data. Primary data were collected from the consumers of both modern and traditional formats of retail industry. Similarly, data were also accessed from selected traditional retailers in order to examine the impact of modern retailing on traditional retailing. The study has been conducted in Ernakulum district of Kerala chosen on sound grounds. First of all, Ernakulum is one of the most developed districts in Kerala with 32,79,860 population, Rs.23,020 percapita income and 95.68 per cent literacy rate. Secondly, In the district there are 5 big malls, (Lulu Mall, Oberon Mall, Centre Square Mall, Goodwill Collection, Abad Nucleus Mall and Bay Pride Mall), more than 100 Supermarkets (including Valueprix Supermarket, Lulu Hypermarket, Daily Choice, Big Bazar, Reliance Smart, Reliance Fresh, Bismi Hypermarket, and Veekay Mart), and large number of small retail shops (District Planning office, Ernakulam (2018)). Further traditional retailers and modern retailers are following similar strategies to enhance retail business in different parts of the country.

Customer's behavior in connection with the traditional and modern retail formats are analysed with the help of primary fieldwork. For this, we have selected a sample of 250 customers from the three reputed modern retail malls of the district viz, Lulu Mall, Oberon Mall and Lifestyle Mall at randomly to sudy their service quality. Similarly, 250 customers from the traditional retail segment functioning in the rural and urban centres of the district were also selected at random to study their quality of service. In addition, a sample of 250 traditional retailers was also covered in the survey, selected at random, to assess the impact of modern retailing on them.

Secondary data were also used throughout the study. Both published and unpublished source were made use of. The major sources used in the study were Planet Retail database, ProwessIQ database, Indian Brand Equity Foundation, the Retailer, Central Statistical Organization and some of the major journals like Journal of Retailing, Journal of Marketing, Academy of Management Journal, Management Review and Journal of Marketing Research. Still the secondary sources of data are very much limited.

1.7.1 Tools for Data Collection

Two sets of structured interview schedules were used to elicit information required for the study. The first set was used for the customers of both modern and traditional retail formats. The second set was used for the retailers of the traditional sector. Both the schedules were pre-tested through Pilot survey. The validity and reliability of the instrument was also tested by suitable methods.

The preferences of consumers were measured by using a five-point Likert scale. The SERVQUAL with five variables proposed by Dabholkar, Thorpe and Rentz (1996) was used as an instrument for measuring service quality of retailing. They are Physical aspects, Reliability, Personal interaction, Problem solving and Policy. 23 questions were asked to analyse the service quality of retailing separately from traditional and modern retailing. Further seven more questions were asked to evaluate impact of organised retailers on customers which was also measured by using a five-point scale. The table 1.7.2 shows the conceptual model of the study.

1.7.2 Conceptual Model

Table 1.1

Conceptual Model of the Study

<table>
<tr><td rowspan="8">RETAIL SECTOR</td><td rowspan="4">ORGANISED/MODERN</td><td>Supermarkets</td></tr>
<tr><td>Hypermarkets</td></tr>
<tr><td>Departmental stores</td></tr>
<tr><td>Convenience stores</td></tr>
<tr><td rowspan="4">UNORGANISED/TRADITIONAL</td><td>Owner-operated general stores</td></tr>
<tr><td>Apparel stores</td></tr>
<tr><td>Paan-beedi shops</td></tr>
<tr><td>Street vendors</td></tr>
<tr><td rowspan="4">RETAIL DEVELOPMENT</td><td colspan="2">Quantity and quality of products</td></tr>
<tr><td colspan="2">Price of the commodities</td></tr>
<tr><td colspan="2">Disposable income</td></tr>
<tr><td colspan="2">Service quality</td></tr>
<tr><td rowspan="4">RETAIL SERVICE QUALITY</td><td colspan="2">Physical aspects</td></tr>
<tr><td colspan="2">Reliability</td></tr>
<tr><td colspan="2">Personal interaction</td></tr>
<tr><td colspan="2">Problem solving</td></tr>
</table>

1.7.3 Reliability testing

Cronbach’s Alpha, a statistical index of internal consistency was used to test the reliability of the measurement scale. The main variables of the questionnaire and their respective alpha values are presented in the table 1.2.

Table 1.2

Reliability test

Variables	No. of items	Alpha Value
Physical aspects	5	0.762
Reliability	3	0.702
Personal interaction	8	0.741
Problem solving	3	0.751
Policy	4	0.704

Source: Pilot survey

In most of the social science research situations, the value of the coefficient (alpha value) of 0.70 or higher is considered ‘acceptable’. The table shows that all the alpha values are above or near 0.7 and hence it is proved that the measurement scale has internal consistency.

1. 8 Analysis of Data

The data collected have been analysed by using appropriate mathematical and statistical tools including the descriptive statistical tools like averages, measures of dispersion and growth rates; and the some of the inferential statistical tools such as Trend Analysis, ANOVA, t-test and Chi-square test were used.

1.8.1 Variables used in the study

Quality of service and consumer’s choice are the main variables used in the study. The following table 1.3 indicates the variables used in the study in detail.

Table.1.3

Variables used in the study

<table>
<tr><td rowspan="23">The quality of services:
Traditional and modern retailers</td><td rowspan="5">Physical aspects</td><td>Modern physical facility</td></tr>
<tr><td>Visually appealing materials</td></tr>
<tr><td>Clean and attractive public areas</td></tr>
<tr><td>Store layout for easy selection</td></tr>
<tr><td>Store layout for going around</td></tr>
<tr><td rowspan="3">Reliability</td><td>Keeping promises to do something</td></tr>
<tr><td>Availability of merchandise</td></tr>
<tr><td>Error free transactions</td></tr>
<tr><td rowspan="8">Personal interaction</td><td>Employee’s knowledge</td></tr>
<tr><td>Behavior of employees</td></tr>
<tr><td>Prompt service of employees</td></tr>
<tr><td>Time of service</td></tr>
<tr><td>Response to customers</td></tr>
<tr><td>Individual attention</td></tr>
<tr><td>Employee’s courtesy in the store</td></tr>
<tr><td>Employee’s courtesy on telephone</td></tr>
<tr><td rowspan="3">Problem solving</td><td>Willingness to handle return</td></tr>
<tr><td>Interest in problem solving</td></tr>
<tr><td>Customer complaints</td></tr>
<tr><td rowspan="4">Policy</td><td>Quality of merchandise</td></tr>
<tr><td>Parking facility</td></tr>
<tr><td>Working hours</td></tr>
<tr><td>Acceptance of credit cards</td></tr>
</table>

Impact of organised retailers on consumers	Product varieties
	Quality improvement
	Time and energy saving
	Price reduction
	Product assortment
	Motivation to purchase more
	Increase in consumption expenditure
Impact of organised retailers on traditional retailers	Number of employees
	Sales
	Computerized billing
	Credit card usage
	Change in product lines
	Display
	Self-service
	Home delivery
	Store space

1.8.2 Tools for Data Analysis

The following are the major descriptive and inferential statistical tools used in this study to analyze the data collected.

a) Cronbach's alpha

Cronbach's alpha is a measure of internal consistency, that is, whether a score is reliable or not. It is used on the assumption that when we have multiple of items for measuring the same construct: for instance, in a happiness survey, although we have different questions all asking different things, they combinely meant for the same thing, that is, overall happiness. The test will give us a number in between 0 and 1. The general rule is that a Cronbach's alpha of 0.70 and above is good and the negative score indicates that there is something wrong in that construct.

b) Simple Growth Rate

Simple growth rate is calculated by using the following the formulae.

Growth rate = (Ending Value - Beginning Value) / Beginning Value] expressed in percentage

c) Average Annual Growth Rate (AAGR)

AAGR = (Growth Rate in Period 1 + Growth Rate in Period 2 + Growth Rate in Period 3 + ...+ Growth Rate in Period n) / Number of Periods

d) Compound Annual Growth Rate (CAGR)

The compound annual growth rate (CAGR) is the mean annual growth rate of an investment or output over a specified period of time longer than one year. To calculate compound annual growth rate, divide the value at the end of the period in question by its value at the beginning of that period, raise the result to the power of one divided by the period length, and subtract one from the subsequent result.

$$\text{CAGR} = \left(\frac{\text{Ending Value}}{\text{Beginning Value}}\right)^{\left(\frac{1}{\text{\# of years}}\right)} - 1$$

e) Standard Deviation

The extent of variability in the growth rate of export of major spices over the years, were analyzed through Standard Deviation

f) Method of Least Squares

The method of least square is used to find out the trend. This method is an algebraic device and widely used. It gives us a straight line from which the sum of the deviations on either side will be equal to zero.

g) **Trend Analysis**

Trend analysis uses linear and non-linear regression with time as the explanatory variable. It is a method of time series data analysis involving comparison of the same item such as monthly sales revenue figures over a significantly long period to detect general pattern of relationship between associated variables and to project the future direction of this pattern.

h) One way Analysis of Variance (ANOVA)

The One way Analysis of Variance is used to test the equality of three or more means when the distribution is normally or approximately normally distributed. It uses the F statistics to check whether group means differ.

i) Independent Sample t Test

Independent sample t test is used to compare means for two groups of cases. For this test, the subject should be randomly assigned to two groups. It is a parametric test.

j) Chi – Square Test of Independence

The Chi-Square Test of Independence determines whether there is an association between categorical variables (i.e., whether the variables are independent or related). It is a nonparametric test. This test is also known as Chi-Square Test of Association.

This test utilizes a contingency table to analyze the data. A contingency table (also known as a *cross-tabulation*, *crosstab*, or *two-way table*) is an arrangement in which data is classified according to two categorical variables. The categories for one variable appear in the rows, and the categories for the other variable appear in columns. Each variable must have two or more categories. Each cell reflects the total count of cases for a specific pair of categories.

1.9. Period of Study:

The secondary data relevant for the study were collected for a period of 18 years from 2000 to 2017. The primary data were collected during the period from January to March 2017.

1.10. Operational Definitions

- **Retailing**

Retailing means to all activities involved in selling goods or services directly to final consumers for personal, or non-business use.

- **Unorganised/Traditional retailing**

Unorganised retailing means retailing by the traditional formats of low-cost retailing like local corner shops owner manned general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors, etc.

- **Organised/Modern Retailing**

Modern retailers are usually chain stores, all owned or franchised by a central entity, or a single store that is larger than some cut-off point. The relative uniformity and standardization of retailing is the key attribute of modern retail.

- **E-tailing:**

E-tailing or electronic retailing is the sale of goods and services through the internet.

- **Brick-and-mortar stores**

It is a business or retail outlet that has atleast one physical location. Many customers prefer a brick and mortar store where they can physically view the product before buying it.

- **Omni-channel retailing**

Integration of e-tailing and brick-and-mortar retailing is termed as omni-channel retailing. It provides shoppers a unified experience across offline and online channels.

- **Cutting-edge Technology**

Cutting-edge technology refers to techniques or achievements that employ the most current and high level IT developments. The term commonely used to refer to current and modern technology such as computer and electronic technology.

- **Urban customers:**

People residing in the areas of Corporations, Municipalities and panchayths which fulfill some conditions are treated as Urban (Census of India- 2011). The present study takes the customers from corporation and municipalities as urban.

- **Rural Customers**:

Customers residing in the areas of Panchayaths other than urban are treated as rural.

- **Service Quality:**

Service quality is an indicator of how well a delivered service meets the expectation of the customer. It is calculated by taking the difference between customer perception and customer expectation.

- **SERVQUAL:**

It is a research instrument or model developed by Valerie Zeithml, Leonard Berry and A. Parasuraman for the evaluation of service quality. Initially, they have developed ten dimensions to measure service quality but later, it is reduced to five. Later, in 1996 Dabholkar, Thorpe and Rentz proposed an instrument based on SERVQUAL to measure service quality in a retailing environment.

1.11 Chapter Scheme

The content of the study is presented in seven chapters. The first chapter discusses the overall view of the report. It contains a general introduction, improrance and scope of the study and methodology of the work. In the second chapter, the literature review and theoretical framework have been presented. The reviews are related to the growth of global retail, nature and growth of retail sector in India, impact of organised retailing, FDI in the retail sector and service quality and customer satisfaction in the retail sector. The third chapter provides an overview of the international experience with retailing. The fourth chapter covers the retail sector in India, along with a detailed discussion of the government policies on the sector and their impacts. The fifth chapter examines the service quality of organised as well as the traditional retail formats based on the primary data collected. The sixth chapter discusses the impact of modern retailing on traditional retailers and consumers. The summary of the major findings and conclusions are provided in the last chapter.

1.12 Limitations of the Study

The following are the major limitations of the study.

1. The study analyzed the growth of retail in India and the impact of modern retailing on consumers and traditional retailers. The other crucial areas like the impact of modern retailing on farmers and middleman were not included in the purview of the study.

2. The study is based on samples collected from Ernakulum district alone in the state of Kerala. Hence, the generalizations of the results of the study are of limited.

3. As in many field studies, the errors in response given by the respondants posses a major limitation in this study also.

However, all possible measures have been taken to overcome these limitations and tried to arrive at meaningful inferences.

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CHAPTER II

REVIEW OF LITERATURE

2.1 Introduction

A detailed review of previous studies is highly useful to provide a meaningful insight for further studies. Keeping in view of this idea in mind, we have endeavoured to refer and present the major research findings in the area of retail sector. Being a sunrise sector in India's economic development the policies implementing for the promotion of the retail sector have desirable and undesirable consequences on other sectors as well as the same sector itself. In order to understand the research gap the relevations of earlier studies have been reported on a scientific basis. For the convenience of understanding, this chapter is divided into two sections. In the first section, the theoretical contours of retailing have been explained. Various approaches to trade and some of the major theories with regard to retail development are mentioned in this part. The second section discusses the review of empirical literature on retail development. This part covers the general development in the retail sector in India. Impact of organized retailing on traditional retailing, role of FDI in retailing, the service quality related issues and the studies related to global retailing have been examined in this section.

2.2 Theoretical and Conceptual Frameworks of the study

Analysis of the theoretical framework of retailing is concerned with two types of issues. The first one is the significance of trade and thereby the role of retailing on economic growth and development. The relevance of retailing lies on the significance of trade, both on domestic as well as international trade. Trade is meant for transferring goods and services from producer to ultimate consumer. Retailing implies all activities involved in selling goods or services directly to final consumers for personal or non-business use. Therefore trade becomes meaningful through retailing. And the second one is the growth and development of retailing.

2.2.1 Approaches of Trade and Development

Retailing has emerged from a number of interrelated disciplines including geography, economics, planning, management and marketing. Retailing became an area of academic discussion since it reflects the industry's growing importance and visibility as a contributor to national economic development. The economic thinkers realized the importance of trade during the ancient period itself. The Mercantilist was of the view that a nation can become rich and powerful through international trade. That is by exporting more than import. However, all nations could not simultaneously have an export surplus as one nation could gain at the expense of other nations. Thus they preached economic nationalism and considered trade as a zero-sum game.

The classical theory of international trade, developed by Adam Smith, Ricardo and others, assumed that in equilibrium, relative prices of goods reflected their relative labour cost of production. Adam Smith explained that mutually beneficial trade can takes place if there is absolute advantage. That is, when one nation is more efficient (has an absolute advantage) than the other nation in the production of one commodity but is less efficient than the other (has an absolute disadvantage) in producing a second commodity then both nations can gain by each specializing in the production of the commodity of its absolute advantage and exchanging part of its output with the other nation for the commodity of its absolute disadvantage. By this process, resources can be utilized in the most efficient way and the output of both commodities will rise. However, absolute advantage can explain only a very small part of world trade today. Most of world trade, especially trade among developed countries could not be explained by absolute advantage. It remained for David Ricardo, with the law of comparative advantage, to explain the basis for and the gains from trade. According to the law of comparative advantage, even if one nation is less efficient (has an absolute disadvantage) than the other nation in the production of both commodities, there is still a basis for mutually beneficial trade. The first nation should specialize in the production of and export of the commodity in which its absolute disadvantage is smaller (commodity of its comparative advantage) and import the commodity in which its absolute disadvantage is greater (commodity of its comparative disadvantage). Thus both nations can gain from trade.

A major limitation of the classical theory was its use of labour theory of value. This limitation was removed by Haberler in 1936 in restating the classical theory in terms of 'opportunity cost'. This concept measures the cost of producing one item in terms of forgoing production of some other item.

The effects of international trade on the earnings of laborers and capitalists as well as on international differences in the earnings, was explained by Hecksher-Ohlin's theory. The H-O theory focuses on the difference in the relative abundance of factors of production in various nations as the most important determinant of the difference in relative commodity prices and comparative advantage.

Hecksher-ohlin theory can be expressed in the form of two theorems; first, the so called Hecksher-Ohlin theorem (which deals with and predict the pattern of trade) and the second, the factor price equalization theorem (which deals with the effects of international trade on factor prices)

The H-O theorem postulates that a nation will export the commodity whose production requires the intensive use of the nation's relatively abundant and cheap factor and import the commodity whose production requires the intensive use of the nation's relatively scarce and expensive factor. In short, the relatively labour rich nation exports the relatively labour intensive commodity and imports the relatively capital intensive commodity. Of all the possible reasons for differences in relative commodity prices and comparative advantage among nations the H-O theorem isolates the difference in relative factor abundance or factor endowments among nations as the basic cause or determinant of comparative advantage and international trade.

2.2.2 Theories of Retailing

In recent years the status and quality of retailing are much improved. Theories of retailing explain how different retail formats emerge and mature. As a part of service sector retailing became a major contributor in the national income of developing as well as developed economies. At different times, different retail formats have been popular. New retail formats have often emerged to dominate the retailing scene. Three retailing theories explain how different retail formats emerge, mature and are then replaced by another format. Recently, the status, scope and pace of research within retailing have improved much which is linked to the improved perceptions of the status of retailing. It is due to the emergence of modern retailers such as WalMart, Tesco, Carrefour and Zara, as among the world's largest and most successful companies.

Retailing and Shopping are often used as interchangeable terms. But, it is to be noted that shopping is a consumer act, while retailing is a business system although both are linked together. Therefore the study of consumer behavior is essential for studying the principles of marketing. Although there is no universal theory of shopping there exists universal understanding about the characteristic of shopping behavior. This can be explained under 'Retail Change Theories'.

2.2.2.1 Retail Change Theories

Retailing is said to be a dynamic activity. Retail sector undergoes continous changes as a result of changes in retail environment. One of the major theories which discuss the changes in the retail sector is retail environmental theory. The theory tries to explain developments in the retail industry resulting from changes in the wider environment such as variations in the lifestyle pattern.

2.2.2.1.1 Environmental Theory

Environmental theory states that development in retail industry is as a result of the changes in retail environment such as the changes in the lifestyle of the people. The factors which shape the retail environment include economic, social, political, cultural and demographic factors which affect the retail environment. For example, the impact of relaxation of working hours, increasing acceptance of female labour, changes in the government planning guidelines, etc result tremendous change in retailing. (Reed-International Economics 3rd Edition, Salvatore-International Economics 7th Edition). There are specific examples for explaining how environmental factors influence the development of a particular type of retail format. For example, in 1972, Appel suggested that the success of the import of self-service format from USA to Europe in 1940s was due to environmental conditions. The format was based on price competitiveness which was used as an appropriate method especially during economic downturn. Recently, superstores have transformed grocery retailing marketplace in the UK and now account for the majority of expenditure for each week by UK consumers. Many of the leading grocery retailers have invested in superstores. Large numbers of consumers are shifted to the relatively new form of grocery retailing.

Environmental theory suggests that only those retailers who adopt most appropriate organizational structure and format will survive. It implies that if retailers expand into new markets where there are different environmental conditions in terms of economy and culture they need to adapt in order to succeed. It also implies that if retailers are to survive over time they must respond appropriately to the evolution of the market conditions, otherwise there is possibility of extinction.

The major environmental factors are;

1) Changes related to the consumers:

- Demographic changes - e.g. increase or decrease in population, age groups, racial groups, socio-economic groups, etc.
- Changes in attitudes and preferences to purchasing, brands and products.
- Changes in lifestyle. When time is given more importance, then fast food, telephone banking, online banking and credit card payments are given more importance.

- Economic influences based on real income, confidence, number of women working, etc.

2) Changes in technology

- Use of microwave cookers, food freezers, motor cars, the internet, computer applications to business, just-in-time delivery system, etc.

3) Changes in competition

It includes price and non-price competition. Price competition implies competition by employing appropriate price strategies to secure the market share. Non-price competition focuses on quality, service and promotion.

2.3 Review of Empirical Literature

As a major part of service sector, retail sector is growing day by day. Modern retail formats in the retail industry are growing very rapidly and the existing traditional retailers are trying to modernize their retail business. While reviewing the available literature on retailing it is observed that most of the studies focused on the growth of retailing. A number of leading studies prepared in the form of articles, books, research publications etc. have been reviewed to know the methodology, tools used, and the conclusions drawn in order to identify the area where research vacuum is seen. In this section, review of empirical literature is discussed under three sub-heads which include;

- Studies related to the growth of international retailing,
- Studies related to the growth of retailing in India,
- Studies related to the impact of organised retailers and
- Studies related to the service quality and the customer satisfaction.

2.3.1 Studies related to the growth of international retailing

Retail business all over the world is expanding since 1990’s. During the initial periods of retailing, most of the retailers focussed the retail business in the domestic market and during the later periods they are expanding their business into the foreign market. (Bell et al. 2003). The success stories of the modern retailers like Carrefour WalMart, Royal Ahold and the other multinational companies indicate the similar trend. In this regard, National Retail Federation (2017) identifies top 100 retailers on the basis of sales proceeds and Euler Hermes (2018) has examined the growth of world top 30 companies in the year 2017. In the report of 2016, based on 2015 retail sales, Wall-Mart-Stores (USD 353,108,000), The Kroger Com. (USD 103,878,000), Costco (USD 83,545,000), The Home Depot (USD 79,297,000), Walgreens Boot Alliance (USD 76,604,000), Target (USD 73,266,000), CVS Health (USD 72,151,000), Amazon.com (USD 61,619,000), Albertsons (USD 58,443,000) and Lowe's Companies (USD 57,486,000) were the top 10 companies in the world.

The multi-national companies are utilizing the modern technology consist of quality products, product assortment, better display of products and better shopping experience to attract the customers. The Studies conducted by Euler Hermes (2018) and KPMG (2018) observe the same trend in retailing. They identify that customer experience is more important than over and retailers are striving themselves in the crowded and challenging retail market. Similarly, artificial intelligence becomes another innovation in the sector to provide an attractive and efficient customer experience. The studies underline the fact that the modern customers are more conscious about the services other than the price of the commodities they offer.

2.3.2 Studies related to the growth of retailing in India

Indian retail sector consists of Traditional and modern, the so called organised, retailers. Tata strategic management group (2005) revealed that Indian traditional retail sector is much underdeveloped compared to the emerging markets in Azia, Latin America and Eastern Europe and developed markets like US. They reported that the share of organized retailing in India was around 5 percent in the year 2005 while that was around 85 percent in USA in the same year. Cheema. (2010) also stated that Indian retail sector is dominated by traditional retailers and the modern retail formats like supermarkets, hyper markets, convenience stores, departmental stores, and speciality stores which are growing at a higher rate than the traditional retailers. Modern retailers attracting the attention of new and aspiring consumers by providing better shopping experience to them. They state that growing consumerism is one of the key drivers for growth of retail sector in India.

A business specialist and consulting firm, Deloitte (2011) reported that although there exists large opportunities for the growth of various retail formats in India, more opportunities are there for modern retail formats particularly for super markets, hyper markets and other modern retail formats. Deepika Jhamb and Ravi Kiran (2011); and Sing and Pratyush Tripathi (2012) are also stated that economic growth, changes in demographics, and increase in FDI contributed much towards the growth of retail sector in India. They pointed out that large numbers of mom-n-pop /kirana grocery stores are likely to sustain eventhough there is fierce competition from the modern retailers. They noticed that with regard to the effectiveness of retail business, the location of the retail is most important factor followed by the management style, adequate salary, incentives for achievement, hygienic work environment and the reputation of the business.

They conducted a SWOT analysis in which they found that the major strengths of the organized retail in India are the retail formats, growth of disposable income of the consumers, large number of earning young population, growth of real estate, improvement in infrastructure and huge agricultural sector offering an abundance of raw materials. The weaknesses are the demographic differences, the presence of a significant number of strong and well established players in the sector which limits market entry potential, relatively small domestic market and high real estate and distribution costs. While the opportunities are increasing awareness of the consumers about the products and services, changing consumers’ requirements and lifestyles, innovation for new products and the existence of the private sector in the market. Economic recession, rigid government policies, price competition which puts down their margins and the entry of international players in Indian markets are considered as the major threats in the Indian retail sector.

Deepika Jhamb and Ravi Kiran (2012) discussed various retail formats on the basis of store and products attributes, consumers demography and retailing strategies. They revealed that most of the consumers are inclined to modern retail formats as their income increased. The major attracting factors are the increased quality of products, availiability of varities of brands, product assortment and the store attributes like parking facility, trained sales personnel and security. Their study has shown that the people in the category of zero tax payers prefer to shop from discount stores and convenience stores. Consumers in the category of low tax payers having income between 2 to 5 lakh prefer to shop from malls and convenience stores. While the higher tax paying consumers with income more than 5 lakh prefer to shop from malls and speciality stores. Similarly young consumers and adult consumers between the age group 18-30 and 30-45 prefer to shop from malls and speciality stores. They also tested the product attributes like display of products, warranty, bundling offers and easy availability of products. Further, they reveal that marketing strategies of retailers are very important tool for improving the retail business. Retail strategies like retetion strategies (understanding the customers, customer delight, store image, better environment, attractive merchandising, loyalty programs and customized technology), promotional strategies (customer segmentation, advertisement, personal selling, entertinment facilities, private label brands and after-sale services), image improvement strategies (franchise/joint venture, and training of sales personnel), pricing strategies (free gifts, discount options and festival offers), and competitive strategies (competitive pricing and public relations) are directly contributing to the growth of modern retail formats in India.

Ratna Manikyam (2012) observed that the retail sector has played a phenomenal role throughout the world in increasing the productivity of goods and services. As one of the most dynamic and fast paced industry it accounts for over 10 per cent of the country's GDP and around 8 per cent of the employment. The competition between the traditional and organized retailers led to the development of both of these formats. The main advantage for unorganized retailing is the consumer relationship that runs from generation to generation. The organised retail segment is mainly dominated by the apparel and textile segment followed by food, grocery and beverages. The changing consumerism became a major opportunity for growth of retailing in urban areas. The study highlights that extension of credit facilities by the banking institutions, the growth of telecommunications and a transition state of the economy from developing state to a rapidly developing economy are the major contributors for the growth of different cross section forms of retailing in India. Sunita Sikri and Dipti Wadhwa (2012) observed that Indian retail industry is getting more popular and more organized. Indian retail market accounts 12 per cent of country's GDP and 8 per cent of total employment. The study noticed that the share of organized retailing has increased from 3.5 per cent in the year 2005 to 10 per cent in 2013. The study listed out that maintaining along with international standards, insufficient supply chain management, lack of sufficient retail space, real estate issues, human resource problems, frauds and problems with regand to infrastructure and logistics are the major challenges facing by the retail sector in India.

Kusuma, et. al (2013) discussed that the change in the attitudes of Indian consumers and the emergence of organised retail formats have changed the face of retailing in India. Organised retailing is growing continuously where the customer's requirements are catered to by the trained staff. Now organized retailing becomes an experience characterized by comfort, style and speed. Pawan Kumar (2013) examined that in the era of globalization, retail sector is transforming from traditional to modern. Still they state that modern retailing is not a problem to the traditional retailers as most of the consumers said that they are never stopped visiting kirana stores. They strongly agreed the co-existence of both retail formats. Organized retailing in India is beneficial since it is not alarming to create conflict with unorganized retailing but leads to reshaping of the unorganized stores. They noticed that competition from the unorganized retailers, lack of recognition to retailing as an industry, high cost of real estate, shortage of skilled manpower and policy induced barriers are the major challenges faced by modern retailers in India.

Kamal and Ashish Kumar (2014) noticed that Indian Retail Industry was growing from US$330 billion to US$640 billion during the period 2007 to 2015. As a fastest growing sector in India retailing is a leading source of employment. He pointed out that changes in the consumer behavior, economic growth, growth of earning capacity, less time and fast track life and recent changes in the FDI policy are the major challenges facing the sector. The study highlights that the share of organized retailing comes only 8 percent and the remaining 92 percent is under the unorganized sector. He states further that according to various estimates the share of organized retailing may reach at 20 per cent by 2020. He concludes that the retail sector is developing and the process of shifting from organized to unorganized is going on. Kalpana Sing (2014) also noticed that organized retail penetration is increasing in India’s total trade. Since liberalization, FDI is expected to accelerate organized retail in India. Among organized retail segments, mass grocery and apparel are segments growing faster than other segments. They stated that in next few years, multi-brand organized retail is expected to expand in speciality stores such as consumer electronics, footwear, furniture and furnishing.

Hafiz Waso, et.al (2014) considered retailing in India as the backbone after agriculture since it provides about 35 million job opportunities. Although the share of modern retailing in India is just 5 percent of total retailing during the period, the rising income, high brand consciousness, large brand availability, large space, easy credit availability promising online shopping, relaxation in FDI norms, etc. are some of the factors which led to a new era for modern retailing in India. The organized retail is attracting a huge inward investment in several support industries such as IT, logistics, which strengthens the supply chain in the economy. Indian retail industry has emerged as one of the most dynamic and fast paced industry. The report highlights that India’s retail market is expected to nearly double to US$ 1 trillion by 2020 from US$ 600 billion in 2015, which is due to the change in income, urbanization and attitude. The report quotes that while the overall retail growth is expected to grow about 12 per cent per annum modern retailing is expected to expand twice at 20 per cent as that of traditional retail which is at 10 per cent. India is expected to become the world’s fastest growing e-commerce market as a result of the rapid growth of the sector and increase in the number of internet users. Indian e-commerce sales are expected to reach US$ 55 billion by FY2018 from US$ 14 billion in FY2015. India's e-commerce market is expected to reach US$ 220 billion in terms of gross merchandise value (GMV) and 530 million shoppers by 2025, due to the development of telecommunication networks and adoption of online services and better convenience. In the report (2015) published by JLL pointed out that Indian retail sector is growing at CAGR 13 per cent during the period 2013 – 2018 while the organized retail growth account around 20 per cent for the same period. It is noticed that unorganized retail sector is largely concentrated around the food and grocery segment, while the organized sector has harped on apparels, accessories and lifestyle goods. The report highlighted that growing urbanization, easy availability of credit, rising working and younger population, liberalization of FDI policy and the rising income levels are the major drivers of the retail growth in India. The key trends noticed recently are entry of global retailers, entry of newer retail formats, penetration of modern retail in tier 2 to tier 3 cities and beyond, right strategy drives exceptional sales and e-retailing.

In the retail sector analysis report (2014) published by the Trend limited, India ranked 5th largest retail market in the world. In terms of global retail development, India occupies fourth position among 30 countries. By 2018 the size of Indian retail industry is expected to reach US$ 950 bn. Retail sector can be broadly divided into two: value retailing and lifestyle retailing. Value retailing is typically a low margin-high volume business which primarily includes food and groceries. Lifestyle retailing is a high margin-low volume business which includes apparel and footwear. In this report it is noticed that the major reasons for transition from traditional to modern retailing takes place due to the changing consumer expectations, growing middle class, higher disposable income, preference for luxury goods, and change in demographic mix.

A study was conducted under the leadership of Pinakiranjan Mishra and Kumar Rajagopalan (2014) to evaluate the performance of organized retailers in the Indian market. After surveying 25 retail CFOs presented their report titled '*Pulze of Retail Market'.* The report highlighted that consumerism in India is undergoing an unprecidented growth led by favourable demographic, young and working population, rising per capita income, urbanization and brand orientation. As a result the Indian retail market is expected to grow from US$520 billion in 2013 to grow at a CAGR of 13 percent to reach around US$950 billion by 2018. Organized retailing was at 7.5 per cent which is expected to reach 10 percent by 2018. In 2014 the major agenda of the leading retailers was to balance between growth and profitability. The study classified the driving factors which led to the retail growth in India into three categories: demand side factors, supply side factors and the regulatory factors. Demand side factors include rise in disposable income, increase in urbanisation, highly aware and affluent young population, growing number of working women, and changing consumer preferences. Supply side factors include rapid real estate and infrastructural development, easy availability of credit, innovative physical and online channels and increased service orientation. Regulatory factors include the liberalization of FDI policies in retail coupled with the expected roll-out of the goods and service tax.

An exclusive job portal for MBA's 'iimjobs.com' (2014) reported that Indian retail market has grown at a CAGR of 9 per cent during the period 2008-12. And the organized retail is expected to grow more than 20 per cent during 2012-2020. Apparel contributed the highest share to organized retail demand, followed by telecom and food grocery. The study noticed that growth of disposable income and the favourable demographic may far outweigh the barriers created by the finance constraint and the regulatory complexity. Pinakiranjan Mishra and Kumar Rajagopalan (2014), Rajesh Kannan (2016) and Ramesh Nair (2017) also listed that the favourable demographic, rising income levels and consumption expenditure, changing consumer preferences, growing number of working women population are the driving forces. Similarly, high competition, policy induced barriers, difficulty in the availability of finance, and the real estate related challenges and the shortage of skilled manpower are the major growth restricting factors in the retail market. The study pointed out that now a days the customers are more concerned about retailing experience than in the past and consumer's preference is guided by proximity, availability, quick delivery,and easy return policy. It is also stated that retailers are now trying to attract the customers through all possible ways like off-line, online and through mobile phones. Ramesh Nair (2017) states further that the presence of high streets, like Chandigarh, Lucknow and Bhubaneswar are having their own dynamic in the modern retail world. Similarly, retail centers are emerging in the various parts of the country like Jaipur, Lucknow, and Ahamadabad which are now become retail attractive centers to large retailers and mall developers. Now, with the increased demand for expansion, the country also requires the next generation real estates.

In the report published by India Brand equity Foundation (2016) stated that the Indian retail sector is expected to reach Rs 47 trillion (USD 792.84 billion) by the FY2017. Indian retail sector is expected to grow at a CAGR of 6 per cent to reach USD 865 billion by 2023. Food and grocery contributes a large share in the total retail. Since the liberalization of FDI retail sector became more competent. It was stated that to protect the interest of the small retailers a regulatory framework is to be made to control the predatory pricing and monopoly practices of the retail giants. Rajesh K. et al. (2017) discuss the growth of organized retailing in India and the role of effective supply chain for better performance of retailing. Although Indian retail sector is mostly unorganized, due to the changes in the tastes and preferences of the consumers the sector is developing and getting organized. The study found that organized retailing benefited the suppliers and increased their income.

In the report ‘ Indian Retail Change’ (2017) prepared by Confederation of Indian Industry (CII) and Jones Lang LaSalle Property Consultant (India) Pvt Limited discussed the changes taking place in the retail sector which is driven by the change in the consumer behaviour and fuelled by the technological advancements. As a result of modernization of retailing there is an attempt taking place to merge off-line, on-line shopping centers along with the social media retailing becomes more exciting. Technological advancement and digital innovations created new life to the modern retailing. E-boutique concept store in Netherlands, where customers can view sample cloths and order them online, digital showroom in Amsterdam, where buyers can digitally view through an interactive touch screen linked-up to the huge screen wall every single item in the collection to create customer orders. Retailers are adopting innovative practices for providing better customer experiences by clubbing children’s play areas, theatre, sports and games with shopping. Dubai Mall is the world’s largest shopping mall which has 1200 stores and over 200 restaurants along with. It has a world class Aquarium and Underwater Zoo that features a 270-degree walk through tunnel and an Indoor theme park, and an olympic size ice skating rink. As a result of globalization of retailing international retailers are expanding their units across the world. Demographic change, technological advancement and rapidly changing consumer behaviour are the major drivers of the trend re-shaping global retail. Retailing in India are redefining changes in accordance with the needs of the younger generation. For instance, LULU International Mall, Kochi has 2,500,000 sq. ft. of upscale retail destination with approximately 1,700,000 sq. ft. of retail space, 5,000 sq. ft. ice skating rink, 9-screen multiplex and 2,500 seater food court.

Outlook magazine in the year 2015-16 reveals in the study that Asia is expected to continue as the driver in the growth of retailing in the world. The chance for innovation is in the areas of e-commerce and in new products. Japan, Taiwan and South Korea are the leading electronic firms in the world. China and India are making their power in the consumer industry. Flipkart is an Indian e-commerce firm growing in e-tailing. Panasonic and Sony are Japanese firms leading in the world market. Samsung and LG are Korean firms growing similarly in the world. However, the major challenge for retail development is the existence of protest, unrest and other types of uncertainty existing in many parts of Asia. Similarly regulations and logistics also remain as a challenge in the sector.

Shweta Tyagi, et. al. (April, 2017) conductd a comparative analysis of Retail Sector of India and Australia in which they noticed that retail sector of both India and Australia are booming. In Australia the share of retail sector in GDP is about 4.1 per cent and in India it is more than 13 per cent in the year 2011. Change in the consumer behaviour, favourable demography, growth in income, increase in women population are the major drivers of growth of retail in India. While recently, the appreciation of Australian dollar has resulted retail growth in Australia.

Pinakiranjan Mishra (2017) highlights the emerging dynamics of the vast Indian market. He asserts that the potential growth will lead the economy towards better fortunes. Under the head ‘India growth paradigm’ the report highlights that urban areas are the engines driving India’s growth. By 2020, people will reside in Indian cities; more than 70 per cent of GDP will be generated by urban areas, and 8.8 per cent real GDP growth of urban India during 2015-20 which is 4 per cent higher than rural India. The 50 largest cities have transformed into major consumption hubs. A new wave of metros and mini-metros has emerged. The study projects that the FMCG industry (Fast Moving Consumer Goods) 6-8 per cent annually till 2020 due to the rise in disposable income and steady rise of modern trade channels. India’s retail sector is expected to grow at double digit growth rate due to rise in disposable income, rapid urbanization and growth of organized and online trading. Apparel and footwear are two major segments under the organized retailing. Organized retail share of the national market is expected to rise from 10 per cent in 2015 to 16 per cent by 2020. Indian food industry is emerging as a high growth segment by considering its contribution to global food industry. The contribution of the food industry is expected to reach US$894.98 billion by 2020.

Technopark reported (2017) that in India food sector has emerged as a high growth and high profit sector due to its potential for value addition especially for food processing. The sector is expected to provide direct employment 8.95 to 9 million by the year 2021. Food services market in India including both organized and unorganized sector is estimated at INR 3,37,500 crore in 2017 and is expected to grow at a CAGR of 10 per cent over the next 5 years to reach INR 5,52,000 crore by 2022. The report highlights that the young working population is the major driving force behind the growth and the presence of organized retailers increase the competency in the sector. Moreover, the food industry attracts both domestic as well as international funds for investment. Ritu Sinha (2017) also stated that Indian retail sector has emerged as one of the most dynamic and fast growing sector as a result of the retail reforms introduced by the government and the entry of the new players in the sector. The study also stated that India is expected to become the world’s fastest growing e-commerce market.

Menaga Gandhi and Chinnadorai (2017) tried to analyze the role of unorganized retail in India during these periods of retail development. They stated that Indian retail industry which is composed of unorganized and organized retailers is growing and flourishing. The study has predicted that by 2020 the organized retail is expected to grow from 8 per cent to 20 per cent of total retailing. Neeru Jaswal and Shobna Gupta (2017) Neeru Jaswal and Shobna Gupta (2017) described that Indian retail sector is growing steadily around 11-12 percent due to the change in the attitude of Indian consumers and averwhelming acceptance of the modern retail formats. Furtherm economic growth, changing demography, increase in the disposable income growth of middle class consumers, increase in the working women population the concept of value for money, emerging rural market and change in the tastes and preference of the consumers are the major factors that led to the growth of organized retailing in India. Moreover they listed that competition from unorganized retailers, high price of the real estate, deficiency of infrastructure, shortage of skilled manpower and the policy barriers are the major challenges faced by organized retailers in India. They also states that traditional retailers will co-exist along with the of modern retailers in India due to some of their area of strengths like convenient location, lower investment, credit availability and personal touch with the customers.

Credit Analysis and Research Limited (CARE Ratings) conducted a study and published the report titled '*Indian Retail Industry - Structure and Prospects'* (2017) under the leadership of Madan Sabnavis, et.al. in the report it is stated that Indian retail industry has emerged as one of the most dynamic and fast growing industry due to the entry of the new players in the sector along with the rise in the income levels of the people, growing aspirations, favourable demographics and the easy availability of credit in the economy. The report highlights that over the last two decades the soze, scope and complexity of the retailing has changed considerabily. The study classifies the evolution of modern retailing in India which has been classified into four heads –the initial phase (pre-1990), conceptualization (1990-2005), period of expansion (2005 – 2010) and the phase of consolidation and growth (2010 onwards). The initial phase is charecterized by urbanization, opening up of small stores, domestic textile majors entered into retailing through company owned outlets and a few manufactures like Vimal, Bombay Dyeing, Raymond's, etc, and footwear company like Bata are established. During the conceptualization phase, as a result of the liberalization policy of the government many corporates and the first generation entrepreneurs entered into the retail business. Example, RPG group launched Spencer's in Bangalore in 1991, Raheja's launched Shopper's stop in Mumbai. Expansion phase was characherized by growing share of organized retailing in India. Pantaloons retail (now Future retail) opened 'Home town' and 'E-zone' in 2006, Reliance entered in retail business by opening 'Reliance Fresh' in 2006 are examples. Besides FDI policy liberalized and FDI foreign retailers are allowed 51 per cent share in single brand retail. The period of consolidation and growth is characterized by immense competition in the urban market and expansion of retail outlets in smaller cities and in rural areas and the emergance of online brands. In 2012, FDI policy further liberalized by allowing up to 100 per cent FDI in single brand retail and upto 51 per cent for multi-brand retail. And e-commerce has emerged as one of the major segment of retail.

Aarti Garg and Jaskoron Kaur (2017) examined the growth of retail sector in India. The study also reveals that change in demographic profile, increase in disposable income, change in the tastes and preferences and urbanization are the major driving factors of retail growth. It was estimated that modern retailing is expected to grow 3 times in the next five years from USD 60 billion to USD 180 billion for the period 2015-20. The share of organized retail was estimated to 13 per cent for the year 2019 and 24 per cent by 2020. The growth of online retailing from US$ 6 billion to US$ 70 billion during the period 2015 - 2020. The study has explored the growth of modern retailing under three waves. The first wave (1990s) begins with the opening of a number of shopping centers like speciality retailers and shopping malls in the retail market of the country's top cities especially in metros and in mini-metros. The second wave is charecterized by the emergence of e-tailing and ground work for omni-channel retailing which started in 2010. Infrastructural development, credit and debit cards, online banking, introduction of wallets are the major drivers of these development. The policy of quick delivery, and customer-friendly policy regarding the exchange of goods have improved customer experience much better. Some of the traditional street-side business firms dealing with customers face-to-face service called ‘brick-and-mortar stores’ offer a ‘no questions asked exchange policy’. Some e-tailers offer ‘no questions asked exchange policy’ to encourage online purchasing. The third wave started with the integration of e-tailing and the brick-and mortar retailing which is known as ‘omni-channel retailing’. Now, a number of online retailers have opened physical stores to showcase their products and service the online customers. Such stores became experience centers which offer value added services like trials, instant returns and produt demos. Similarly, a number of traditional brick-and –mortar firms started online service either with their own websites or by tying up with the existing e-tailers like Amazon, Flipcart, Snapdeal, etc. Greatest increase in e-tailing takesplace by the use of mobiles or smart phones.

2. 3. 3 Studies related to the impact of organised retailers

Mathew Joseph, et al. (2008) in the study undertaken by ICRIER estimated that total retail business in India will grow 13 per cent annually during the period 2006-07 to 2011-12. The unorganized retail sector is expected to grow around 10 per cent annually during this period. Organized retail which constituted a low 4 per cent in 2006-07 is estimated to grow at 45 to 50 per cent per annum and attain a 16 per cent share of total retail by 2011-12. The study revealed that the growth of organised retail in India has positive and nagetive effects in the country. Consumers have generally gained from organized retailing through the availability of better quality products, lower prices, one-stop shopping, choice of additional brands and products, family shopping and fresh stocks. One of the surprising findings of the study was that the low income consumers save more than others through shopping at organised retail outlets. It is as a result of the targeted discount shopping. The farmers gain considerably from direct sales to organised retailers rather than selling to intermediaries or to government regulated markets. Large manufactures have also a feeling the competitive impact of organised retailing through both price and payment pressures. Still they see the advantages from a more efficient supply chain and logistics that accompany the growth of organised retail. But, unorganized retailers near to the organized retailers have been adversely affected in terms of their volume of business and profit. In all emerging economies governments have taken policy measures to improve the operating conditions for unorganised retail. They have maintained employment levels perhaps as a result of competitive response. Proximity, goodwill, bargaining, credit sales, favorable timing and home delivery are the favorable things that attract the unorganized retailers to consumers. The study predicted the co-existence of both organized and unorganized retailers and a rapid overall growth in the coming years. Haki Pamuk (2008) stated that the growth of supermarkets have led to decrease in the prices of fast moving consumer goods and enhancement of consumer welfare. But, decrease in the prices of goods adversely affected the traditional retailers.

Piyushkumar Sinha et al. (2012) stated that organized retail market is expected to grow at a compound annual growth rate of 40 per cent during the period 2012-18. Entry of modern retails in different formats including online retailing has affected an irreversible change in consumer habits. The major cause of the change in consumption pattern is the growth of disposable income. The change in the attitude of consumers from brand loyalist to value conscious persons compelled the retailers to ensure better services to their customers. Anuj Goel (2013) accounts that the share of reatil sector in Inida was estimated around 13 – 14 percent of GDP in the year 2013-14. However, it is around 75-80 percent in developed countries. The growth of organised retailing during these years occurred by the rise of shopping malls and other modern retail formats like hypermarkets, superstores and supermarkets. He noticed that nearly in all emerging economies governments have taken policy measures to improve the operating conditions for unorganised retail. Consumers have gained with the organised outlet through the availability of better qualiy and diverse products, lower prices, one stop shopping, family shopping and fresh stocks. Farmers have benefited through direct procurement by organised retailers. Organised retailers are themselves developing through third-party logistics companies on temperature controlled warehouses, cold-chain transport, etc. Large manufactures started to feel the impact of organised retailing through price pressure and competition. In the monthly report (April 2018) prepared by United States Department of Agriculture assets also stated that organised retailing is consolidating along with the prevalent mom and pop format of retailers.

2. 3. 4 Studies related to FDI in Retailing

Akhtar (2013) reminded that FDI has multi-dimensional role in the growth and development of Indian economy. The global flow of FDI has shown a tremendous growth during the period 1991(USD 158.94 billion) to 2008 (USD 1697 billion).The researcher pointed out that FDI supports the process of development by bringing non-debt creating foreign capital resources and advancements in technology, skill and employment opportunities and efficiency in resource allocation. During the pre-liberalization period FDI to India has increased at CAGR of 19.05 per cent while during the post liberalization period FDI has grown at 24.28 per cent. Das (2012) also tried to assess the impact of FDI on economic growth during liberalization period of 1991-2011. He noticed that FDI has played an important role in the process of development of the economy as a source of capital and technology. For accelerating the growth of the economy Government has been following liberalized FDI policies since 1991. He pointed out that India's growth rate has increased about 7 plus per cent as a result of liberalized economic policies. Further, fiscal deficit has decreased from 4.3 per cent in 2002-03 to 2.7 per cent in 2007-08.

Although FDI inflow in India is quite impressive it is below satisfactory level compared to the global flows. The above studies are also noted that a large portion of the foreign inflows are in the form of Brownfield investment. It actually donot imply capital inflows into the country. Under Brownfield type of investment the company or government entity purchases or leases existing production facilities to launch production activity. It is one of the major strategies of foreign direct investment. Its alternative is Greenfield investment. In the case of Greenfield investment a parent company builds its operation in foreign country from the ground level itself. In addition to this, this type of investment includes building up of the new distribution hubs, offices and living quarters. In the article the author further noted that the focus while selecting the type of FDI should not just be on the amount of Greenfield FDI inflows but the nature and magnitude of the positive externalities.

Agarwal Anuradha & Maithili R P Sing, (2013) addressed the growth and future scenario of FDI in Indian Retail Sector since 2011. In late 2012 FDI is allowed upto 51 per cent in multi-brand retail and 100 percent in single brand retail. According to the Indian Retail Report 2013 Indian retail market was estimated to exceed US $750 billion by 2015, which showed strong prospects for foreign players to explore Indian market. The gobal players like Adidas, KFC, Zara, Levis, etc., along with the Indian big business houses like Pantaloons, Aditya Birla group, RPG, etc., the organized retailing looking for a higher share of organized retailing in India. They noticed that increase in the competition among domestic retailers, imrovement in the supply chain, availiability of international brands to the consumers, expansion of employment opportunities and the development of infrastructure are the major advantages of allowing FDI in the Indian retail sector. However, the major drawbacks are large scale displacement of small retailers due to the unfair competition, repatriation of profits outside India, emergence of monopolistic tendencies and unbalanced growth. Jyotsana Chawla (2016) discussed positive and negative impacts of FDI in Indian retail sector. The study pointed out retailing as the last link in the process of supply chain management which occupies a significant position for the manufacturers. The researcher has noticed that the nature of retailing has changed considerably. Now there is no need to go to the store personally. Non-Store retailing like e-tailing as well as store retailing are developing. FDI in the retail sector has increased the competency and efficiency in the market. No doubt, Indian economy is likely to improve much from FDI in retailing, but the small retailers are needed to modernize retailing for maintaining their market share.

2. 3. 4 Studies related to service quality and customer satisfaction.

In this section, an attempt is made to discuss various tools developed to measure the service quality of different service sector undertakings. Parasuraman et al. (1985) developed a tool for measuring the service quality by evaluating how well the service level matches their expectations. They considered 10 dimensions of service quality which are access, reliability, responsiveness, communication, competence, courtesy, credibility, security, understanding and tangibles. They suggested the model to assess service quality in a wide range of service and retailing organisations by assessing consumer expectations and perceptions. From these the perception score and expectation score, the gap score can be measured. In another study, Parasuraman et al. (1988) attempted to analyse the service quality of service industries and retail organizations by using an instrument called SERVQUAL. Twenty Two items are used in this instrument SERVQUAL for assessing the service quality of service industries and retailing organisations. Originally, 10 dimensions of service quality with 97 item instruments were used on the scale. The ten generic variables in the 97 item instruments are Tangibles, Reliability, Responsiveness, Communication, Credibility, Security, Competency, Courtesy, Understanding customers and Access. To find out the reliability of the tool, co-efficient alpha and other tools are used. Finally, the model was redefined into five dimensions of service quality with 22 items. The new five dimensions (three original and two combined dimensions) are Tangibles, Reliability, Responsiveness, Assurance and Empathy. The researchers are recommended to use the model to assess service quality in a wide range of services and retailing organisations by assessing consumer expectation about and perception of service quality.

Kumar et al. (2009) discussed the critical factors for accessing the service quality of banks by re-examining the generic dimensions of SERVQUAL model. The study analysed the relative importance of critical factors to draw together overall gap in the service quality of banks. The study revealed that measuring the relative importance of service quality dimensions consistently will provide insights to the banks and identify the areas to be emphasized and improved to enhance the quality of service from customer perspectives and provides the guidelines for the banks to develop proper strategies to accommodate the changes consistent with the changing behaviour of the customers. The modified SERVQUAL model presented by the researchers consists of 4 critical dimensions such as tangibility, reliability, competence and convenience. It employed the factor analysis for this purpose. The study revealed that there is a statistically significant difference between the expectations and perceptions of the respondents. The element tangibles got the smallest gap score among the four service quality elements. The largest gap between customer expectations and perception was indicated by the dimension convenience. The study suggested that the banking sector can improve their performance by fulfilling the expectations of the customers and by providing better banking facilities.

Krishna Naik et al. (2010) stated that service quality is a major determinant of customer satisfaction. The researchers used SERVQUAL to analyze the gap between perceptions and expectations of the customers which has five dimensions such as tangibility, reliability, responsiveness, empathy and assurance. Le Na (2009-10) employed three models SERVQUAL, HOLSERV and LODGING QUALITY INDEX to measure the service quality and customer satisfaction in the hotel industry. Ten dimensions of service quality which includes access, reliability, responsiveness, communication, competence, courtesy, credibility, security, understanding and tangibles are used to measure the service quality as the tools of SERVQUAL. From these 10 dimensions, 97 items of SERVQUAL instrument was generated. After combining and shortening it 22 items are selected. Each of the items is further divided into two measures; one expectation and the other perception about the organization. Seven point likert scale measure was selected. The gap score is to be measured and service quality maximised by maximising the positive gap score (G=P-E). HOLSERV is a new format of SERVQUAL which is used as a reliable instrument especially for hotel industry. HOLSERV uses the seven-point rating scale (1 = very poor and 7 = excellent) that is easier for customers to answer the questionnaire. Here different types of questions are proposed to ask in the case of different levels of hotels.

Jenet Manyi Agbor (2011) pointed out that since customers are one of the major stakeholders in any organization the quality of service provided by the organization determines their success. The author used the tool SERVQUAL to measure the relationship between customer satisfaction and service quality with the help of the data collected from customers from Umea University. He used the variables responsiveness, empathy and reliability to measure the service quality. The result of the study showed that reliability and empathy were significantly related to customer satisfaction but, responsiveness was not significantly related. But, the group result showed that responsiveness, empathy and reliability are closely related to the service quality.

Mohammad Adil (2013) conducted a study to determine the service quality and customer satisfaction in India’s rural banking sector. He asserts that service quality and customer satisfaction are the crucial issue for managerial planning. He employed a five dimensional performance scale for measuring service quality, based on seven point likert scale. That is, the SERVPERF-measuring instrument developed by Cronin and Taylor (1992). We, therefore, measure banks’ service quality using 22 items based on an expanded list of five dimensions: (i) tangibles (four items), (ii) reliability (five items), (iii) responsiveness (four items), (iv) assurance (four items), and (v) empathy (five items), while customer satisfaction is measured with a single item. The study has shown that the rural customers reported high levels of perceived service quality. The study concludes that the service quality of rural bank service is very high since the individual means score of each dimension is greater than 4. The ranking given by the respondents were reliability (mean = 4.81), assurance (4.79). Responsiveness (mean score of 3.39). The regression analysis revealed that reliability (β = 0.303) and assurance (β = 0.281) were the significant predictors of overall customer satisfaction. Josua Selvakumar (2015) examined the effect of service quality determinants on the degree customer satisfaction of private and public banks in India. The model incorporated all the five determinants of the service quality Tangibility, Reliability, Responsiveness, Assurance and Empathy. The measurement scale is used with reference to SERVQUAL model. The gap analysis is used to find the difference between customers' expected service performance and actual service performance.

Asya Archakova (2013) conducted a study to find out the service quality and customer satisfaction by surveying the company X by using the instrument SERVQUAL with five dimensions – tangibles, reliability, responsiveness, assurance and empathy. Four types of gaps such as promotional gap, understanding gap, procedural gap, behavioural gap and perception gap are measured. Customer's opinion with regard to employees effectiveness, check-out procedure, service expectations in occurred issues related to the returned or damaged goods and rejected invoice receipts, product quality, service quality satisfaction level , image of the company and product assortment are recorded.

Darshan Parikh (June, 2016) stated that the success of organised retailing in India mainly depends on the delivery of services through quality improvements. He employed the instrument SERVQUAL to assess the service quality of organised retailing and also examined the reliability of the scale. In the study he measured the perception score and gap score for this purpose. In order to test the reliability of the instrument 'Cronbach's coefficient α' was computed by using the data on perceptions, expectations and the gap between perceptions and expectations. He concluded that the overall reliability of the instrument in all the three cases was quite satisfactory. In his study the negative gap score indicates that the service quality of retail stores at an overall level falls far behind the customer expectations.

2.4 Summing up

The theoretical development and the determinants of growth of retailing according to various theories as explained above points out the changes takes place as the sector develops. The existing format undergoes both quantitative and qualitative changes. New format emerges with new technologies. The competition among them further leads to progressive changes in the sector. Electronic weighing machines, Introduction of computerized billing, credit cards and debit cards, etc. are to be viewed in these lines. In this sense we are able to analyze the growth and development of both the traditional and modern retail sector in India. From the aforesaid empirical studies it is clear that Indian retail sector is growing which consists of majority of the traditional retailers and the more dynamic and fast growing modern retailers. The major reasons for the growth of organized retailing in India are higher literacy, rise in working women population, increasing disposable income, growing middle class, change in the lifestyle and change in the attitude of the people and changes in FDI policies in India.

2.5 Research Gap

The study conducted an extensive review on various aspects of retailing. Some of the studies discussed the nature of growth of retail in India. They pointed out that retail sector is growing and organized retail is growing at higher rate than the traditional retail due to the attractions of physical facilities, diversity of products, product assortments and services of the trained staff. A few studies discusses the impact of organized retailers on customers, farmers and on unorganised retailers. Some others addressed the growing and future scenario of FDI in Indian retail sector. They observed the growth of FDI in retail sector of India due to the untapped potentials of the economy along with the liberal policies followed by the government in recent years. Some of the studies explored the prospects of e-ommerce. Online retailing is growing very fast and there is an attempt to merge off-life and on-line shopping centers along with social media retailing. Some studies dealt with the service quality and customer satisfaction in service industries including banking, hotel industry and a few studies in retailing. Since retail business is a service activity, growth of retail sector can be better evaluated with the help of the measurement of service quality of retailing. There is no much theories which discuss the growth of the retail sector in India along with the service quality of various retail formats and the impact of organized retailers on customers and unorganized retailers. This study is relevant in these respects.

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CHAPTER III

INTERNATIONAL EXPERIENCE WITH RETAILING – AN INTROSPECTION

3.1 INTRODUCTION

Retailing is an integral part of our economy which determines the way of life of the people. Even from the traditional societies the trading of goods has always been a part of their life. In recent times, the industry has developed much and trading of products has become a more formalized and brand-dominated activity. Now retailing accounts for a significant share in the GDP, a major share in the total workforce and functioning among the most sophisticated organizations. Global retail industry was valued at USD 23460 billion in the year 2017 and is expected to reach USD 31880.8 billion by 2023 (motorintelligence.com, 2018). The market provides products such as food, apparel, furniture, jewellery, and various items. Now, the consumers can shop the products from stores or from non-store formats. Major forms of stores are specialty stores, department stores, supermarkets, convenience stores, discount stores, off-price retailers, factory outlets, warehouse clubs, superstores and hypermarkets. Non-store retailing includes direct selling, direct marketing, which includes telemarketing and internet selling or e-tailing, automatic vending and buying services. In this chapter, an attempt is made to discuss the growth and opportunities of retail under three sections. After the introduction, the second section provides a brief analysis of the performance of retail industry across the geographies and among product sectors of 250 largest retailers around the world. It also lists out the top 10 retailers and the new entrants to the top 250. Developments takes place in the retail sector of the world and characteristics of the stores of future are also discussed in the third section. The fourth section discusses the growth of retail in developing countries based on the GRDI 2016.

3.2 GLOBAL POWERS OF RETAILING

Deloittee, in the study conducted in 2018, identifies the 250 largest retailers around the world based on publically available data for the year 2016 (fiscal years ended through June 2017), and analyzes their performance across geographies and product sectors. It also provides the list of 50 fastest-growing retailers and new entrants to the Top 250.

3.2.1 Retail Change

The retail sector is growing and transforming. The retailers are so developed that now the consumers can shop from any place and at any time. Shopping can be done off-line, that is, from retail shops, or online or by using telephone. Retailers are making transformative changes to attract the customers. The service standards of the retailers, especially that of modern retailers have improved much by employing educated and trained personnel. Some of the retailers are losing their customers due to the competition from modern retailing. In the US, about 6,885 stores are closed by December 2017. Some of the stores across the globe closed their unprofitable stores to focus on their most productive and profitable locations. Adaptation, innovation, collaboration, consolidation, integration and automation are the major techniques employed by the retailers for succeeding in the retail business. We can notice the signs of developments of science and technology in retailing.

3.2.1.1 Building world class digital capabilities

Retailers are utilizing multiple facilities for retailing. We can identify this fact while analyzing the success stories of the modern retailers. Digital interactions influence retailing to a large extent. That is, people who shop by using different methods such as online, mobile and visits to a physical store spend more than double than those who shop only at bricks-and-mortar stores. The retailers are combining the traditional methods along with digital facilities. A study conducted by FoodBev Media (2017) reveals that global grocery sales through e-commerce channels jumped 30 percent in the year 2015. The countries leading with reasonable growth were China (52 per cent), South Korea (41 per cent), the UK (8 per cent), France (7 per cent), and Japan and the US (both 5 per cent each). China is the world's dominant e-commerce and mobile market. Two of the top three fastest-growing retailers in 2016 were China-based e-commerce retailers Vipshop and JD.com.

3.2.1.2 Creating unique in-store experiences

Modern retailers try to provide unique and compelling in-store experiences. In order to compete with the traditional retailers and with the online retailers meaningful customer experience and brand engagement are crucial. For this they are accommodating the latest technologies with regard to product varieties, assortments, displays, physical facilities, payment methods, parking, etc.

Today's younger consumers shop differently than previous generations. They are more educated, their digital awareness is relatively higher than that of previous generations and they are socially conscious and more affluent. The major requirements of the young consumers are: good quality products: products which offer value for money, customer service: knowledgeable staff, they are able and willing to assist the customers, and sustainability: the sources of the products are to be sustainable, new alternative materials and transparent supply chains. The long term success of business depends up on how much of these requirements are fulfilled. To satisfy the customers, the retailers are accommodating these things in mind and trying to provide better quality products at reasonable prices, branded products, better in-store experiences and employing modern technology for billing and transactions.

3.2.2 Major economic trends

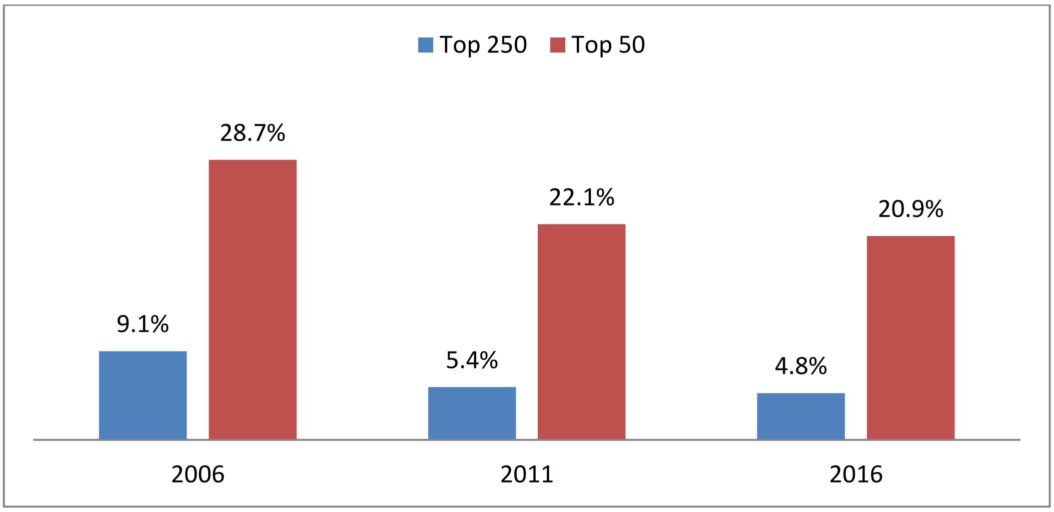
The global economy is now under relatively strong growth rate and better circumstances. Growth has been accelerated in most of the developed countries like United States, Europe, Japan and China and revived in many of the emerging markets. Inflation remain low in most of the countries, asset prices have increased, central banks of the countries following relatively easier monetary policies. Although the business condition is favorable after the global recession of 2009, the economy is not free from risks. Potential asset price bubbles, protectionist sentiments, risks associated with tightening monetary policy in different locations simultaneously, political malfunction, fragmentation and geographical tensions are some of the visible risks. Strong economic growth is most welcome to retailers. But, at the same time, the negative consequences of the rise in inequality must be considered. Moreover, changes in the propensity to consume should also to be noticed for maintaining a reasonable global growth rate. In this section, we discussed major economic trends in different parts of the world.

1 Slow growth in developed economies

Economic growth in the major advanced economies was moderate in the past decade, at least compared with the past. This largely reflects the impact of demographics. Working-age populations are rising more slowly, or not at all, in many countries. Despite low productivity growth, economic growth has been sufficient to generate full employment in several countries including the US, Japan, and Germany. Moreover, unemployment is coming down in many other countries. The thing to be noted is that it has not generated much inflation, thus it can probably be sustained for a good deal longer.

In the following figure a comparison is made between top 50 and top 250 retailers of the world on the basis of compound annual growth rates.

Figure 3.1 CAGR of Top 250 Retailers over 15 years.



Source: Deloitte Touche Tohmatsu Limited. Global Powers of Retailing 2003 (for FY2001 data), 2008 (FY2006 data), 2013 (FY2011 data) and 2018 (FY2016 data).

The figure 3.1 shows that CAGR of retail revenue of top 250 retailers has decreased from 9.1 per cent in the year 2006 to 4.8 per cent in 2016. Similarly, in the case of top 50 retailers, CAGR of retail revenue has decreased relatively less rate from 28.7 per cent in the financial year 2006 to 20.9 per cent in the year 2016.

2. Low inflation, although labour markets are not flexible

In many markets, wages have remained relatively dormant although labour market remains tightened. This has been especially true in the US, Japan, and Germany, and is a source of concern for central bankers. Normally, a tight labour market would generate wage pressures due to a shortage of labour, leading businesses to invest in labour saving technology that would generate productivity gains. This is not happening. Rather, the greater availability of jobs has caused labour force participation to rise in several markets, thus suppressing wage gains. Plus, an evident deflationary psychology has prevented workers from seeking large wage gains. This cannot go on forever and, eventually, wages will accelerate leading to higher inflation. It is this expectation that is leading central banks to either tighten monetary policy or signal an intention to tighten. The speed at which such tightening takes place will be important, and will depend on future information concerning inflation, employment, and government policies on taxes and spending.

3. Risk to asset price with monetary policy tightening

For the last several years, most of the world economy followed loose monetary policy. It has entailed historically low interest rates with the result investors have been on the hunt for yield. This in turn, has contributed to the sharp rise in asset prices including equities, bonds, and property. From a retail perspective, the rise in wealth has been good in that it stimulates consumer spending, especially at the upper end of the income spectrum. However, the risk lies when the interest rates raise quickly, asset prices could collapse, leading not only to a loss of wealth but to troubles in credit markets.

3.2.3 Major Markets

United States

The overall economic situation in the US is going well during the period. Growth is modest in the economy. Inflation and cost of borrowing remains low. Asset prices have risen steadily without much fluctuation. In spite of this, there exist several potential risks. First, consumer spending has been growing significantly than the growth of household income. This was made possible by reduced saving and increased borrowing. The problem is that it cannot be sustained indefinitely. Unless wages begin to rise, the massive consumer sector will soon decelerate. Second, some analysts argue that asset prices are volatile, having the characteristics of a bubble. So, when the Federal Reserve increases interest rates sufficiently, asset prices will fall. That will lead to the loss of wealth for consumers and stress in the credit markets will increase. Finally, the US Administration is threatening to take significant protectionist measures to save jobs. It is likely be an increase in consumer prices and a resulting drop in consumer purchasing power. In addition, protectionism would increase costs for businesses and compel many to redesign their supply chains and reduce the economic growth.

United Kingdom

UK has experienced a decline in the value of pound since the Brexit resolution. As a result import prices have increased, which in turn, increased the inflation in the country. Consequently, real consumer spending power has declined. Thus retail sales in the UK have faltered. Although the pound has recovered slightly, the damage remains. Moreover, there exist uncertainty about the ultimate shape of Brexit and its impact on investment. Thus the growth outlook for the UK is moderate.

Euro zone

On per capita basis, the Euro zone economy is growing more rapidly than the US. Germany, Spain, and the Netherlands have been grown considerably. It is said that due to the aggressive monetary policy of the European Central Bank (ECB), the countries are growing. France is recovering and Italy is starting to show signs of improvement. Decrease in the cost of borrowing resulted in an increase in asset prices. The value of Euro has increased which increased European exports. Moreover, unemployment is still relatively high in some countries. It is possible for the regional economy to grow rapidly simply by providing more employment opportunities. Inflation has remained still low the region due to limited wage pressures, a modest recap in the euro, and continued deflationary situation. Consequently, it appears likely that the ECB will retain a relatively easy monetary policy in 2018.

China

China's economy has been growing at a modest pace. The overvalued currency and deteriorating demographics are preventing growth. China's working-age population remains more or less stable. The rise in demand for labour is leading to a shortage of labour and rising labour costs. The government has taken various measures to stimulate growth. This has led to an increase in investment in the country. Consumer spending remains a relatively small share of GDP in China although consumer market is expanding compared with most other major economies.

Japan

The Japanese economy is recovering after a period of stagnation. The economic policy followed in the country has largely entailed an aggressive monetary policy that has suppressed the value of the Yen, boosted inflation and asset prices, and kept borrowing costs low. One of the notable impacts has been an improvement in the competitiveness of exports. On the other hand, despite an extremely tight labour market, wages have not yet accelerated. Consequently, consumer spending has grown only modestly. Japanese economy benefits from a strong global economy. And, therefore, growth should be strong in the coming years also. The biggest problems facing the country are the aging population and the rapidly declining working-age population.

Other Countries

Economic growth has increased in most of the emerging markets other than China. In many countries like Russia, Brazil, Turkey, Indonesia, Argentina and Nigeria there had been an economic recession characterized by declining commodity prices, declining local currencies, rising inflation and tightening monetary policy which has led to economic shutdown. Then the things have been reversed in a positive way. Commodity prices have stabilized, inflation has reduced, monetary policy has loosened and the economic growth has strengthened.

In India, however, things are happening somewhat differently. Here, growth was strong all along due to the fact that the country is not dependent on commodity exports. Favourable growth was due to the reform-oriented government that stimulated investment and favourable demographics. Lately, growth has decelerated owing to the temporary effect of structural changes and also due to reforms such as demonetization and implementation of a new goods and services tax. Yet the longer-term outlook remains strong, especially as these structural reforms are likely to have a positive long-term benefit.

Another exception is Mexico. There the growth is strongly related its relationship with the US. Already growth has decelerated. Most of the emerging markets are having the attributes like favourable demographics, strong institutional protection of property rights and a system for adjudicating disputes, good and improving infrastructure, a sound financial system that provides capital to entrepreneurs and innovators, and relatively open markets, especially openness to foreign capital.

3.2.4 The Global Powers of Top 10 Retailers

Major details of top 10 retailers of the world, including total retail revenue, revenue growth, net profit margin and percentage retail revenue from foreign operations, in the year 2016 are given in table 3.1.

Table 3.1

Top 10 Retailers (2016)

Top 250 Rank	Name of the Company	Country of Origin	FY2016 Retail revenue (US$M)	FY2016 Retail revenue growth (%)	FY2016 Net Profit margin (%)	FY2011-2016 Retail revenue CAGR* (%)	Countries of operation	% retail revenue from foreign operation (%)
1	Wall-Mart Stores, Inc	US	485,873 (35.84)	0.8	2.9	1.7	29	24.3
2	Costco Wholesale Corporation	US	118,719 (8.76)	2.2	2.0	6.0	10	27.1
3	The Kroger Co.	US	115,337 (8.51)	5.0	1.7	5.0	1	0.0
4	Schwarz Group	Germany	99,256 (7.32)	5.3	NA	7.3	27	61.7
5	Walgreens Boots Alliance, Inc	US	97,058 (7.16)	8.3	3.6	6.1	10	13.7
6	Amazon.com, Inc	US	94,665 (6.98)	19.4	1.7	17.6	14	36.8
7	The Home Depot, Inc	US	94,595 (6.98)	6.9	8.4	6.1	4	8.5
8	Aldi Group	Germany	84,923[e] (6.26)	4.8	NA	7.7	17	67.0
9	Carrefour S.A.	France	84,131 (6.21)	-0.4	1.1	-1.1	34	53.2
10	CVS Health Corporation	US	81,100 (5.98)	12.6	3.0	6.4	3	0.8
Top 10[1]			1,355,656	4.5	3.0	4.5	14.9[2]	27.3
Top 250[1]			4,410,828	4.1	3.2	4.8	10.0[2]	22.5
Top 10 share of Top 250 revenue			30.7 %					

*Compound annual growth rate [1] Sales-weighted, currency-adjusted composites [2] Average e = estimate NA = not available

Note:-Values in brackets are in percentages out of total revenue of top 10 retailers

Source: Deloitte Touche Tohmatsu Limited. Global Powers of Retailing 2018. Analysis of financial performance and operations for fiscal years ended through June 2017 using company annual reports, Planet Retail database and other public sources.

The world's Top 10 retailers continue to contribute a bigger share of industry sales, capturing 30.7 per cent of the overall Top 250's retail revenue in financial year 2016. Among the world's top 10 companies 7 companies are from USA, 2 from Germany and One from France. Walmart stores, Inc is the top 1 company contributing retail revenue of US$M 485,873 in the financial year 2016 which is around 35.84 percent share of the top 10 company's revenue. It is also interesting to note that 7 out of 10 companies have 10 or more countries as area of operation, for instance, Walmart in 29 countries and Carrefour in 34 countries. The Kroger is the only company whose business is limited only within United States. Three companies out of the top 10, Schwarz Group, Aldi Group and Carrefour are securing more than 50 per cent of their total revenue from foreign countries. Similarly, 6 out of the top10 companies in the world are receiving more than 20 per cent of their total revenue from foreign countries. The average net profit margin of the top 10 companies in 2016 is around 3 per cent which is slightly lower than that of top 250 companies in the world.

3.2.5 Global Powers of Retailing Top 250

In this part an attempt is made to provide a brief analysis about the top 250 companies in the world during the financial year 2016. The details of revenue, growth and the profit rate are shown in table 3.2.

Table 3.2

Comparison of the Top 250 companies between 2015 and 2016

	2015	2016
Aggregate retail revenue of Top 250	US$4.31 trillion	US$4.41 trillion
Average size of Top 250 (retail revenue)	US$17.2 billion	US$17.6 billion
5-year composite compound annual growth rate in retail revenue (in percentage)	5.0	4.8
Composite net profit margin (in percentage)	3.0	3.2
Average number of countries with retail operations per company	10.1	10.0
Share of Top 250 aggregate retail revenue from foreign operations (in percentage)	22.8	22.5

Source: Ibid.

The table shows that aggregate retail revenue of Top 250 companies in the year 2016 has increased from US$4.31 trillion in 2015 to US$4.41 trillion which accounts to a 2.32 per cent growth. Similarly, average retail revenue has increased from US$17.2 billion in the year 2015 to US$17.6 billion in 2016 at 2.325 per cent. However, the five year composite compounded annual growth rate has slightly decreased from 5 per cent in the year 2015 to 4.8 per cent in 2016. The composite net profit margin has increased from 3 per cent to 3.2 per cent during this period. Average number of countries with retail operations per company and share of Top 250 aggregate retail revenue from foreign operation almost remain the same during the years 2015 and 2016.

3.2.6 Geographic Analysis of Top 250

For the purpose of area-wise analysis companies are assigned to a region based on the location of the headquarters. Generally, the company's sales are accounted from the region where their headquarters are situated, although many of the companies derive sales from outside the region. The details are presented in table 3.3

Table 3.3

Geographic analysis of Top 250 retailers in the year 2016

	Number of companies	Average retail revenue (US$M)	Share of Top 250 companies (in%)	Share of Top 250 revenue (in%)	retail revenue from foreign operations (in%)
Top 250	250	$17,643	100.0	100.0	22.5
Africa/Middle East	10	$6,789	**4.0**	**1.5**	**34.7**
Asia Pacific	63	$10,813	**25.2**	**15.4**	**9.4**
-China/Hong Kong	14	$11,610	5.6	3.7	13.7
-Japan	32	$9,901	12.8	7.2	8.9
-Other Asia Pacific	17	$11,873	6.8	4.6	6.7
Europe	82	$18,185	**32.8**	**33.8**	**40.6**
-France	12	$29,064	4.8	7.9	45.1
-Germany	17	$25,000	6.8	9.6	47.2
-UK	12	$17, 896	4.8	4.9	16.9
-Other Europe	41	$12,261	16.4	11.4	42.1
Latin America	8	$7,834	**3.2**	**1.4**	**23.8**
North America	87	$24,228	**34.8**	**47.8**	**13.6**
-US	80	$25,203	32.0	45.7	13.7

Note: Results reflect Top 250 retailers headquartered in each region/country [1] China and Hong Kong are considered as a single country for this analysis

Source: Ibid.

The table highlights that the share of the Top 250 companies is more or less equal in the financial year 2016, in the case of Europe and North America, where the percentage share is 32.8 and 34.8 respectively. The percentage share of companies is lowest in the case of Latin America which is 3.2 per cent, while the share of

Africa/Middle East is 4 per cent. China and Hong Kong is considered as a single country for this analysis and the group 'Others' in Asia Pacific nations include India, Indonesia, South Korea, and Thailand. But the percentage share of revenue in the Top 250 retailers is highest in the geographical area of North America, which is about 47.8 per cent, and it is relatively low in the case of both Lain America and Africa/Middle East which is 1.4 and 1.5 per cent respectively. The percentage share of retail revenue from foreign operation is highest in the case of Europe which about 40.6 per cent.

3.2.7 Product Sector Analysis

In this section product analysis is done on the bases of primary retail product sectors and by geography. The four sectors used for analysis are apparel and accessories, fast moving consumer goods, hardlines and leisure goods and diversified. A company is assigned to a specific product sector if at least half of its retail revenue is derived from that sector. If none of these three product sectors accounts for at least half of the retail revenue, it is termed to as diversified. The information in this regard is portrayed in table 3.4

Table 3.4

Product sector profile in the year 2016

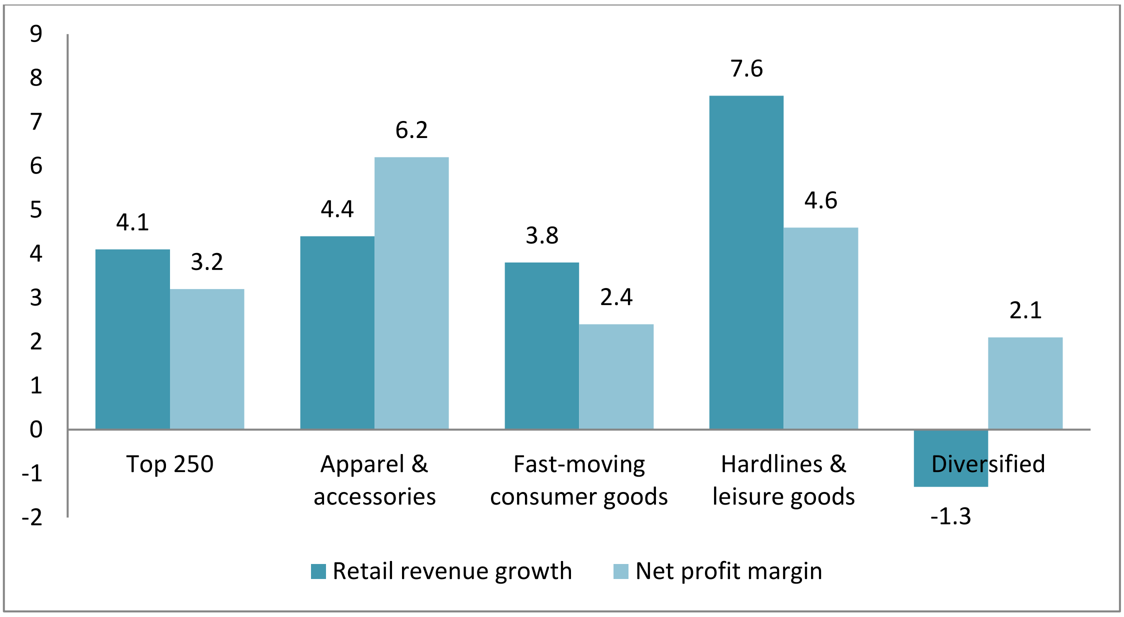
	Number of companies	Average retail revenue (US$M)	Share of top 250 companies (Values in %)	Share of top 250 revenue (Values in %)	% retail revenue from foreign operations (Values in %)
Top 250	250	17,643	100.0	100.0	22.5
Apparel and accessories	43	10,055	17.2	9.8	35.1
Fast-moving consumer goods	135	21,685	54.0	66.4	21.1
Hardlines and leisure goods	51	14,698	20.4	17.0	22.4
Diversified	21	14,354	8.4	6.8	20.4

Source: Ibid.

The share of Top 250 companies as well as the share of Top 250 revenues is highest in the case of fast moving consumer goods. In the case of all these four product sectors, retail revenue from foreign operations is greater than 20 per cent, and it is highest in the case of the fast moving consumer goods sector.

The figure 3.2 indicates the retail revenue growth and net profit margin of the product sectors of the Top 250 companies.

Figure: 3. 2 Retail revenue growth and profitability by the product sectors in year 2016



Source: Ibid

In the case of 'apparel and accessories' and 'hardlines and leisure goods' retail revenue growth in the year 2016 is greater than the average growth of Top 250 companies. In this year, only the diversified sector shows a negative growth rate. Net profit margin is highest in the case of apparel and accessories.

3.2.8 New Entrants in the Top 250

A review of the new entrants in the Top 250 retailers in the year 2016 is discussed below. The details are shown in the table 3.5

Table: 3. 5

New Entrants in Top 250 in the year 2016

Top 250 rank	Name of the company	Country of origin	Dominant operational format	FY2016 Retail revenue growth (in %)
189	Reliance Industries Limited/ Reliance Retail	India	Supermarket	59.2
198	Save-A-Lot	US	Discount Store	NE
218	JB Hi-Fi Limited	Australia	Electronics Specialty	42.3
227	Zalando SE	Germany	Non-store	23.0
231	Sugi Holdings Co., Ltd.	Japan	Drug Store / Pharmacy	4.2
236	Heiwado Co., Ltd.	Japan	Hypermarket/Supercenter/ Superstore	0.1
240	Bass Pro Group, LLC	US	Other Specialty	22.4
241	East Japan Railway Company (JR East)	Japan	Convenience/Forecourt Store	-0.1
247	Migros Ticaret A.Ş.	Turkey	Supermarket	17.8
250	Intersport Deutschland eG	Germany	Other Specialty	4.5

NE = not in existence (created by merger or divestiture)

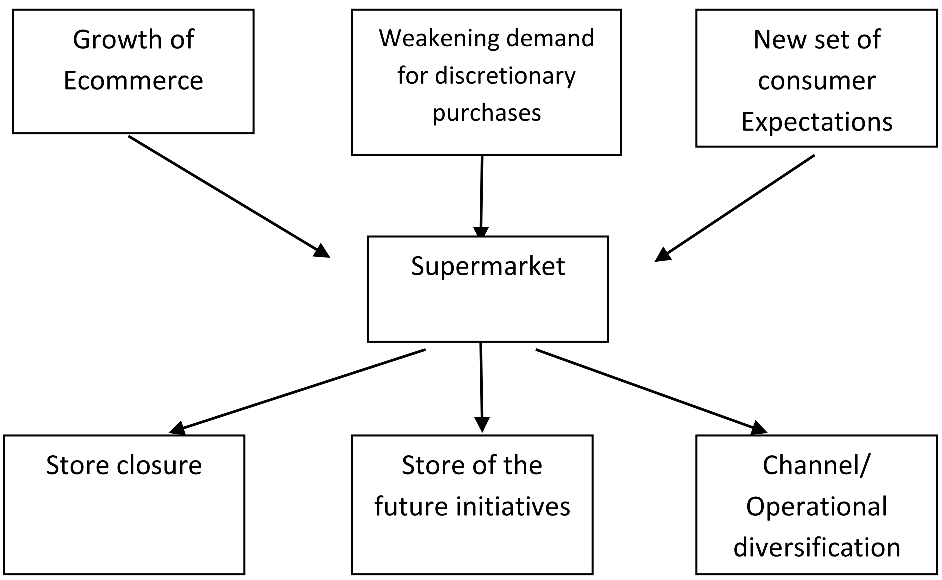
Source: Ibid

The 10 new entrants are the retailers joined or re-entered in the ranks of the Top 250 in the year 2016. The Indian company Reliance Industries Limited/Reliance Retail is the highest ranked newcomer at the rank 189. Reliance generates the bulk of its sales from its FMCG banners. The retailer also operates in the apparel and accessories sector with its Reliance Trends and Reliance Footprint nameplates, and in hard lines through its Reliance Digital consumer electronics chain. The company recorded the highest 59.2 per cent growth in retail revenue among the newcomers in the year 2016. The new entrants includes 2 US companies, 3 companies from Japan, 2 German companies and one company each from India, Australia and Turkey.

3.3 Growth and Challenges of Store Retailing

Retail stores are facing competitive struggle from e-commerce as well as socio-economic and technical factors. As the growth rate of physical stores slows the retailers are responding by restricting the expansion of new stores, closing the unprofitable ones, investing in smaller grocery stores and re-shaping their existing physical stores by re-imaging them as the store of the future. The existing stores are needed to be re-invested to satisfy the needs of the future, otherwise, there is challenge of closure. It is depicted in the figure 3.3 below.

Figure 3.3 Changes in the nature of Physical Stores



Source: Planet Retail RNG

3.3.1 Physical Store is under Threat

The rate of new store openings globally has been in decline since 2014, with the sharpest fall seen in developed markets where modern retail is more saturated. Average sales area of grocery stores globally also declining from 2012. The figures 3.4 and 3.5 depict fall in the rate of growth of grocery store openings and average sales areas of global grocery stores during the period 2014-22.

Figure 3.4

Global grocery store openings during 2014-22e

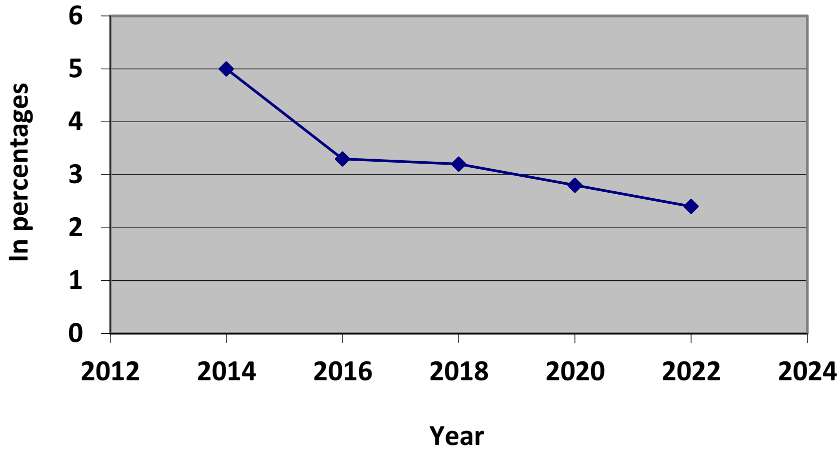
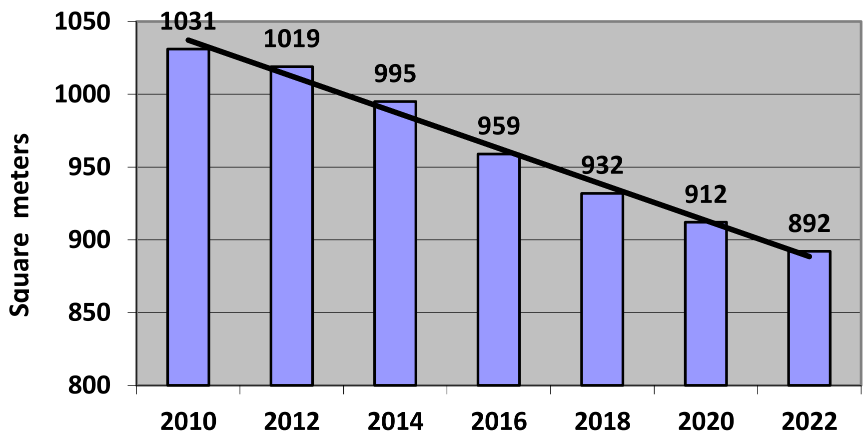


Figure 3.5

Average sales areas of global grocery stores during 2010-22e

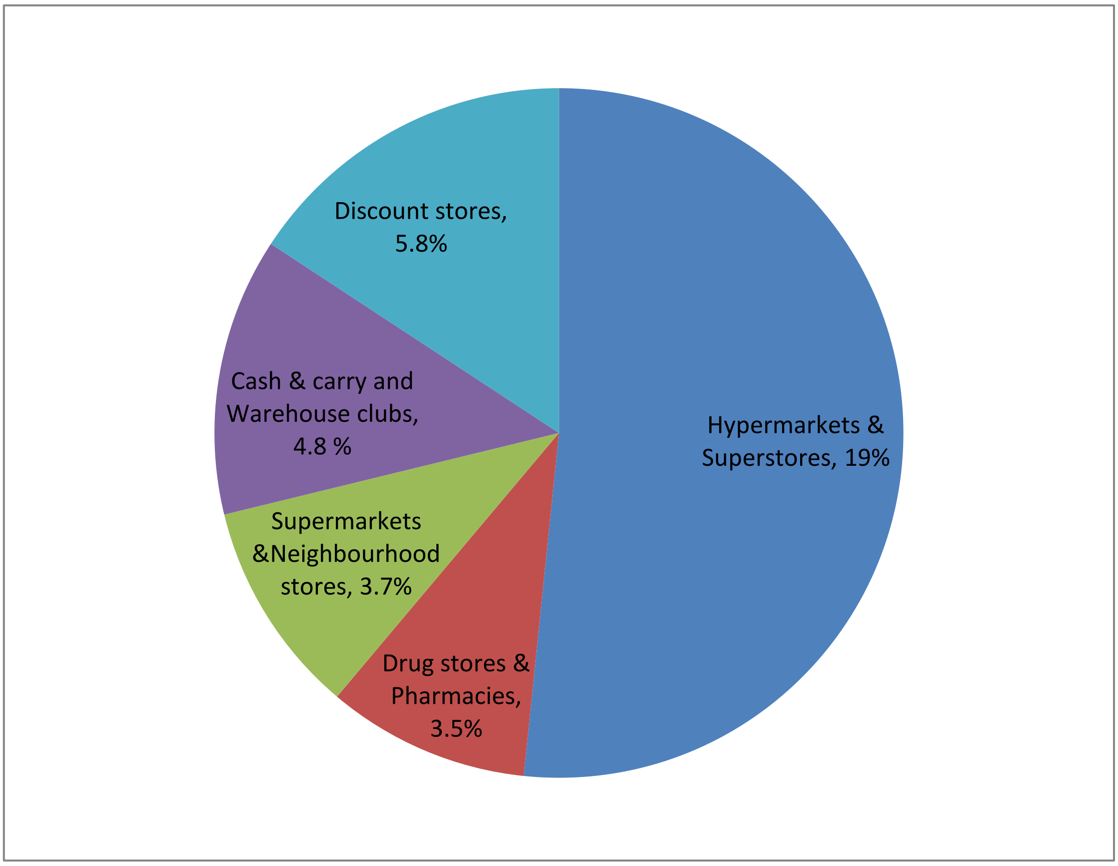


Source: Planet Retail RNG. 2022e-estimated value

The fall in the rate of growth of grocery store openings and average sales areas of global grocery stores during the period 2014-22 can be explained in connection with the growth of internet users and the resultant increase in the e-commerce during this period. The Planet Database shows that 'big-box stores' are mostly affected due to the rapid growth of e-commerce. They estimated that CAGR of the major big-box retail formats during the period 2017-22 are cited in the figure 3.6 below.

Figure 3.6

Grocery and Drugstore channel sizes of Global stores by sales 2017-22e



Source: Planet Retail RNG. 2022e-estimated value

Although the relative shares of Big-box stores* have been decreasing, 77 per cent of the world's 5 largest grocery retailer's sales will come from big-box formats in 2022 (Planet Retail, 2017). The details are shown in Table 3.6

Table 3.6
Proportion of sales from Big-box grocery retail formats

Retailer	Proportion of sales from Big-box grocery formats, 2017	Proportion of sales expected from Big-box grocery formats 2022e
Walmart	92 %	86%
Costco	96 %	93%
Carrefour	65 %	63 %
Kroger	97 %	96 %
Seven & i Holdings	21 %	16 %

Source: Planet Database. 2022e – estimated value

In recent decades, leading grocery retailers have grown typically by pursuing a strategy of opening more and more large retail stores. The fall in the proportion of sales from big grocery formats as a result of the competition from e-commerce, compelled them to improve the relevance of physical stores by adopting a strategy of the store of the future. The profitability pressure facing the retail stores as online takes a significant share is shown in the table 3.7

*Big-box refers to Hypermarkets and Superstores, Development stores and Warehouse club formats; i.e. grocery stores over 5000 sq. m. in size.

Table 3.7

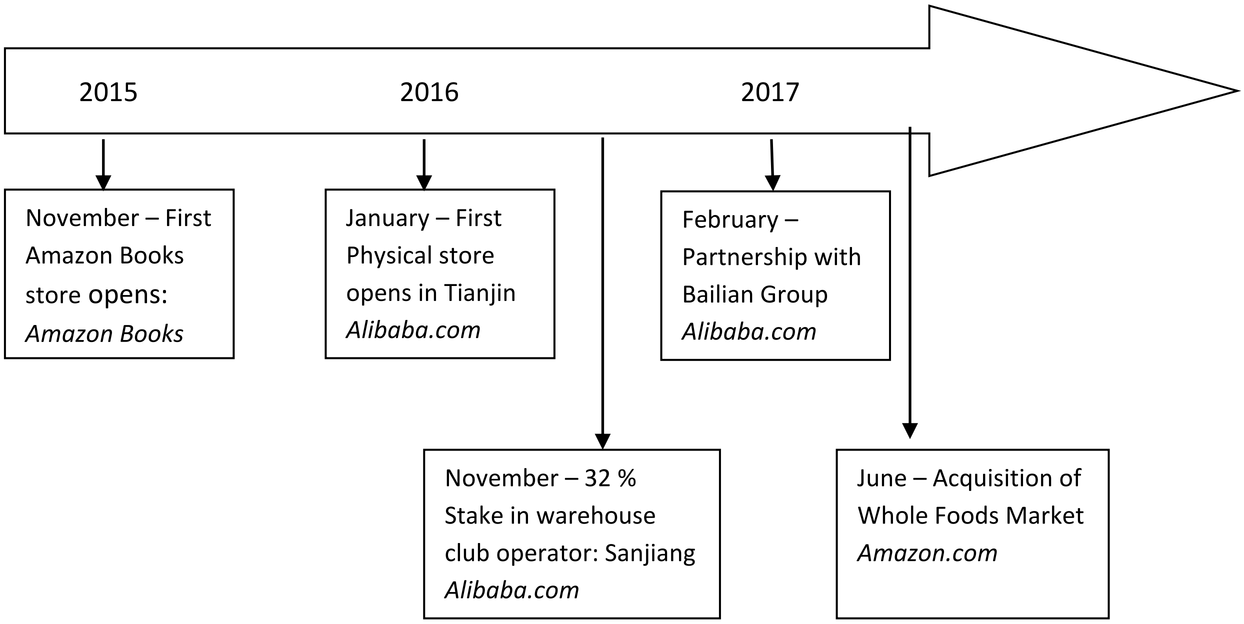
Store-based vs E-commerce Grocery Retailers

	Store-based grocers (In per cent)	Online grocers (In per cent)
Revenue	100.0	100.0
COGS (Cost of goods)	79.4	83.3
Gross margin	20.6	16.7
❖ Operating expenses	17.8	16.3
- Store rental	3.5	0.0
- Personnel	8.3	3.4
- Fulfilment	3.0	7.4
- Marketing	1.5	2.5
- Technology	1.5	3.0
- Operating income	2.8	0.4

Source: Planet retail

The table indicates that store-based retailers are still generating higher margins compared with online retailers due to the significant fulfilment cost associated with online operators. This demands online operators to establish a physical presence. The growth of online retail thus makes pressure on profitability of store-based retail. This has led the store retailers to enhance their digital capabilities. While many established store based retailers are facing the reality of slowing sales and being over-spaced, digital players recognize the critical importance of gaining a physical presence. It is believed that the expansion of digital player’s physical capabilities will fuel their online growth further, thereby continuing to increase the competitive pressures on store-based retailers. The following figure 3.7 shows a series of investments made in physical stores by the digital players.

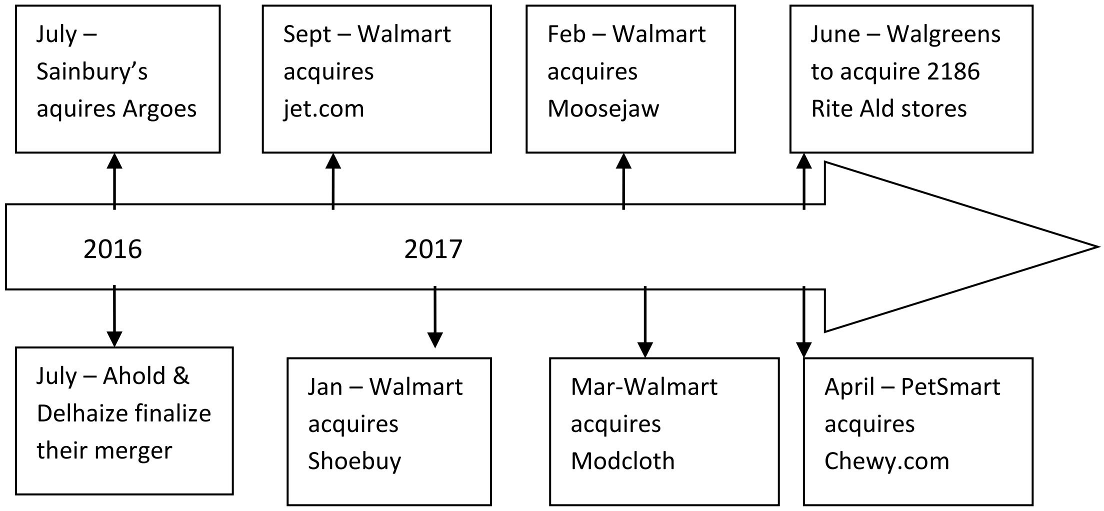
Figure 3.7 Investments in Physical Retail by the Digital Players



Source: Planet Retail

The figure 3.7 shows that during the period from 2015 to 2017 the digital players Alibaba and Amazon have acquired the physical stores that supported their business by providing extra flexibility in terms of order collection, returns, service and a physical environment to showcase their wide collection of brands. Similarly, the leading store based retailers are investing in digital acquisitions as part of their omni-channel retail. The figure 3.8 shows investments made in digital acquisitions by the leading physical stores.

Figure 3.8 Digital acquisitions by Store-based Retailers



Source: Planet Retail

The figure 3.8 shows that the store-based retailers especially, world's largest store-based retailer-Walmart, have made a series of investment in acquisions of digital players as part of the multi-level trade enhancement. Now, the store-based retailers realized the fact that the expectations of the consumers cannot always be met with store alone. Digital accessibility is emerged as a good measure to suppliment the stores for retail growth.

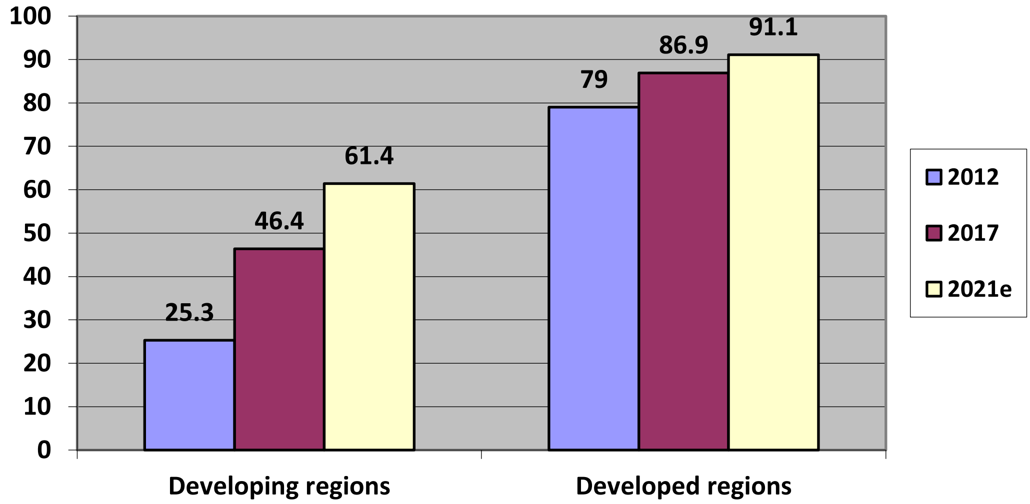
3. 3. 1 Digital access is opening up access to new consumers

Proliferation of mobile digital devices and rise of the internet users have led to the opening up access to new consumers and thereby the growth of online and offline trade in the world. Digital shopping tools and online access helps the consumers to get branded products more easily and quickly. The following figure 3.9 shows the growth of internet users in developing and developed countries of the world.

*Omni-channel retail is a modern approach to commerce that provides customers with a fully integrated shopping experience by uniting user experience from brick-and-mortar to online shopping. It is an integration of marketplaces, web-stores and social media for retailing.

Figure 3.9

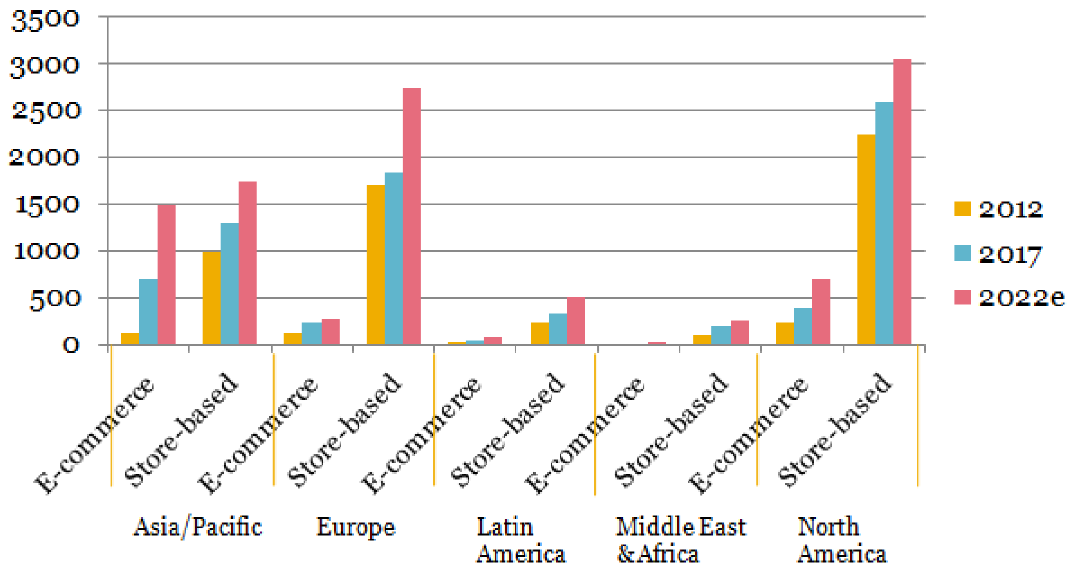
Developing regions experiencing rapid growth in internet penetration (in per cent)



Source: Planet retail. 2022e-estimated value

The figure 3.9 shows that majority of people in the developed region are internet users since 2012. But the developing regions of the world indicate rapid growth in internet penetration. Similarly, the differences in socio-economic factors such as income, urbanization, average household size, etc among developed and developing regions resulted differences in the store-based retail and e-commerce growth in these countries. In developing countries like Asia, Africa and Middle East around 55 per cent of the people were living in rural areas in the year 2017. It was around 20 per cent in the developed countries including Latin America, North America and Europe in the same year. Similarly, average household size in developing countries was 4.7, while it was 2.4 in the developed country in the year 2017 (Planet Retail, 2017). The figure 3.10 depicts region wise distribution of the growth of store-based retail and e-commerce growth since 2012.

Figure 3.10 Store-based Retail vs E-commerce GMV by region (USD bn)



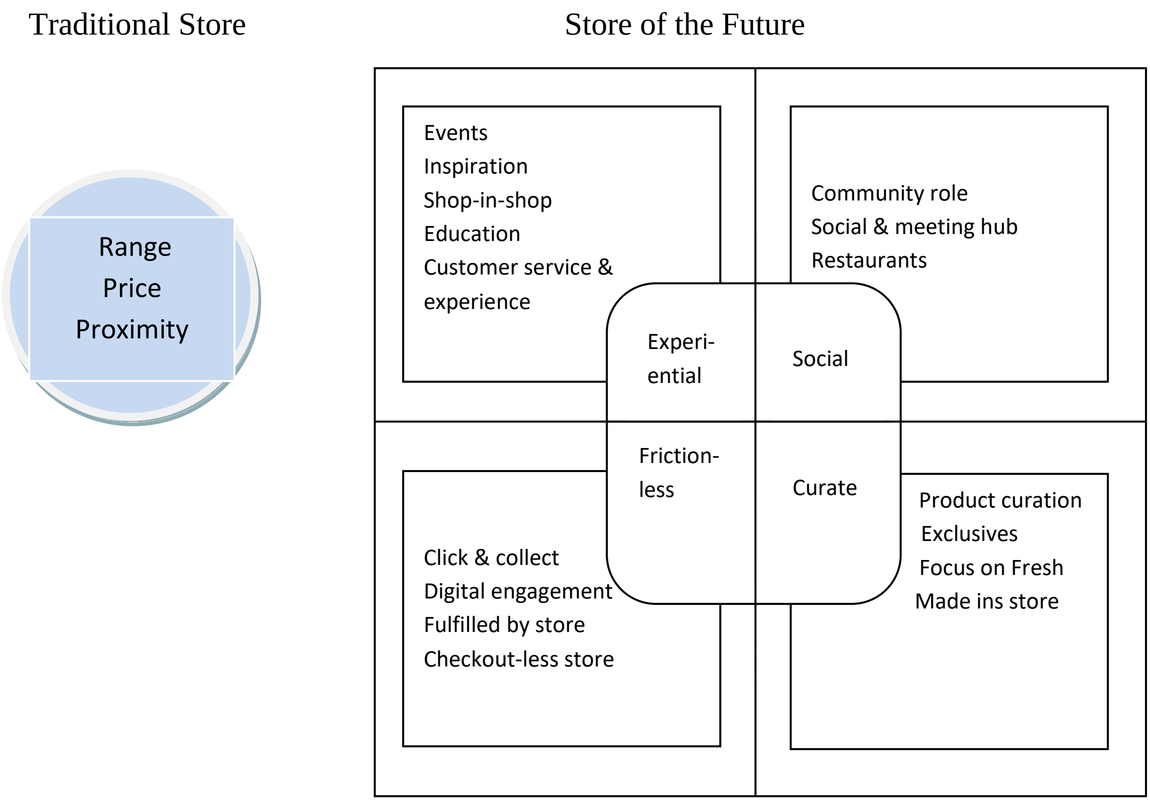
Source: Planet Retail RNG. 2022e-estimated value

The figure shows that, in Asia digital and stores are developing side by side, Gross merchandise value retail is more or less same. But in Europe and North America, there is much difference in the gross merchandise value between store-reail sales and e-commerce. The leading store retailers are reached at saturation level and are forced to re-think their sizeable existing store networks to satisfy the needs of the store of the future.

3.3.2 The Store of the Future

The study conducted by the Planet Retail RNG (2017) differentiated the major characteristics of the Store of the Future. In addition to the major attributes of the traditional concept of the stores, i.e. Range, Price and Proximity, the future stores are expected to become a physical portal into brands and product experiences. It becoming a place where consumers can be inspired, learn, co-work, socialise and experiment with new products. Major characteristics of stores are depicted in the figure 3.11.

Figure 3.11 A comparative study of the traditional and future stores.



Source: Planet Retail

Planet Retail RNG (2017) has identified four key characteristics of the store of the future:

(1) Creating a memorable experience that cannot be provided online. The store can provide diversified quality products along with the facility to learn and experience various brands and arrangements for customer service.

(2) Making the store as a social hub. It implies that there should be facility for customers to gather themselves, arrangements for conducting meetings, and refreshments.

(3) Arrangements for a frictionless interaction with offline to online by providing modern digital facilities.

(4) Differentiating through product curation by providing fresh, store made and exclusive products.

Although average size of a grocery store continuing to decline, proximity grocery formats are growing their share of modern grocery retailers' sales. It is as a result of the fact that the leading operators are expanding their convenience and discount store networks. Proximity formats cater to the rising consumer demands for convenience and value, and are less affected by the shift to online (Planet Retail RNG 2017).

3.4 Retail Expansion in Developing Countries

Retail industry in the developing countries is growing continuously along with the ongoing economic fluctuations. As per the A T Kearney's study in the year 2017, the world population has grown 21 per cent to 6.2 billion, retail sales in these markets has increased more than 350 per cent and now accounts more than half of the total global retail sales. Increase in wealth and availability of more branded products are the major drivers of this growth. As a result of this, international retailers along with the domestic retailers relied on developing markets to fuel the growth. For instance, China became and remains one of the most dynamic retail markets in the world, many other markets like Brazil have faltered due to the turbulence in the economic situations which occurred in Russia and in the Middle East. To overcome this risk, the international retailers studied the situations and took a strategic decision to have a portfolio of countries to balance their short-term and long-term goals.

The Global Retail Development Index (GRDI) ranks the top 30 developing countries for retail investment based on all relevant macroeconomic and retail specific variables. The study is significant since it identifies the markets which are most attractive today as well as having future potential for growth. Table 3.8 provides the details of the GRDI released in 2016.

Table: 3. 8 Global Retail Development Index 2016

2016 Rank	Country	GRDI score	Population (in million)	GDP per capita PPP	National Retail sales ($ billion)
1	China	72.5	1,372	14,190	3,046
2	India	71.0	1,314	6,209	1,009
3	Malaysia	59.6	31	26,141	93
4	Kazakhstan	56.5	18	24,346	48
5	Indonesia	55.6	256	11,112	324
6	Turkey	54.3	78	20,277	241
7	United Arab Emirates	53.6	10	66,997	69
8	Saudi Arabia	52.2	32	53,565	109
9	Peru	51.9	31	12,007	70
10	Azerbaijan	51.2	10	18,512	17
11	Vietnam	50.8	92	6,020	87
12	Sri Lanka	50.7	21	11,120	31
13	Jordan	49.9	21	12,162	14
14	Morocco	49.5	34	8,194	39
15	Colombia	49.0	48	13,794	91
16	Philippines	47.7	103	7,318	134
17	Dominican Republic	45.8	11	14,771	30
18	Algeria	45.2	40	14,163	42
19	Nigeria	43.8	182	6,185	125
20	Brazil	43.0	205	15,690	445
21	Cote d’lvoire	43.0	23	3,304	13
22	Russia	41.8	144	23,744	448
23	Zambia	41.6	15	4,165	11
24	Romania	40.2	20	20,698	45
25	Paraguay	39.6	7	8,671	11
26	Tunisia	38.7	11	11,450	15
27	South Africa	36.7	55	13,197	102

2016 Rank	Country	GRDI score	Population (in million)	GDP per capita PPP	National Retail sales ($ billion)
28	Ghana	36.0	28	4,216	15
29	Kenya	35.6	44	3,246	26
30	Egypt	34.7	89	11,262	133

Note: PPP is purchasing power parity

Sources: Euromoney, Population Data Bureau, International Monetary Fund, World Bank, World Economic Forum, Economist Intelligence Unit, Planet Retail, A T Kearny analysis

The GRDI ranking of 2017 has some changes. The ranks of some countries have improved and some of the countries have moved to lower ranks. The top 10 countries as per the GRDI 2017 ranking includes India (71.7), China (70.4), Malaysia (60.9), Turkey (59.8), UAE (59.4), Vietnam (56.1), Morocco (56.1), Indonesia (55.9), Peru (54.0) and Colombia (53.6).

3. 4. 1 Major Findings of GRDI 2016

The GRDI highlights the regions that offer long-term opportunities to invest in retail along with the struggles faced by the economies with shifting economic and political realities. As per the 2016 ranking China takes the top position despite its continued economic challenges and transformation. India occupies the second position due to its huge market potential, fast growth and improved business conditions. On the other hand, Latin America is struggling with political unrest and economic deceleration. Russia is suffering from financial crisis. The Middle East is adjusting to cheap oil and regional conflicts. Africa stands as one of the most promising region of GRDI. Egypt stands at 30th place. The characteristics of the listed regions are cited in table 3.9.

Table: 3. 9

GRDI Windows of Opportunity

	Opening	Peaking	Maturing	Closing
Definition	Middle class is growing, consumers are willing to explore organized formats, government is relaxing restrictions.	Consumers seek organized formats and greater exposure to global brands, retail shopping districts are developed, real estate is affordable and available.	Consumer spending has expanded significantly, desirable real estate is more difficult to secure, local competition has become more sophisticated.	Consumers are more used to modern retail, discretionary spending is higher, competition is fierce both from local and foreign retailers, real estate is expensive and not readily available.
Mode of entry	Minority investment in local retailer	Organic, such as through directly operated stores.	Typically organic, but focussed on tier-2 and tier-3 cities.	Acquisitions
Labour strategy	Identify local skilled labour for management positions	Hire and train local talent and balance expatriate mix	Change balance from expatriate to local staff	Use mostly local staff

Source: A T Kearney analysis

The figure ‘windows of opportunity’ indicates the investment process being undertaken by the organised retail in the developing markets. The markets pass through four stages of retail development termed as ‘opening, peaking, maturing and closing’.

3. 4. 1. 1 Asia Pacific

GRDI’s top five countries are included in the Asia Pacific region. Southeast Asia began this year with great importance. The official launch of ASIAN economic community was a great milestone in this regard which created a $2.6 trillion market with a population of more than 622 million. Although the full implementation of the programme is a long-term process which depends upon the voluntary commitments from the 10 member states (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam) the benefits could be drastic leading to as much as a 5 per cent regional GDP boost by 2030.

China

China occupies GRDI's top rank as per the 2016 ranking with 1.37 billion population and \$3.05 trillion retail sales. In the year 2015, retail growth rate was 8.1 per cent which was greater than the GDP growth rate of 6.9 per cent. The CAGR of retail sales during the period 2013-2015 was 9.7 per cent. During these periods, the economy was gradually shifting from an infrastructure investment-driven model to consumption-driven model. It is stated that the growing middle class, along with high demand from domestic and lower-tier cities and the loosening of the one-child policy will drive growth over the coming 10 years also. Liberal policies of the government like reducing the import duties on certain consumer goods, removing barriers to domestic and foreign trade, increasing support for cross-border e-commerce and the establishment of the duty-free shopping zones are expected to boost domestic spending.

Chinese traders and consumers are dealing with quality, health and convenience driven products. They are involving in those products with enhanced features and designs. It is expected that the focus on increased fitness and safety products will benefit retailers across sectors including lifestyle and sports, food, nutrition, baby and personal care. The shoemaker 'Adidas' has an 18 per cent revenue increase in China last year and plans to add 3000 more stores. Moreover, many multi-national companies like Starbucks, McDonald's and Victoria's Secret have decided to expand their business in China. Now China is becoming world's undisputed leader in e-commerce and has reached \$672 billion online sales in 2015. E-commerce now represents 15.9 per cent of sales (7.3 per cent in United States) and it is expected to reach 30 per cent in 2018. The company 'Alibaba' undertakes more transactions than Amazon and e-bay combined. Mobile commerce grew at 140 per cent and reached \$334 billion which is approximately half of all online sales.

In China, many store based retailers are struggling to adjust to the growing online retailers. Some of the underperforming stores in tier – 1 and tier – 2 cities are closing. Louis Vuitton, Gucci, and Hugo Boss closed some of their stores in 2015. In grocery retail, hypermarkets are facing the problem of oversupply and competition from e-commerce. The convenience stores like Japan-based FamilyMart are doing comparatively better. Carrefour is slowly expanding

Many of the modern retailers like the hypermarket leader RT Mart, supermarket Vanguard and Uniqlo are seeking opportunities into the still-unsaturated lower-tier-cities. But they are struggling to remain due to the price competition. Brick and mortar retailers, the so called traditional retailers, and shopping centers are also trying to stand out against online competitors by enhancing their in-store offers and also integrating online-to-offline facilities. For instance, in 2015, Yongsheng shopping center has increased foot traffic by 40 per cent along with restaurant offers. Louis Vuitton, in its upgraded Beijing store which includes a bookstore, an art exhibition and a Chinese tea zone, has adapted the lifestyle business model. The local players like Suning and GOME and the international players like Walmart, Carrefour and Cartier have been following aggressive plans to strengthen online-to-offline operations.

India

India is a developing country with 1.31 billion population, where the retail industry is growing and reached $1.01 trillion in the year 2016. Improved growth rate and liberalized FDI regulations put Indian in the second place in the GRDI ranking. Expanding middle class population, increase in the disposable income, urbanization and working women population are the major drivers of retail growth in India. However India remains a challenging place for foreign retailers due to the freedom given to the state governments to opt in or out of FDI reforms and the infrastructural bottlenecks. Under the present government, India has relaxed FDI regulations with regard to single brand retail. For example, companies dealing with ‘cutting-edge-technology’ are no longer forced to source 30 per cent locally. This reform is likely to encourage companies like Apple to open branded store in the coming future. However 51 per cent FDI is allowed in multi-brand retail. But FDI has been opened in multi-brand processed food retail. This could benefit the international retailers like Walmart which is currently dealing with cash and carry retail, and Tesco which is currently operating multi-brand retail through a joint venture with Tata. Moreover, in e-commerce the government now permits 100 per cent FDI in online market. Although these policy changes created some problems to the international retailers, it is expected to boost the retail market.

Several foreign retailers have entered India. In Fashion sector, Aeropostale, Children's Place and the Gap entered in partnership with Arvind Lifestyle brands. In e-commerce, Topshop and Topman entered through jabong.com. H&M is the first international fashion retailer which entered India after the government's approved 100 per cent FDI in single brand retail. In the sector sports Sonae entered under the Sports Zone banner, in the field restaurants Wendy's, Jamie's Italian, Jamie's Pizaria, Barcelos and Carl's Jr. and as a convenience store UAE based Fmart have entered. Marks and Spencer, Burger King, Dunkin' Donuts, Starbucks and Nando's are the existing international retailers undertaking significant expansion programmes. In the format cash and carry model, the existing players like Walmart and Metro are seeking to expand their retail stores to 70 and 50 respectively by 2020. In the field of e-commerce, internet and smartphone penetration has increased by the end of 2015. Now consumers are growing more comfortable of shopping online.

Malaysia

Malaysia with 31 million population is a business friendly country among Southeast Asian countries ranked 18^{th} in the GRDI. The total retail sales accounted for $93 billion in the year 2016. In the country the market for small retail format grocers and hypermarkets are active. 7-Eleven Malaysia is a convenience store with more than 200 stores in the country. Similarly, GCH Retail, Dairy Farm's subsidiary in Malaysia, planned to open six new giant hypermarkets and 28 additional stores in Malaysia.

Regional and international players are also trying to expand their retail business in the country. South Korea's CJO shopping is looking to start a TV shopping network in Malaysia in a joint venture with Malaysia's Media Prima, Chinese outdoor apparel brand Talent is moving into Malaysia and the UAE based Lulu decided to invest $308 million over the next two years since 2016 to enter the market. In Kuala Lumpur, modern retailers are well developed. The ongoing developments include the six story Emporium at Jalan Tun Jugah, a four story mall in Matang, and the Moyan Square Shopping Mall. E-commerce players are expanding with promotional plans, for instance, online fashion retailer Zalora has offered to absorb the 6 percent goods and service tax.

Indonesia

Although Indonesia is having low retail sales per capita of $1270 and volatile currency, the huge population of 256 million and cities make it quite attractive to foreign retailers. The country stands at 5th place in GRDI ranking. In the year 2016 the president Joko Widodo opened the market to foreign investment across nearly 50 sectors including retail and e-commerce. Moreover, the government planned to complete 30 infrastructure projects over the next four years including public transport and power plants to boost the economic growth. The government also took measures for the development of e-commerce, including revised regulations and plans to identify and support 200 tech entrepreneurs per year.

By considering the favorable environment in mind, the local and international retailers are speeding their projects to expand the retail business. The local retailer Indomaret has opened 1560 stores in 2015 and decided to open more stores in the coming year. UAE based Lulu has decided to invest $500 million over the next five years to enter and expand the retail business in the country. The other players like Lotte, Lawson, H&M, Courts, IKEA and Lenovo are also taking similar measures.

Increase in the middle class population and the use of smartphones have boosted the e-commerce sector. E-commerce market is gaining transaction with online and traditional retailers. The retailers are modernising and experimenting with new formats. For instance, Matahari launched a premium format with an upmarket store design and many imported products and created a new wholesale format to target the business customers. Transmart Carrefour launched a format featuring a restaurant, retail chains, and entertainment which is a new format compared with the original focus on grocery.

Vietnam

Vietnam, a metropolitan, convenience focused market has ranked at 11^{th} in the GRDI of 2016. Total retail sale was accounted at $87billion and the CAGR for the period is measured as 7.1 per cent. The country's GDP has grown 5.2 per cent annually since 2013. There has been a 17 per cent increase in Foreign Direct Investment. This foundation has led to 22 per cent increase in retail sales area and 9.5 per cent growth in retail sales. Convenience stores are very popular in Vietnam with an estimated growth in store numbers of more than 260 per cent since 2012. Convenience stores are more convenient in the country since 80 per cent of the people eat away from home. Companies are seeking to utilize these trends which include the domestic operator Vingroup, which opened 93 stores in 2015 and plans to open more during the coming years.

Some of the international retailers have entered the country. Apple opened a Vietnam subsidiary which is allowed to import and distribute cellphones directly to the market. Now there are more than 150 million mobile subscribers who increasingly desire smartphones. South Korean hypermarket operator E-mart launched its first Vietnamese store in the Go Vap district of Ho Chi Minh city. In the early period of 2016 itself significant acquisition activities by local and regional players were undertaken. For instance, Vietnam's Vingroup purchased Maximark and rebranded it under the VinMart+ banner. The Central Group and Thai companies TCC acquired Casino's Big C grocery chain and Metro's cash-and-carry business respectively. E-commerce is expected to grow along with the growth of mobile phones and online shopping. E-commerce campaigns were conducted including Online Friday, held by onlinefriday.vn which attracted 1.1 million visitors and close to 2000 retailers as participants.

Sri Lanka

Sri Lanka, with a population of 21 million, secured 12^{th} position in GRDI ranking of 2016 which indicates that the country remains a stable market for retail. Total retail sales in the year accounts for $31 billion and CAGR for the period 2013-2015 is 6.6 per cent. Retail sales per capita is expected to grow at 6 per cent annually for next two years. Economic growth, rising income and investment and tourism are the major drivers of retail growth. In the year 2015, modern retailing has grown by 4.5 per cent. The new government in Sri Lanka has shifted the focus from public investment in infrastructure towards private sector-led growth. Some of the measures taken in this regard are reducing barriers to foreign direct investment, improvement in the ease of doing business and pursuing business from India. Sri Lanka's retail business is dominated by the domestic players. Retail space is limited in the country, especially in Colombo where rents have increased by about 30 per cent in the second half of 2015 since the supply of quality retail space could not met the required demand. Only a few of the international retailers have entered the country in 2015. US based ice cream shop Cold Stone Creamery is planning to establish five new stores by 2020 in partnership with Abu Dabi's Tablez food company. Indonesian lifestyle retailer Mitra Adiperkasa and Indian based jewellers Kalyan and Joyalukkas have announced plans to enter in the country.

Philippines

Philippines is at the 16^{th} place in the GRDI with a reasonable growth in GDP and a healthy increase in retail sales with the total retail sales of $134 billion in the year 2016. The retail sector is expected to account for one-fifth of the country's GDP by 2025. The retail sector is modernizing and many retail giants invest billions in malls. Philippines biggest developers such as Ayala Corporation, JG Summit Holdings, SM Investments and Robinsons are examples. In the year 2015 itself, the area under modern retail has increased by 13 per cent. Philippines based hypermarket, supermarket, and departmental store operator Metro Retail Stores Group plans to expand more than double within five years.

The Southern city Davao with relatively high income and large population is expected to be the next retail center outside Manila. Philippine Seven Corporation (PSC) and local operator of 7-eleven in the market are the new retailers who have decided to come to the city. Some big e-commerce players like Ascend Group, a leading e-commerce leader of Thailand, and Singapore based Lazada hopes to make investment in Philippines market.

3. 4. 1. 2 Eastern Europe and Central Asia

In this region economic growth had flattened and many countries are forced for devaluation of their currency which disrupted the retail growth. Turkey has risen to the top 10. But limited disposable income, rising unemployment, and the recently occurred security challenges are threatening the retail development. Despite the fluctuations in oil prices, Azerbaijan stayed in the forefront in the retail growth backed by the growing tourism sector. In Russia, some of the sectors particularly luxury has boosted although ruble was weak.

Kazakhstan

Kazakhstan is a country with 18 million population and $48 billion of total retail sales. Kazakhstan takes the 4th place in GRDI as the investors remain positive in their outlook. The government has established an office to attract the investors and the international brands and is negotiating with the Auchan and IKEA about entering in the country. Carrefour had opened its first store in early 2016, Leroy Merlin opened three stores, and OBI has decided to open six stores over the next decades. KFC and McDonald’s are under food service retailers which are growing. South Korea’s Angel-in-us coffee franchise decided to open 15 outlets by 2018.

Although e-commerce is small it is expected to grow rapidly. Lamoda, the Russian e-tailer is planning to open an online platform that will allow any brand to sell its goods. Similarly, China’s AliExpress is searching opportunities for developing the local e-commerce infrastructure.

Turkey

Turkey was characterized by 78 million population and of $241 billion total retail sales in the year 2016. Economic growth of the country was 3.9 per cent in the year 2015. Government took initiative for infrastructural development. But the limited disposable income and rising unemployment has posed some challenges for retail development. However, Turkey ranked at 6th place in the GRDI 2016 indicates that the retail market is quite attractive for retail expansion.

Increase in young population, urbanization, and rising consumer spending are the major factors that led for the expansion of retail sales. However, rising unemployment, debt from loans and mortgages reduces the disposable income. Similarly, ongoing security concerns in major cities have led a significant drop of income about $12 billion from tourism. Currency depreciation and import surcharges have resulted reduced margin for retailers. As a consequence, the retailers such as Promod, Habitat, Industrie Denim, La Senza and Real are pull out of the market rather than competing with the local players. In Turkey, two thirds of the retailers are contributed by the traditional retailers. However, modern retailers are growing. In 2015, twenty malls were opened, and the total mall population became 360 in the year. Among them, about 150 are in Istanbul which is in the eastern part of the country.

Organised retailers, especially grocery retail acquiring many of the traditional retailers. For instance, CarrefourSA acquired Ismar Marketler Zinciri and Antalya Market Isletmeciligi for $23 million and also acquired majority of shares in Kiler Alisveris Hizmetleri. However, the economic struggles occurred in the country have made discount stores more comfortable to the consumers. BIM Birlesik Magazalar has expanded and became the leader with 34 per cent market share. CarrefourSA is adding convenience stores and targeting the high-end consumers. Migros Turk is focussing on convenience stores to attract more households. In fact, independent retailers are struggling since the consumers became more sensitive to price while demanding better quality. And the major retailers such as A101, BIM Birlesik Magazalar and Migros Turk are introducing private labels to stand out in the market. In 2015, several new brands entered. Ligoland opened a 3000 square-meter store in Forum in Istanbul. Many international retailers became partnering with local firms. Kiko Milano and Under Armour were examples.

Azerbaijan

The country has 10 million population and the total retail sales accounted for $17 billion in the year 2016. The fast growing hospitality and tourism are driving the economy into an attractive place for retailers. The country has placed at 10th place of the GRDI ranking. The government has undertaken significant measures for attracting more tourists into the country. The capital Baku is a luxury destination for the tourists. Apparel retail growth has slowed down and many of the outlets closed down. Although these struggles are continued luxury brands stayed strong as their customers are less sensitive to adverse economic conditions and they are more related to tourism. New entrants in luxury and middle market sectors include BCBG Maxazria, Armani, Porsche Design, and Banana Republic. Traditional sellers and medium sized modern retailers dominate grocery retail. In 2015, the first large international grocery retailer, SPAR, entered by deciding roughly 30 stores opening during the coming three years.

Russia

Russia had 144 million population and $448 billion total retail sales in the year 2016. It occupies 22nd place in the GRDI of 2016. Russia was under stagnation during the period 2015-2016. Disposable income had declined by 4 percent in the year and was expected to continue the similar trend in 2016. Mass segments including international fashion retails were struggling as the ruble continues to fluctuate and income declines. Nevertheless, about 40 international retailers and brands entered Russia in these years including ASUS Republic of Gamers, Orient, Mafrat, Seiko, Malo, Tchibo, Barbour and Wrangler.

In the case of the luxury sector, two developments are nullified the impact. Due to the devaluation of ruble, luxury sales to tourists, particularly from China have risen. As a result, demand for domestically produced goods has increased.

International players responded to this by opening up new stores. For instance, Valenteno opened a new flagship store in the Metropol in Moscow, Hermes opened its second largest store in Europe in Moscow, and Bulgari, Omega, Chopard, and Audemars Piguet have expanded in Moscow.

Some of the Russian apparel retailers had to close stores in 2015 including Oodji and Incity due to the competition from the modern retailers. Local grocers are still expanding, by realizing the fact that scale, pricing and assortment are key to success. The largest food retailer, Magnit, plans to continue its growth pace with 1000 opening per year. X5 retail is focussed on acquiring small and medium sized chains and opening new formats like liquor stores. Lenta plans further expansion including 40 hypermarkets in the country.

Romania

Romania ranked 24th place in GRDI 2016 backed by steady growth rate and decreased corruption. The country has 20 million population composed of 45 per cent rural and the remaining 55 per cent urban. Modern retailing in the country is developing very fast along with the traditional formats. One of the market leaders, Carrefour, acquired the Billa chain of supermarkets and Mega image and focussed on opening flagship stores for strengthening its brand equity among middle to upper class shoppers. Shopping center expansion continues in the country due to economic recovery and rising disposable income. In 2015, 150,000 sq meters of shopping space has opened in the country. The market entrants in the new malls include Forever 21, Lanidor, Tezenis, Michael Korz, Kiehl’s and Chanel. The growth of Smartphones and Laptops are boosting the electronic retail in the country. The players such as Flanco and Altex which is shifting sales towards e-commerce are expanding. Do-it-yourself is another company which is consolidating and is crowded by 10 existing players. The company McDonald’s has 67 stores and 10 per cent market share in the country.

3. 3. 1. 3 Middle East and North Africa

The year 2015 had been a rough year for the Middle East and North Africa due to the shocks occurred in its two largest economies, the United Arab Emirates where tourism had slowed and Saudi Arabia which is suffered from fall in oil prices. Although investment has increased in absolute terms, the investors are much more conscious about the growth in the gulf region and other North African markets such as Egypt. Many local retailers have moderate expansion plans in the region, while foreign players are having more comprehensive plans for retail development.

United Arab Emirates

UAE has placed at 7th place in the GRDI 2016 with 10 million population and the total retail sale of $69 billion. The country remains as an attractive place and relatively low risk market for retailers. The country's sales per capita for the year $7,159 was highest in the region. The market was getting saturated and growth of annual retail sales declined from 8 per cent in 2014 to 6 per cent in 2015. The major reasons for deceleration in the growth rate were the fall in the oil price and decline in the value of euro which adversely affected the tourism to Dubai and the tourist mix.

The presence of the world class modern retail formats in Dubai reflects the economic reality of UAE. There were three separate malls that were built at different times as the demand and funding dictates. Mall of the Emirates opened a 36,000 square meter extension in September, 2015. The shopping mall, City Centre Me'aisem is one of the latest shopping mall in the country. Dubai's international Media Production Zone, consisting 56 retail outlets, is serving more than 11 residential communities. Since the market was getting saturation, only a few brands have entered or expressed plans to enter the market. The first Apple store in the Middle East opened at the Mall of the Emirates which was the largest mall in the world with around 10,000 square feet of area. Other major retailers includes Old Navy which entered a store at Dubai Festival City Mall, Abercrombie & Fitch in a joint venture with Majid Al Futtaim opened its first store in Mall of Emirates and Al

Futtaim and the Chalhoub Group formed a joint venture to bring Robinson, Singapore's leading fashion department store to the Middle East in 2017. Other Emirates, although lagged in the growth process, showed signs of potential growth. The Chalhoub Group opened its latest retail outlet, Tryano, a 20,000 square foot department store offering more than 250 local and international brands, at Abu Dabi's Yes Mall. And, Al Qatas's Saudi Group opened Kenz Hypermarket in the emirates of Ajman.

Saudi Arabia

Saudi Arabia's population was around 32 million in the year 2015. The country stands at 8th place in the GRDI of 2016. The country accounts total retail sales of $109 billion with a CAGR of 5.4 per cent for the period 2013-2015. Although there was a contraction in GDP by 15 per cent, retail sales has grown by 5 per cent for this period due to the changes in the favourable demographic conditions. In the country about 70 per cent of the population was younger than 30 which led to the increase in demand for goods and services.

In Saudi Arabia, foreign retailers are much conscious about retail investment since the economy is much depends upon the changes in the oil prices. Therefore, the country has engaged in aggressive policies to promote foreign investment and diversification of the economy. Now, 100 per cent foreign ownership is allowed in single brand retail and wholesale by expecting that Saudi Arabia can become an international hub for distributing, selling and re-exporting products.

The country's large population and availability of real estate for retail expansion gave the country some structural advantage over the neighbours. In Saudi Arabia, H&M has more stores than in UAE. Majid Al Futtaim has decided to extend the number of store to 300 within the five years and also decided to open two malls in Riyadh – the Mall of Soudi and City Centre Ishbiliyah. The nation's largest owner and operator of malls, Arabian Centre, opened the Yasmin Mall in Jeddah and also planned to develop 12 additional malls including Mall of Arabia in Riyadh. Similarly, Adu Dabi based Lulu had planned to open four new hypermarkets in 2016 with six more in the pipeline for 2017 and California based Bebe decided to open seven new stores. In the year 2015 e-commerce has grown by 36 per cent although the absolute market size is quite low. Further growth depends upon the extent of increasing adoption of credit and debit card payments, improved services and improved distribution of infrastructure.

Jordan

The country placed at 13th in the GRDI 2016. The market is fairly unsaturated relative to other developing countries. However, the retailers remain cautious as there are conflicts in the neighbouring Syria, and the terrorism threat posed by ISS which increases the short-term risks. The population growth in the country offers an attractive position for potential entrants. In the country, retail space has grown by 7 per cent to 158,000 square meters and sales increased by 2.5 per cent.

Jordan witnessed a limited number of retail entries in the last year. For instance, Chopard opened a second boutique in Amman with partner Al Mahmoudia for Watches and Jewellery. The French clothing brand, Edan Park, opened a new shop in Amman, Van Laack, a German shirt maker opened a shop at Boulevard in Amman and an Italian Menswear brand, Canali opened its first luxury single brand boutique. In grocery, the French giant Carrefour opened its first Jordanian branch in 2007. Jordan has made some regulatory changes last year following the weak consumer spending which include reduction in sales tax by 8 per cent on cloth, bag, watches, shoe, perfumes, jewellery, cosmetics, and low customs duties on these items by 5 to 30 per cent for boosting the consumption expenditure.

Morocco

Morocco was placed at 14th in the GRDI due to the healthy population and the stable economic growth. The population of the country estimated as 34 million and total retail sales as $39 billion. The country is relatively more secure compared to other countries in the region, and has a flourishing tourism sector. The government has decided to make the country to become a top 20 tourism destination by 2020. In the country there were an increasing number of low cost air routes between Morocco and Europe. The expected tourism development and low retail density might lead to exciting investment in the retail sector.

Currently, 75 per cent of the retail takes place in the traditional stores including small corner shops and open markets. Modern supermarkets and other forms of outlets are gaining the share, and the retail growth is accounted at 5 per cent annually since 2005. Grocery retail expanded rapidly as some of the international players has entered and the national players seek to keep the pace of growth. In this sector five retailers dominate now, including Labels Vie' (Carrefour), Marjane Holding, Ynna Holding, BIM and Aswak Assalam. International retailers operate in the country mainly through partnerships. Carrefour has opened five new stores in 2015, French chain Monoprix and Abu Dhabi base Lulu has planned to open more shops there. Shopping malls also showing growth. Casablanca's Morocco Mall is one of the largest malls in Africa with approximately 250,000 square meters and hosting about 300 stores. The Bouskoura Golf City Shopping Centre and Zenata Centre Mall were opened in Casablanca in 2015.

The country has 16 million internet users, and hence, e-commerce is growing at a double digit rate. Jumia, an online market place, is an example for this development. Morocco's largest online Mall, Start-up, was launched in 2012. An e-commerce platform has launched in 2015 by Morocco's National Federation of e-commerce and offering 80,000 Moroccan made products from about 200 producers.

Algeria

Algeria is one of the countries in Africa with highest GDP per capita and low retail saturation. The country has 40 million population and the total retail sales accounted about $42 billion. The economy's dependency on oil, fragile political conditions, and the market with only four shopping centres indicate the risk factors for the retailers. The country stands at 18th place in the GRDI. However, two new shopping centers opened in early 2016 which are EI Mohammadia Mall in Algiers and Park Mall in Setif. Intersport, Yves Rocher and Inditex international retailers present in the country during that time. In grocery, Carrefour re-entered in the market in the year 2015 with an exclusive partner UTIC. Carrefour had entered in the market in 2006 as partnership with Arcofina and left in the year 2009.

Tunisia

Tunisia has only 11 million population struggling to recover from a revolution that disrupted the economy five years ago and from subsequent inflation, political uncertainty and terrorist threat. Tunisia ranked at 26th in the GRDI of 2016. However, the country's underserved population and low market saturation represent good opportunity for the retailers. Three international retailers, Carrefour, Champion, and Geant, have entered in the market in last five years which have brought substantial changes in consumer behaviour particularly because of the entry of the new concept of the hypermarket in the country. However, the retail chains still hold a relatively low share compared to the traditional forms like independent and corner shops.

The retail scenario of Tunisia has been changing further due to the emergence of new shopping centers and increasing importance of e-commerce in the country. Opening of Tunisia Mall on December has led to the entry of many international brands into the country. Tunisia Mall has 37,000 square meters of area consisting of 80 shops. Pizza Hut re-entered in the country, 20 years after its first entry, with two restaurants. Kaymu is the first online marketplace in the country which shows how Tunisians are accepting online shopping.

Egypt

Egypt placed at 30th in the GRDI 2016 with 89 million population and $133 billion total retail sales. Many foreign retailers were kept away from the country due to the political difficulties occurred in the country last few years. But as the country stabilizes since the opening of new Suez Canal in August the country became an attractive place for retail investment. The population of Egypt, largest among the Middle East and North African countries, is expected to cross 100 million by 2020.

Modern retail is less saturated in the country than its neighbours and the total retail is expected to double by 2021.

However, the retailers face many difficulties. Inflation persists in the country, which was more than 10 per cent in the last few years. Several subsidies are expected to be removed. Value added tax has implemented. Therefore, foreign retailers, particularly grocers and departmental stores, need to prepare for highly fragmented market and a complex bureaucracy. Recent depreciation on Egyptian Pound against the Dollar and terrorist attacks could make further pressure on consumer spending, inflation and tourism.

In spite of these challenges, many retailers are expressed their plans to enter or expand the business. Abu Dhabi based Lulu group has decided to open 10 more hypermarkets during the period 2016-2017. Saudi Arabia's Al Qthaim is investing $38 million to open food retail and wholesale. Alhokair, a Saudi based franchisee, has opened two mango stores in the year 2015 and decided to open 12 to 14 more over the next two years. The Mall sector is also getting strong in the country. Majid Al Futtaim has announced plans to invest $500 million in building the third City Mall with more than 103,500 square meters of retail space. Mall of Egypt with 160,000 square meters of retail space as the largest mall in Egypt has also opened in the same year.

Latin America

Latin America has less presence in the top of the GRDI list, but remains a vibrant and exciting option for future retail investment opportunities. Peru, Colombia, Dominican Republic, Brazil, Paraguay, Ghana are the countries come under this group. Retailers in these areas are generally adapting, adjusting store formats in large cities according to the requirements, investing in promotions and other ways for trade expansion, and searching untapped markets with steady GDP growth

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Peru

Peru, the Latin America's top ranked country, occupies 9th position in the GRDI list of 2016. In 2015, the country had 3.6 per cent GDP growth which is above average growth in the region. The government's continued efforts to stimulate and integrate trade and pursue free trade agreements have helped to open the economy and attract foreign investments to the country. Similarly, the economic condition helped the country to boost private consumption by 4.1 per cent in 2015.

Retail continues to grow in the country, especially in the neighbourhoods of its capital Lima and in the secondary cities like Arequipa, Chiclayo, Cusco, Arequipa and Ica, but the growth remains mainly in urban areas. The retail environment is modernising in the country as a result of the government's investment in expanding the infrastructure and promotional solutions made by the commercial organisations.

Modern retail formats, especially malls, are developing in the country inspired by the sophisticated urban spaces. There are 75 operating malls in the country in the year 2015 and more developments are initiated to open in the coming years. With the entry of new players fast-fashion is booming in the country. Fashion retailers realise the country's textile manufacturing capacity as a major source of value and the apparel sector grew by 8 per cent in 2015. Forever 21, and H&M are expanding in the country, other large retailers like Uniqlo, Charlotte, Russe and Topshop have decided to enter in the country. Similarly, the modern concepts like Lifestyle Malls and Gourmet Boulevards also gaining popularity.

Colombia

Colombia occupies at 15th place in the GRDI 2016 with 48 million population. In the country, poverty levels are expected to fall gradually as the middle class's purchasing power increases. Colombia's GDP growth rate was about 6 per cent per year which is expected to continue for the coming years also. During this period, the country has attractive macroeconomic framework supported by falling debt and low inflation. However, the country's total retail sales had declined about 20 per cent in 2015. 19 per cent depreciation of peso might be a likely cause for that.

Colombia remains attractive for new retailers. In the year 2015 several new entrants came like Sfera, Havaianas, and Decathlon in fashion sector, Carat, Le Creuset and Jimmy Choo in luxury and Yves Rocher, and Mary Kay in cosmetics. The same trend of expansion of retail continued in 2016 also. Since the consumers have embraced multichannel for shopping, many retailers developed their online presence and new firms offer rapid delivery service. www.mercadoni.com, www.lulo.com, www.temerco.com are websites which offer quick delivery service for packaged and fresh food, beverages, beauty and personal care. These online sites offer products from different retailers with attractive prices. App-based delivery services also become available which offers both grocery orders and restaurant take-out.

Dominican Republic

The country stands at 17th place in GRDI 2016 mainly due to its large population with an expanding middle class and a vibrant economy. Poverty has been reduced from more than half of the population to less than 40 per cent in the last five years. Tourism is growing and the retail is boosting, particularly apparel and grocery. Modern retail is relatively unsaturated in the country. About 60 per cent of the grocery sales go through traditional retail. However, two national retailers Centro Cuesta National and Grupo Ramos have grown and put challenges on foreign players who are seeking to enter. However, the country's main challenge was the country risk itself. Insolvency resolution, corruption control, regulatory quality, and relatively weak rule of low are the major risk factors.

Brazil

The country is ranked at 20th in the GRDI 2016 and most populous country among the top 30 countries ranked. The country has 205 million population and the total retail sales accounted for $445 billion in the year. Political and economic instability was a major cause for economic backwardness of the country and the challenges reflected in 3.71per cent decrease in GDP. During this time inflation rate was quite high as 10.7 per cent and the unemployment rate was increased to 7.6 per cent. Consumer’s confidence decreased and retail sales fell down to 4.3 per cent and the segments such as grocery and apparel hit the hardest.

To attract the consumers the retailers especially grocery segment grocery has adopted new formats particularly convenience stores along the busy streets. Mini Mercado Extra has opened 180 stores a year ago, and many other players have entered including Minuto Pao De Acucar Minuto, Dia Market, and Mambo Express. Devaluation of currency and increasing international transaction taxes have reduced travel by the high income Brazilians resulted in increased domestic purchase of imported luxury goods. In Cidade Jardim Mall, a main luxury shopping center in Aau Paulo showed 25 per cent growth of sales per year. Retailers are looking various ways to boost the sales including e-tailing. E-tailers are resorting promotional sales and providing offers especially during various celebrations including Christmas, Mother’s Day and even US”s Black Friday.

Paraguay

Paraguay emerges as a nascent market placed at 25th in the GRDI 2016. In 2015 the GDP growth rate was only 3.2 per cent due to the threat of inflation. The country is modernizing and opening to foreign investment, especially during the period of the president Horacio Cartes who took measures to re-establish relationship with Mercosur, a regional bloc that includes Argentina, Brazil, Uruguay and Venezuela and strengthening world trade.

The informal economy remains as a great challenge to Paraguay’s economy which represents 38 per cent of the GDP. But the share has decrease by 2 per cent within the last two years. Efforts made to eliminate smuggling and counterfeiting helped the country to control the unofficial sales.

3. 3. 1. 4 Sub-Saharan Africa

Sub-Saharan African countries consist of all African countries that are fully or partially located south of Sahara which are heterogeneous in nature. Six countries Nigeria, Cote d'Ivoire, Zambia, South Africa, Ghana and Kenya from the region are included in the GRDI 2016.

Nigeria

Nigeria is the most populous country come under Sub-Saharan region with 182 million population. The country ranks at 19th place in the GRDI 2016. Rise in the middle class population and urbanization are the major drivers of retail growth. However, the economic growth has been declined in the country due to low oil prices and constrained government expenditure. There was 9 per cent inflation in 2015.

Modern retail was still underdeveloped in the country. Shoprite, SPAR and a few international grocers entered the country during this period. Nigeria aced some tough challenges to navigate the products, including import regulations, high rentals, and power shortages. Spanish retailer DIA plans to open more than 100 stores by 2020. Similarly, South Africa's Pepkor plans to double its business by 2018. Mall developments in Lagos and Abuja are also taking place.

Cote d'Ivoire

The country ranked at 21th in the GRDI 2016 after securing rapid economic growth over the four years with relative political stability after a decade long war. IMF estimated the economic growth as 8.6 per cent which is twice that of the regional average. The per capita income of the country has increased by 20 per cent in the past five years. Despite this the country has a poor population of 43.6 per cent living below poverty line.

Retail sales has grown by 8.9 per cent in the year 2015 and also expected to grow through 2020 as disposable income levels grow. International brands like Mango, CitySport, and Casino have their presence in the country. Carrefour opened its first hypermarket in Abidjan in the new Pla Yce Marcori Mall in December 2015. Fnac opened its first store in 2015 in partnership with Prosuma. French distribution group CFAO opened a 20,000 square foot Mall in capital Abidjan.

Zambia

Zambia has 23rd rank in the GRDI 2016 and 15 million population. The country's economic growth has been driven by the mining sector, but lower copper price and political instability add some uncertainty to the Zambian retail market. The CAGR for the period 2013-2015 was estimated as 12.1 per cent. Modern retail is limited in the country. The players that dominate the formal retail market are SPAR, Shoprite, Walmart (under Massmart), Pick n Pay, Woolworth and Fruits and Vegetable City. In November, 2015, Walmart's South African DIY chain builders warehouse entered Zambia at East Park. Two major Malls opened at Lusaka in the year 2015 are Mukuba Mall and Embassy Shopping Mall. Lusaka has 80 percent of the country's modern retail space. Other towns Kitwe, Kafue, Chirundu, Kabwe, Kalumbila, Solwezy and Chingola were gaining market expansion.

South Africa

South Africa occupies 27th place in the GRDI 2016 and the country is the most developed one among the sub-Saharan African countries. The country has more than 10 million square meters of retail space which accounts 88 percent of total retail space in the area. However, the economy is struggling, consumer spending, especially in the case of the middle income group, has decreased. As a result, the consumers were reviewing their strategies to become more competitive.

Retailers are diversifying their offerings and follow a multichannel approach to expand their customer base. They offer wide range of products, value-added services, and more aggressive price strategies. Despite the economic problems existed international retailers international fashion retailers have taken keen interest in the country. Prada has opened its first Mall in the country at Sandton City Mall in Johannesburg and H&M entered in South Africa with stores in Capetown and Johannesburg. American food restaurants were also expanding their business there.

Starbucks has open its first two store in 2010 and Donut is planned to pen 250 restaurants through a franchisee agreement with South Africa based Grand Parade Investments which also runs the country's Berger Key franchisee.

Ghana

Ghana ranked at 28th place in the GRDI 2016 with 28 million population. In the country, rate of urbanization was triple the population growth. Now, more than 60 per cent of the population are living in cities and it is a less risky place to do business than its neighbours. Total retail sales accounts $15 billion in the year 2015. During the periods of growth the poverty levels have been improved, the middle class has grown and the disposable income has increased. However, energy crisis, macroeconomic imbalances and the depressed commodity market tempered the rapid economic growth for the last five years. Although informal trade dominated in the country, rising disposable income increasing the popularity of modern style-malls, offer one stop-shop, convenience, variety and less crowding. Most of the modern space was concentrated in the capital city Accra. Now the retail is expected to grow in other regions, with 170,000 square meters of modern space is expected to be completed in secondary cities like Kumasi, Takoradi and Teema by 2018. South African retailers such as Pick n Pay and Shoprite have entered in Ghana to expand their growth and some of the international retailers are seeing the country as a gateway to West Africa. Moreover, the investor-friendly approach of the government helped to create the necessary environment to add the retail space in the country.

Kenya

Kenya, Africa's second largest formal retail market after South Africa, ranked at 29th place in the GRDI 2016. The country has reinforced by sound economic growth, rising consumer confidence and a growing and urbanizing middle class. The well established consumer goods sector, developed supply chains, valued import and port entry made it as a prime market.

Nairobi and Mombasa are the two largest cities in Kenya which remain the focus of retail development. Westgate shopping Mall was reopened for business in June 2015, two years after a terrorist attack, in which 90 per cent of the old retailers are returned and some of the new retailers such as local coffee retailer Dormans, Czech shoe seller Beta and Pizza Hut setting shops. In 2016, a shopping mall opened in Nairobi with 62,000 square meters of retail space which is the largest shopping mall in Central and East Africa. Grocery remains dominated by the traditional stores and street markets. Modern outlets are leading only in cities with more middle class consumers. Carrefour, Game (operated by South Africa's Massmart) and Botswana's Choppies are some of the international retailers operating in the country. Fast food outlets were expanded rapidly in the country, with local and international brands. KFC, which opened its eight stores in Nairobi, Domino's Pizza and Subway are examples.

3. 4. Conclusion

Retail industry is growing continuously. International retailers depend on developing markets for expansion of the retail business. Minimum retail revenue among the top 250 retailers is USD 3.6 billion. About 66.8 per cent of the top 250 retailers are having foreign operation. The growth of e-commerce has led the store retailers to resort restrictions in the expansion of physical stores, investing in smaller grocery stores and re-shaping the stores as the store of the future. Retail in developing markets is growing and will continue to grow. Retail industry can develop by avoiding the pitfalls of shifting the retail market. It requires strategic mindset for expansion. Each market has its own unique opportunities and challenges. A careful observation is needed to disclose both. That will help the retailers to move along the path of development for satisfying the needs of the changing expectations of the consumers.

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CHAPTER IV

RETAIL SECTOR IN INDIA – POLICIES AND PERFORMANCE

4.1 Introduction

Retail Industry of India has emerged as a fast growing and dynamic industry in response to a rise in disposable income, the changes in the consumer behaviour, favourable demographics and easy credit availability along with the entry of several new players. Over the last 20 years Indian retail sector has undergone tremendous change from an unorganised market, primarily ruled by kirana shops, to an organised market including supermarkets and other multi-format forms which offer global experience to the customers. India's vast middle class and almost untapped retail Industry are the key attractions for global retail giants to enter in the Industry. In this chapter an attempt is made to analyze the nature, the policy measures and the growth of the sector of India.

A T Kearney, an International consulting firm, annually ranks emerging market economies based on more than 25 macroeconomic and retail specific variables and publish the Global Retail Development Index (GRDI). For the years 2005, 2006, and 2007 and 2017 India has been ranked first in the Global Retail Development Index backed by the rising middle class and rapidly growing consumer spending. India is ranked at the 11th position after U.S., Canada, Germany, United Kingdom, China, Japan, France, Australia, Switzerland and Italy in FDI confidence index. It indicates that the country is the most attractive market for global retailers to enter. Aranca Research (a global research, analytics and advisory company) (2018 April) considered India as the fifth largest preferred retail destination globally. Retail industry of India is expected to grow from USD 680 billion in 2017 to USD 1.1 trillion by 2020 (IBEF, 2018). The industry is experiencing substantial growth with retail development taking place not just in major cities and metros, but also in Tier-II and Tier-III cities. Currently, the share of Indian organized retail market is valued at about USD 60 billion which is only about 9 per cent of the sector, where as unorganized retail market holds the rest. India's organized retail penetration is much lower compared with other countries like United States where organized retail sector penetration is of 85 per cent.

4. 2 Types of Retailers

Retailers, wholesalers and logistical organizations are intermediaries which use their own marketing strategies. Many of them use strategic planning, advanced information systems and sophisticated marketing tools. They measure performance based on return-on-investment basis more than on a profit margin basis. A retailer is any business organisation whose sales volume comes primarily from retailing. Any organization selling goods or services to final consumers, whether it is a manufacturer, wholesaler or retailer is doing retailing. Retailing can be done various ways: by person, mail, telephone, vending machine or internet. Consumers today can shop goods and services from a wide variety of retail organizations. They can be categorized as store retailers, non-store retailers and retail organizations. The major store types of store retailers are;

1. Specialty stores

It is a form of retail outlet that focuses on selling a particular product range and associated items. They specialize in selling of a product at premium prices, offers high quality and expert guidance to the shoppers. The major feature of specialty store is the narrow product line with deep product assortment. A clothing store would be a single line store, a men’s clothing store would be limited line store, and a men’s custom shirt store would be a super specialty store. Example, Athlete’s footwear, kids wear, etc. The following figure represents a speciality store.

2. Department Stores

Department store is an establishment offering a wide range of consumer goods in different product categories known as "departments". They came into existence in many modern cities in the beginning of 19th century itself. Big-box stores, hypermarkets and discount stores are comparable to department stores. Under a department store several product lines are available typically clothing, house furnishings and household goods with each line operated as a separate department managed by specialist buyers or merchandisers.

3. Supermarkets

Supermarkets are relatively large, low cost, low margin, high volume, self-service business organization designed to serve total needs for food, laundry and household products. The traditional form of supermarket occupies a large floor space, usually on a single level. It is generally located near a residential area in order to make it convenient to the custumers. The basic thing is the availability of a broad selection of goods under a single roof, at relatively low prices. Other advantages include ease of parking and frequently the convenience of shopping hours that extend into the evening or even 24 hours of the day.

4. Convenience Stores

A convenience store or convenience shop is a relatively small retail business store that supplies a range of everyday items such as groceries, snacks, soft drinks, etc. They differ from the general stores and from the village shops and are used as a convenient supplement to larger stores or located near residential areas. They open long hours, generally seven days a week, and carrying a limited line of high turnover convenience products at slightly higher prices.

5. Discount Stores

They provide standard merchandise sold at lower prices with lower margins and higher volumes. Discount retailing has moved into specialty merchandise stores such as discount sporting goods stores, electronics stores and bookstores, e.g. Wal-Mart, K mart, Crown bookstores, etc.

6. Off-Price Retailers

They brought merchandise at less than regular wholesale prices and sold at lower prices less than retail price. They often provide left-over goods, overruns and irregulars.

7. Factory Outlets

Factory outlets are owned and operated by manufacturers and normally carry the manufacture's surplus, discounted or irregular goods.

8. Warehouse Clubs

Warehouse clubs (Wholesale clubs) sell a limited selection of brand-name grocery items, appliances, goods at deep discounts to members who pay annual membership fees. Wholesale clubs operate in huge, low-overhead, warehouse like facilities and offer rock bottom prices, typically 20 to 40 per cent below supermarket and discount prices. E.g., Sam's club, Max clubs.

9. Superstores

About 35,000 square feet of selling space traditionally aimed at meeting consumer's total needs for routinely purchased food and non-food items, plus services such as laundry, dry-cleaning, shoe repair, check cashing and bill paying. A new group called category killers carries a deep assortment in a particular category and a knowledgeable staff. E.g., Border's Books and Music, Pets Mart, etc.

10. Hypermarkets

Hypermarket is a retail store that combines department stores and grocery supermarkets. They offer shoppers a one-stop shopping experience. The idea behind this big box store is to provide consumers with all the goods they require, under one roof. Wal-Mart Supercenter, Fred Meyer and Super Kmart are examples for popular hypermarkets. Hypermarkets also include warehouse-like stores that offer merchandise found in discount stores or specialty stores at one location.

Non-store forms of retailing have been growing much faster than store retailing, although the bulk of goods and services are selling through stores. Non-store retailing includes direct selling, direct marketing (which includes telemarketing and internet selling), automatic vending and buying services. Some companies are selling their products door-to-door basis or at home by sales parties. A sales person goes to the home of a host demonstrates its products and takes orders. Automatic vending is used for varieties of merchandise like soft drinks, coffee, etc. They offer 24 hours selling on self-service basis.

Table 4.1

Classification of retailers

R E T A I L S E C T O R	Retail Sector	ORGANISED SECTOR/ MODERN SECTOR	Supermarket	Bases on self-service, located near to residencial areas Product mix primarily comprises Food & Groceries, apparels and home furnishings Average sq ft: 1,000
			Hypermarket	A superstore with self-service facility, an combination of supermarket and a department store Product mix includes FMCG, apparels, home furnishing and electronics Average sq ft: 50,000 –1,00,000
			Specialty store	Stores providing to a particular product type (like apparels, footwear, accessories, baby products, music , books or electronics) Average sq ft: 800 – 1,000
			Cash and carry	Outlet meant for catering to the B2B sector This concept is based around self service and bulk buying, and serves registered customers only Core customer groups are hotels, caterers, traders and other business professionals
				A lifestyle retailing format

		Department store	Amalgamation of speciality departments such as apparels, accessories, home furnishing, toys and personal care products. Larger share of apparel to the total product mix Average sq ft: 30,000 – 50,000
	UNORGANISED SECTOR/ TRADITIONAL SECTOR	Small retailers comprising the local Kirana shops, owner manned general stores, pharmacy stores, footwear shops, apparel shops, hand-cart hawkers, and pavement vendors, among others	

Source: www.iimjobs.com

On the basis of organisation of retail activities, retailing can be broadly classified into organised retailing and unorganised retailing. Organised Retailer or Modern Retailer is usually chain stores, all owned or franchised by a central entity, or a single store that is larger than some cut-off point. The relative standardization of retailing is the key attribute of modern retail. The size of each unit can be small so that a chain of convenience store is modern retail. A single large department store is indeed a modern retail. They are generally characterized by high investment requirements, technology oriented, trained staff and with large premises. Unorganised Retail refers to the all traditional forms of retail usually situated near residential areas. It is generally characterized by owner-managed small and independent shops employing personal capital. It includes conventional Kirana shops, general stores, mom and pop stores, paan-beedi shops and other small retail outlets (Joseph, M. and Soundararajan, N. 2008)

Retailing in all its aspects can be traced back for centuries, but the elements and conditions of the marketplace have changed considerably. Retailing includes all activities involved in marketing and distribution of goods and services. Marketing implies the process of promoting, selling and distributing a product or service. The major elements of marketing are;

- Identification, selection and development of a product,
- Determination of its price,

- Selection of a distribution channel to reach the consumer's place, and
- Development and implementation of a promotional strategy.

Therefore, marketing is a core area of any retail operation and the success or failure of retailers is based upon how well they recognize and serve the needs of their consumers.

Consumer behavior is changing considerably. In recent times wants of the people has changed much in relation to that of 10 years back. For instance, now in many families, Husband and Wife are going to work. So they are more conscious about the time. They have to go for work, manage the purchasing and cooking. They also want to find out the time to spend for leisure activities. Change in the disposable income and the resultant changes in the lifestyle led to more facilities. That is why many prefer one-stop shopping and more facilities at the shopping place like parking facilities. These are the basics behind the transformation of traditional retail formats like street vendors and family occupied small retail outlet into the modern formats like supermarkets and hypermarkets.

Retailing is one of the biggest sectors in India and has witnessed tremendous growth since liberalization of the Indian Economy. Now retailing became one of the major services which contribute significantly towards national income and employment. The modern retailers, both domestic and international retailers, have focused on investing in various retail formats like supermarkets, hypermarkets, convenience stores and cash and carry stores which has gradually changed the overall consumer shopping behaviour. The traditional stores are also undergoing a change. They offer very high level of service and convenience and are able to provide better services to their customers than that of the larger stores, who so far have been competing on price and wider assortment.

4.3 Regulatory framework of the Retail Sector of India

In India, regulation of the retail sector is mainly under the control of state governments. Different state governments had taken different regulations to protect the retailers, especially the small unorganized retailers, from the competition of large organised retailers. For example, Kerala state government had tightened the regulatory framework for large organized retail companies in 2006 and announced a special 10 per cent tax on profit earned by supermarkets. Similarly, Utter Pradesh government had closed down 10 Reliance Fresh outlets in 2007. There is no constraint on the entry of any domestic business house into the retail sector. However, the entry of foreign players into the industry in the country is restricted and still not allowed in full swing. Since 1991, we are following a liberalized FDI policy in the retail sector. For the development of the retail industry100 per cent FDI in single brand retail is permitted since 2011. In the year 2012, 51 per cent FDI is permitted in multi-brand retail also. Government of India has allowed 100 per cent FDI in online retail of goods and services through the automatic route.

4. 4 Evolution of retail in India

Evolution of retail in India can be traced to the times when the majority of trade was done through various formats such as Mandis, Haats and Melas. Such practices were much organised on a periodical basis and limited to a particular locality or village. Almost most of the things such as vegetables, household necessities, cattle, etc were bought and sold either through monetary basis or through barter system.

Table 4.2

Evolution of retail in India

1990s	□ Manufacturers opened their own outlets
1990-2005	□ Pure-play retailers realized the potential of the market □ Most of them in apparel segment
2005-2010	□ Substantial investment commitments by large Indian corporates □ Entry in food and general merchandise category □ Pan-India expansion to top 100 cities □ Repositioning by existing players

2010 onwards	Cumulative FDI inflow from April 2000 to March 2018, in the retail sector, reached US$ 1,212.34 million Movement to smaller cities and rural areas Large-scale entry of international brands Approval of FDI limit in multi-brand retail up to 51 per cent Rise in private label brands by retail players Sourcing and investment rules for supermarkets were relaxed E-commerce has emerged as one of the major segments 100 per cent FDI in single brand retail under the automatic route

Source: IBEF, 2018

Evolution of organized retail industry in India can be broadly classified under four phases.

1. Initiation (Pre 1990)

This phase is characterized by Migration of people from villages to urban areas. As a result a number of small stores for necessity items were opened. People are getting acquaintance with the customers thereby resulting in repeat sales. During the period 1960s to 1980s domestic textile majors ventured into retailing through company owned outlets. A few manufactures opened their own outlets such as Vimal, Bombay Dyeing, Raymond’s, etc. Footwear makers such as Bata and Metro also opened their own chains of retail stores.

2. Conceptualization phase (1990-2005)

Since liberalization and opening up of Indian economy during 1990s many first generation entrepreneurs and corporates entered retail business. This result an increase in investments by international retail firms in India. For instance, RPG group launched Spencer’s in Bangalore and Shoppers Stop in Mumbai. In 1998, Tata group entered the retail business with the brand Westside. Brands like McDonalds, Adidas, Reebok, Nike, Levi Strauss, Lee, Wrangler, Louis Phillippe, Pepe Jeans, etc. entered Indian retail market. Growth of apparel retail format was the most significant change during this period.

3. Expansion (2005-2010)

This period was characterized by growing share of organized retailing in India with substantial investments by Indian corporates. Pantaloons retail (now Future retail) opened ‘Home town’ and ‘E-zone’ in 2006. In the same year government has changed its FDI policy by allowing 51 per cent share by foreign investors. This led to the entry of several premium brands such as Armani, Versace, etc. to enter in Indian market. But the recession affected the retail growth adversely during 2008-2009.

4. Consolidation and growth (2010 onwards)

Retail expansion during this period led to intense competition especially in urban market and the extension of retail shops into smaller cities and rural areas. Emergence of many online brands such as Flipkart, Myntra and Homeshop18 are the further advancement. E-commerce has emerged one of the major segments in the sector. In 2012, FDI policy further liberalized and FDI up to 100 per cent allowed in single brand. The size, scope and complexity of retail have been changed considerably over the last two decades. The concept of ‘one-stop-shop’ has further intensified the growth of modern retail.

Confederation of Indian Industry (December, 2017) reported about the drastic change takes place in India’s retail sector over the last 20 years where large number of organized retailers offer global experiences to the local consumers. Tier – I cities have been the first to benefit from the organized retail especially in large formats like malls. This trend gradually extended to Tier – II & III cities due to the rising demand from the consumers. Availability of real estate at cheaper prices, lower rentals, and conscious middle income population at these cities attracted the modern retailers to plan their expansion or entry there. Now we can experience the growth of modern retail even in rural areas.

Table 4.3

Classification of Cities

State/UTs	Cities classified as "X" (Tier I)	Cities classified as "Y" (Tier II)
Andhra Pradesh	Hyderabad	Vijayawda, Warangal, Vishapatnam, Guntur
Assam		Guwahati
Bihar		Patna
Candigarh		Chandigarh
Chatishgarh		Durg-Bhilai, Raipur
Delhi	Delhi	
Gujarat		Ahmedabad, Rajkot, Jamnagar, Vadodara, Surat
Haryana		Faridabad
Jammu & Kashmir		Srinagar, Jammu
Jharkhand		Jhamshedpur, Dhanbad, Ranchi
Karnataka	Bengaluru	Belgaum, Hubli-Dhanbad, Mangalore, Mysore
Kerala		Kozhikode, Kochi, Thiruvananthapuram
Madhya Pradesh		Gwalior, Indore, Bhopal, Jabalpur
Maharashtra	Mumbai	Amravati, Nagpur, Aurangabad, Nashik, Bhivandi, Pune, Solapur, Kolhapur
Orissa		Cuttak, Bhubaneswar
Punjab		Amritsar, Jalandhar
Pondicherry		Pondicherry
Rajasthan		Bikaner, Jaipur, Jodhpur, Kota
Tamil Nadu	Chennai	Salem, Tiruppur, Coimbatore, Tiruchirappalli, Madhurai
Uttar Pradesh		Moradabad, Meerut, Ghaziabad, Aligarh, Agra. Bareilly, Lucknow, Kanpur, Allahabad, Gorakhpur, Varanasi
Uttarakhand		Dehradun
West Bengal	Kolkata	Asansol

Source: https://www.mapsofindia.com/maps/India/tier-1 -and-tier-2-cities.html

4.5 Growth of Retail in India

The retail sector of India has been growing along with the growth of Indian economy. The absolute and relative growth rates of key national income aggregates and retail sales during the period 2012-13 to 2015-16 are cited in the table 4.4.

Table 4.4

Growth of Key aggregates of National Accounts and Retail Sales (Rs in Crores)

Year	GDP at constant prices	NNI at constant prices	Private Final Consumption Expenditure	Govt. Final Consumption Expenditure	Gross Capital Formation	Retail market size (USD billion)
2011-12	8736329	7742330	4910447	968375	3403008	518
2012-13	9213017 (5.45)	8094001 (4.54)	5179091 (5.47)	974263 (0.61)	3639296 (6.94)	490 (-5.41)
2013-14	9801370 (6.39)	8578417 (5.98)	5557329 (7.30)	979825 (0.57)	3448236 (-5.25)	534 (8.98)
2014-15	10536984 (7.51)	9231556 (7.61)	5902386 (6.21)	1073894 (9.60)	3741235 (8.50)	600 (12.36)
2015-16	11381002 (8.01)	9982112 (8.13)	6262373 (6.10)	1109725 (3.34)	4023585 (7.55)	680 (13.33)
CAGR	**6.834834**	**6.5584**	**6.268482**	**3.464878**	**4.276766**	**7.039677**

Source: CSO revised estimate (2016-17), IBEF 2018

Note: Values in brackets are annual growth rates

The table 4.4 indicates that the retail industry grows along with the growth of GDP. As the GDP increased from Rs. 87,36,329 Crore in the year 2011-12 to Rs. 1,13,81,002 Crore in 2015-16 on a CAGR of 6.83 per cent, retail market size also has grown from USD 518 billion in the year 2011-12 to USD 680 billion in the year 2015-16 on a CAGR of 7.04 per cent. All other macroeconomic aggregates including NNI at constant prices, PFCE, GFCE and GCF were also shown an increasing trend during the period. In order to get an idea about the trend of retail change in India in recent years the retail revenue of 186 companies during the period 2003 to 2017 are presented in the table 4.5.

Table 4.5

Market Size of Retail Industry (Rs. Million)

Year	Sales (Rs. Million)	Growth rate
2003	120124.60	NA
2004	159855.70	33.07
2005	260800.10	63.15
2006	304067.80	16.59
2007	424692.00	39.67
2008	532621.90	25.41
2009	731450.40	37.33
2010	870244.60	18.98
2011	1229598.80	41.29
2012	1433642.90	16.59
2013	1184863.00	-17.35
2014	1206087.00	1.79
2015	1472302.60	22.07
2016	1551831.20	5.40
2017	1783337.70	14.92
AAGR		**22.78**
CAGR		**21.25**

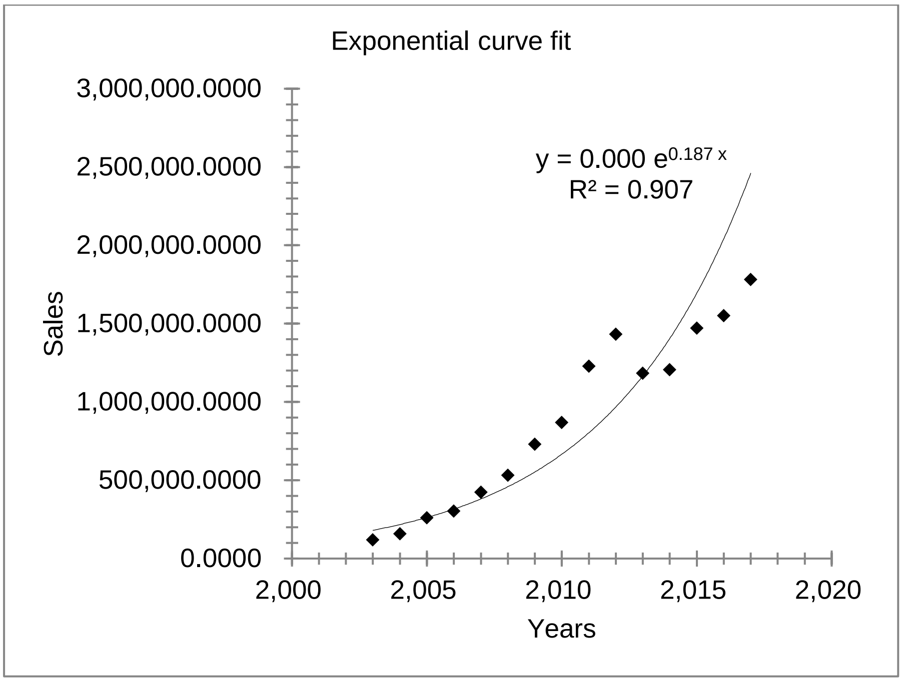
Source: ProwessIQ Database

Note: Retail sales of 186 companies in 2018

The table 4.5 reveals that retail sales have increased from Rs. 1, 20,124.60 million in the year 2003 to Rs. 17, 83,337.70 million in the year 2017 at a CAGR of 21.25 per cent.

The trend of Retail sales is shown in the figure 4.1.

Figure 4. 1 Trend of retail sales



In order to measure whether the change in sales during the period 2003 to 2017 is significant or not, the Trend analysis was conducted and the result is shown in table 4.6

Table 4.6

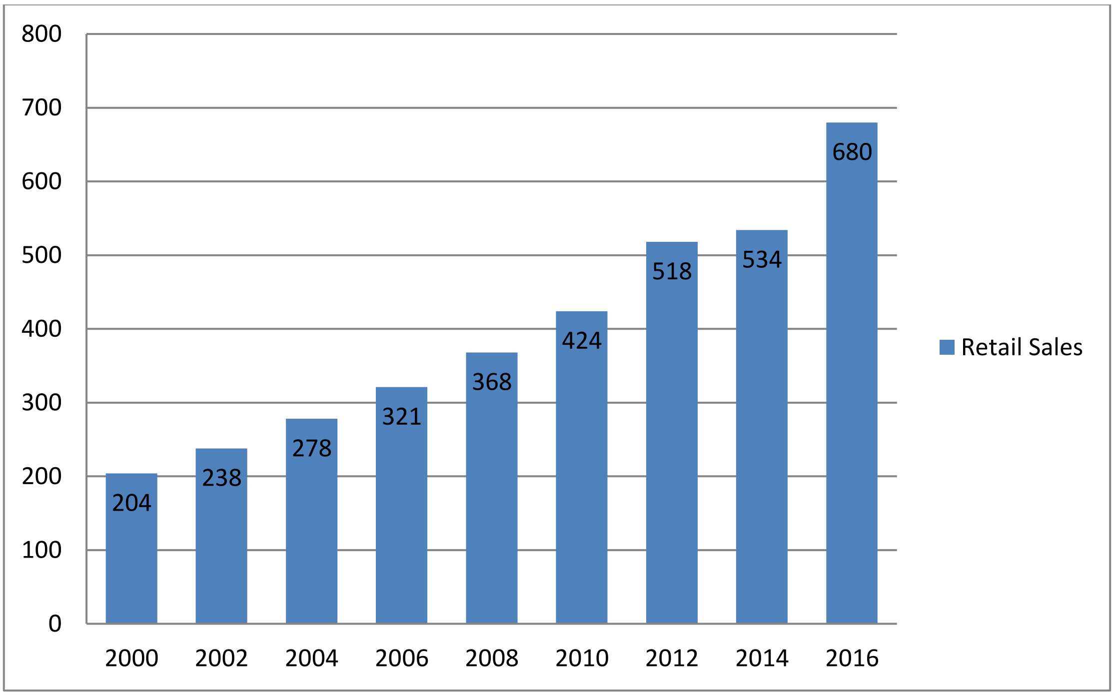
Trend Analysis of Market sales

Variable	Ho	Tool	P-value	Result
Sales	No significant increase	Trend Analysis	0.000	21.25 percent average rate of increase in sales

The test result shows that, since the P-value is less than 0.01 the change in sales from Rs. 120124.60 Million in the year 2003 to Rs. 1783337.70 Million in the year 2017 at a CAGR of 21.25 per cent is statistically significant at 1 per cent level of significance.

The market size of the retail industry of India during the period from 2000 to 2016 is shown in the figure 4.2.

Figure 4.2 Market Size of Retail Industry of India (USD billion)



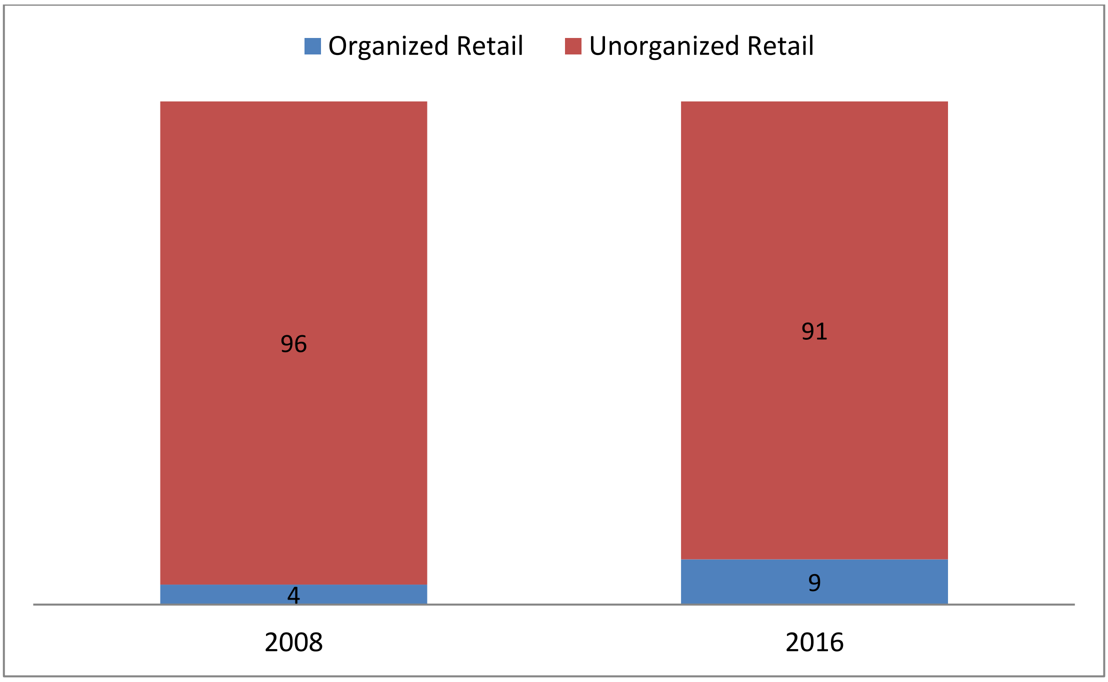
Source: IBEF Database, 2018

Indian retail industry is growing from the market value of USD 204 billion in the year 2000 to USD 680 in the year 2016 at a CAGR of 7.34 per cent over the period. Retail industry is expected to grow further during the coming years. Improvement in the standard of living of the people, higher demand from consumers with higher incomes, increased job opportunities, higher participation of producers/retailers in the organised retail market, discounted and promotional pricing, increased number of products and more product varieties are the major driving factor of growth of the industry. Similarly, a transition from offline stores (physical stores) to online stores by many players in the retail industry is undergoing to compete with the traditional shops, with home delivery and cash on delivery options the shop sizes would comparatively decrease while the number of stores might go up. Thus the markets are getting more organised and expected to grow further during the coming future. Figure 4.3 depicts the segmentwise distribution of retail industry in India.

4.5.1 Growth of Organised Retail

The Indian Retail industry has been dominated by the unorganised sector. In India organised retail is in its nascent stage. Organized retail penetration in India is low, valued at USD 60 billion about 9 per cent of the sector during the financial year 2016, compared with the developed countries such as US where it is about 85 per cent. (Care ratings, 2017). It is to be noted that contribution of unorganised sector is 15-20 per cent to the total retail sales in countries such as U.K., U.S., Taiwan, etc. Figure 4.3 depicts the segmentwise distribution of retail industry in India.

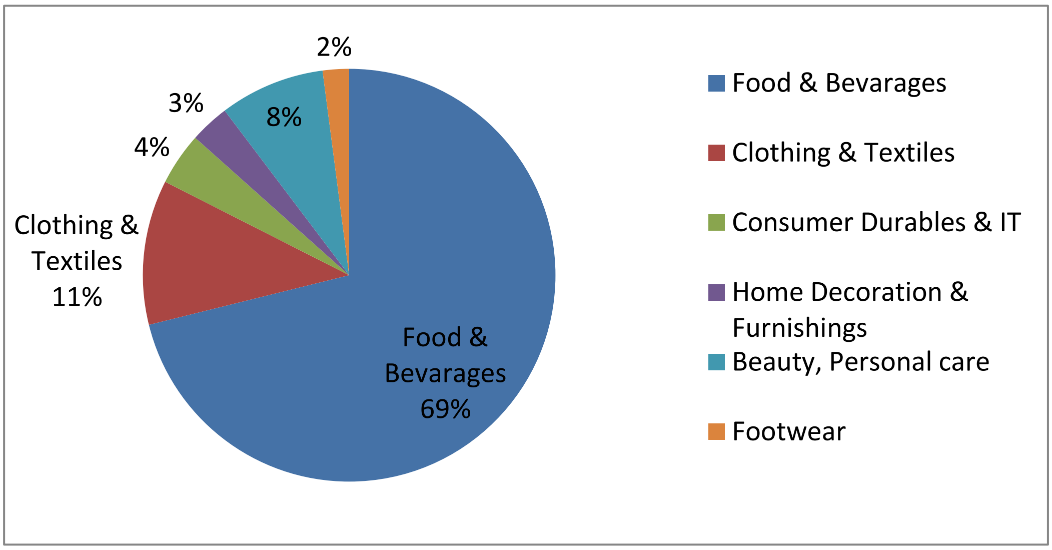
Figure 4.3 Segment-wise contribution in the Retail Industry



Source: ICRIER-2008, IBEF-2017

The figure 4.3 shows that the relative share of organised retail in India has increased from 4 per cent in the year 2008 to 9 percent in 2016. A view of the segmentwise contribution in the organised retail is also presented in the figure 4.4.

Figure 4.4 Segment-wise contribution in Organised Retail (in Percentage)



Source: Retail Industry, IBEF, 2017

Under organised retail, food & beverage holds around 69 per cent of the retail sector, followed by apparel and personal care. Consumer durables & IT and Footwear contribute 4 and 3 per cent respectively during the financial year 2016.

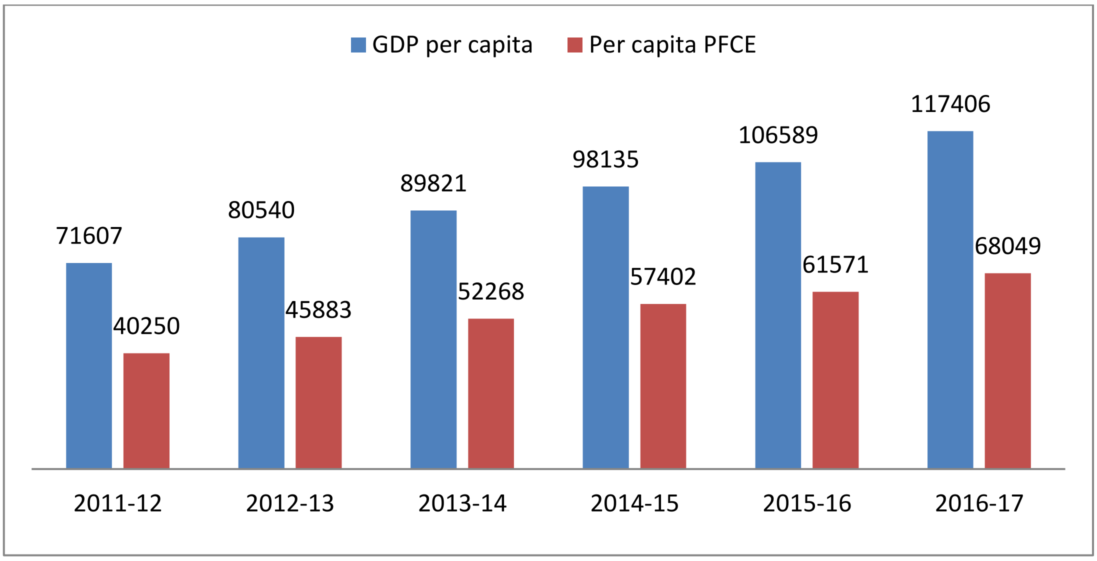
4.6 Drivers of Retail Growth

Indian retail industry is growing due to the changes in disposable income, attitude of the consumers, demographics, population of working women, FDI policy and rapid urbanization. As a result of these changes, the demand for goods and services increases. Thus they are termed as the demand drivers of growth. In this section major drivers of retail growth are explained.

4.6.1 Rising income levels and growing per capita expenditure

Indian economy is growing rapidly during the last decade. Per capita income of India has increased from Rs 71,607 in the year 2012 to Rs. 117,406 in 2017. This has resulted in a consumption boom in the country. Accordingly, the per capita personal disposable income increased from Rs 73,476 in the year 2012 to Rs 119,296 in 2017. As a result, the per capita private final consumption expenditure has also increased from Rs 40,250 in 2012 to Rs.68,049 in 2017. Thus increasing disposable income and resulted increase in the per capita expenditure became a major driving factor of country’s retail growth. Figure 4.6 and 4.7 shows rise in per capita GDP, per capita private final consumption and per capita personal disposable income in recent years.

Figure 4.5 Per capita inducators (Rs at current prices)



Source: Central Statistics Office (CSO) 2017

The figure 4.6 shows that per capita income of India has increased from Rs 71,607 in the year 2012 to Rs. 117,406 in 2017 at a CAGR of 10.4 per cent and the per capita private final consumption expenditure has increased from Rs 40,250 in 2012 to Rs.68,049 in 2017 at a CAGR of 11.1 per cent.

The growth of GDP per capita and per capita private final consumption expenditure can be represented by Linear Trend equations measured by the principle of least squares. The trend equation represinting the growth of per capita GDP is;

- $Y = 9013.029X – 1.8E+07$

Where, Y represents the dependent variable, per capita GDP, and X represents the indipendent variable, Year.

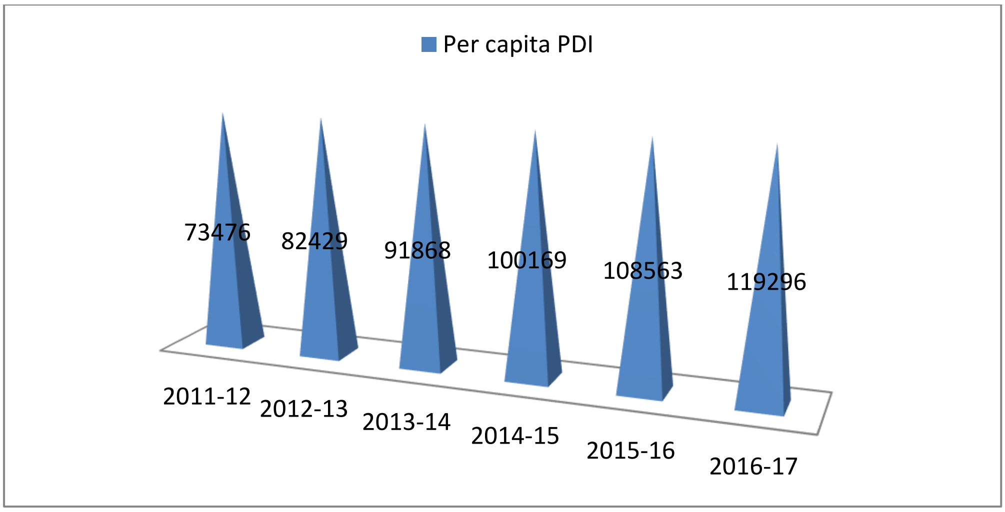
The trand equation representing the growth of Per capita private final consumption expenditure (PFCE) is;

- $Y = 5462.657X – 1.1E+07$

Where, Y represents the dependent variable, per capita PFCE, and X represents the indipendent variable, Year.

In both of the equations the positive value of the co-efficient of ‘X’ implies that the slope of the the trend lines are positive.

Figure 4.6 Per capita Personal Disposable Income (Rs at current prices)



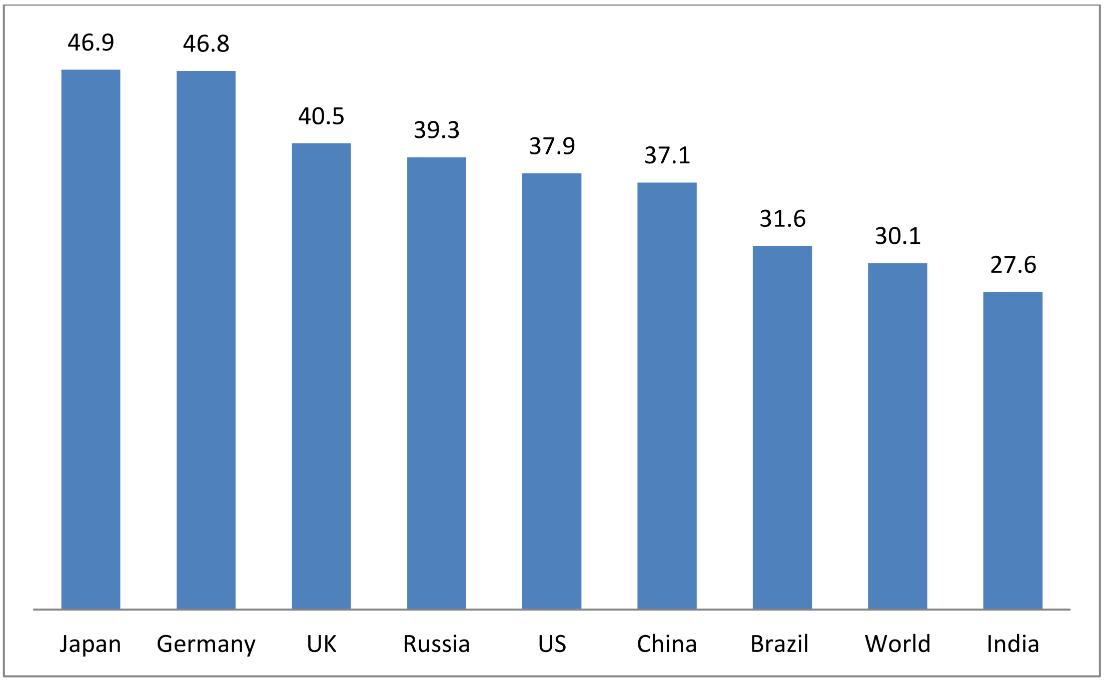
Source: Central Statistics Office (2017)

The figure 4.7 indicates that the per capita personal disposable income increased from Rs 73,476 in the year 2012 to Rs 119,296 in 2017 at a CAGR of 10.2 per cent.

4.6.2 Changes in Demographics

Indian demography has witnessed a ‘demographic dividend’ where by the percentage of ‘earning population’ swelled spectacularly. The proportion of the working population in the age group 15-60 years has increased from 55.4 per cent in 1991 to 66.2 per cent in 2016. The median age of India is 26.7 years which is one of the lowest average age globally. It is 37.2 years in the US, 45.8 years in Japan and 36.3 years in China. By considering the fact that the age group below 25 years being one of the highest spending age grooup, the current age status are expected to boost the retail sale of India. The mdian age of population in selected countries are given in figure 4.8.

Figure 4.7 Median Age of Population

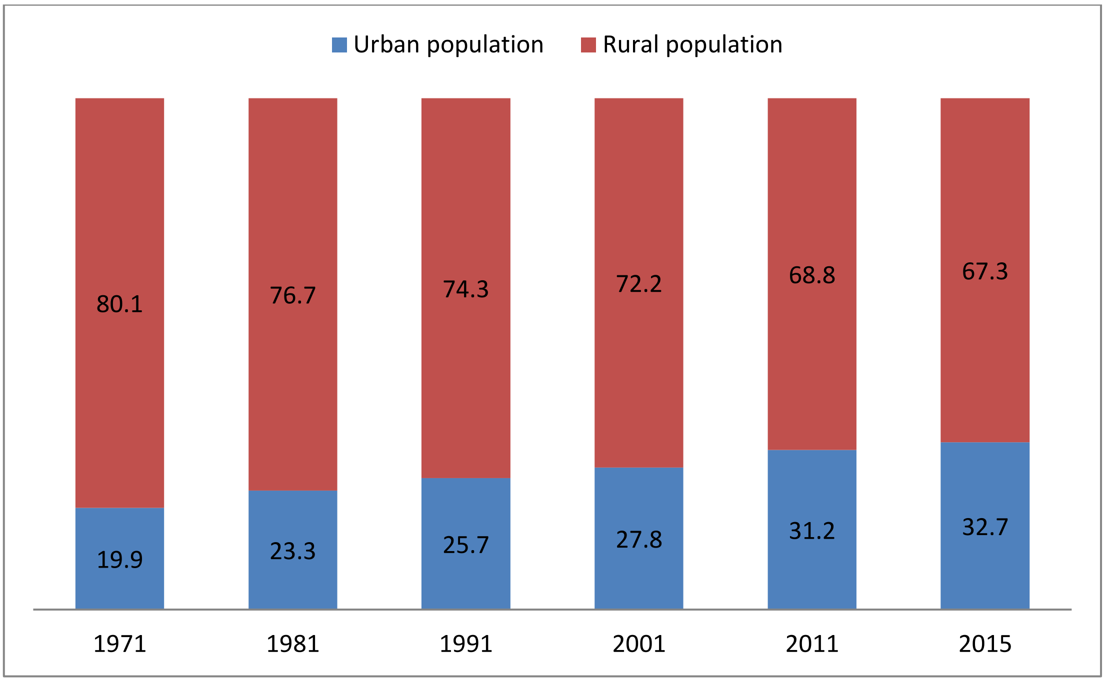


Source: CIA – The world Factbook– 2016E

4.6.3 Rapid Unbanization

Due to economic growth and development more and more people are prefering to live in urban areas. Further, the existing town develops, more and more towns emerge and urbanization process takes place as a result of economic development. This transition has resulted increase in the demand for goods. Figure 4.9 presents the growth of urban population in India over a period of time.

Figure 4.8 Population division (Rural & urban) in India



Source: CIA – The world Factbook– 2015E

The figure 4.9 reveals that during the period from 1971 to 2015 the share of urban population has increased from 19.9 per cent to 32.7 per cent along with the rise in the absolute population. This has resulted in an increase in demand for goods and thereby the retail growth.

4.6.4 Increasing use of Plastic money and Easy availability of credit

When an economy grows the development takes place in the monetary sector also. As a result, the use of credit and debit cards and cashless transactions increases. The growing use of 'plastic money', i.e., credit cards and debit cards, has increased the demand for goods and service in the economy. The offers given by the retailers along with the pleasure of 'cashless transaction' has resulted in an increase in the retail growth. The table 4.7 depicts the growth of debit card transactions in India during the period 2011-12 to 2016-17.

Table 4.7

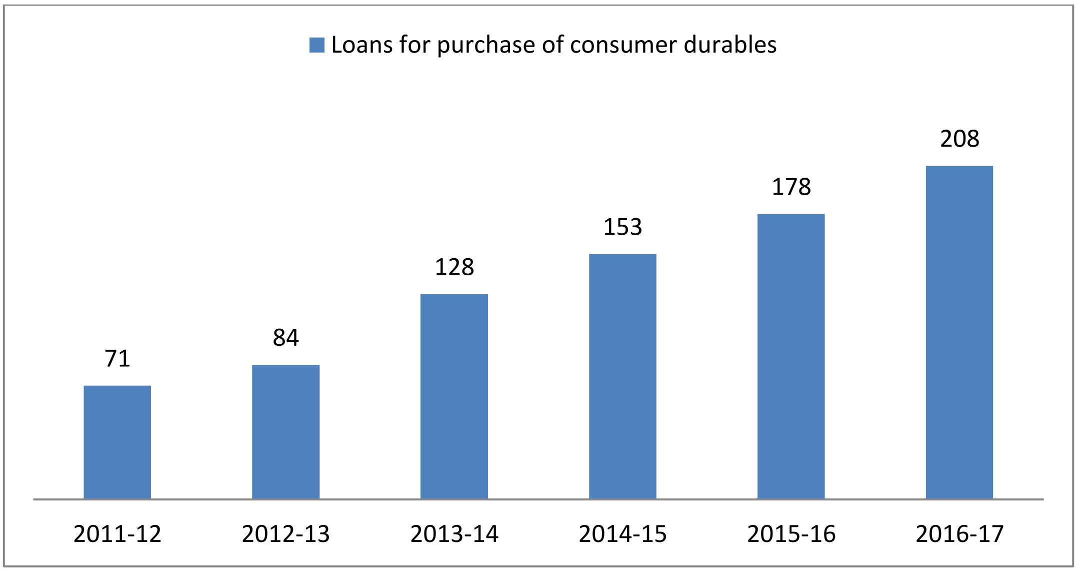
Debit card usage in India

Year	Debit card usage in numbers
2011-12	5,409,451
2012-13	5,972,532
2013-14	6,906,848
2014-15	7,803,733
2015-16	9,246,153
2016-17	10,962,360
CAGR (in per cent)	**15.17**

Source: Reserve Bank of India (2017)

Similarly, in order to boost the growth of the economy, government through the banking sector provides credit expansionary policy. Credit facility is available for producers as well as the consumers. The figure 4.10 shows the increase in consumer credit for the purchase of consumer durables for the period 2011-12 to 2016-17.

Figure 4.10 Gross Bank Credit (Rs Billion)



Source: Reserve Bank of India (2017)

The figure 4.10 shows that consumer credit for the purchase of consumer durables in India during the period 2011-12 to 2015-16 has increased at a CAGR of 23.98 per cent.

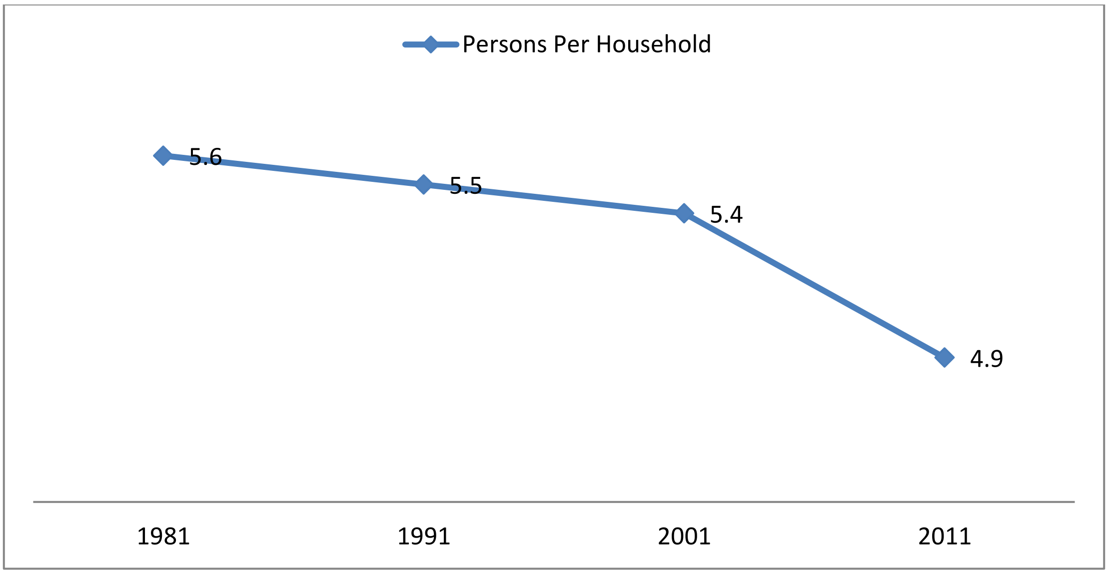
4.6.5 Change in the attitude of Consumers

Since the Per capita income of India has risen from Rs 71,607 in the year 2012 to Rs. 117,406 in the year 2017 and the median age of India is 26.7 years as noted in the sections 4.5.1 and 4.5.2, the consumers especially the younger generation spend more money for purchasing consumer durables and other luxury items. The absolute income spent on almost all commodities increases, which results in the growth of the retail sector.

4.6.6 Rise in the number of Nuclear families

Due to the population growth, rapid urbanization and unavailability of large real estate people prefer to live in nuclear families. As per the population census average number of persons per household has reduced from 5.6 in the financial year 1981 to 4.9 in the year 2011 (see figure 4.11). This has resulted in increased demand for goods.

Figure 4.10 Average Number of Persons Per Household



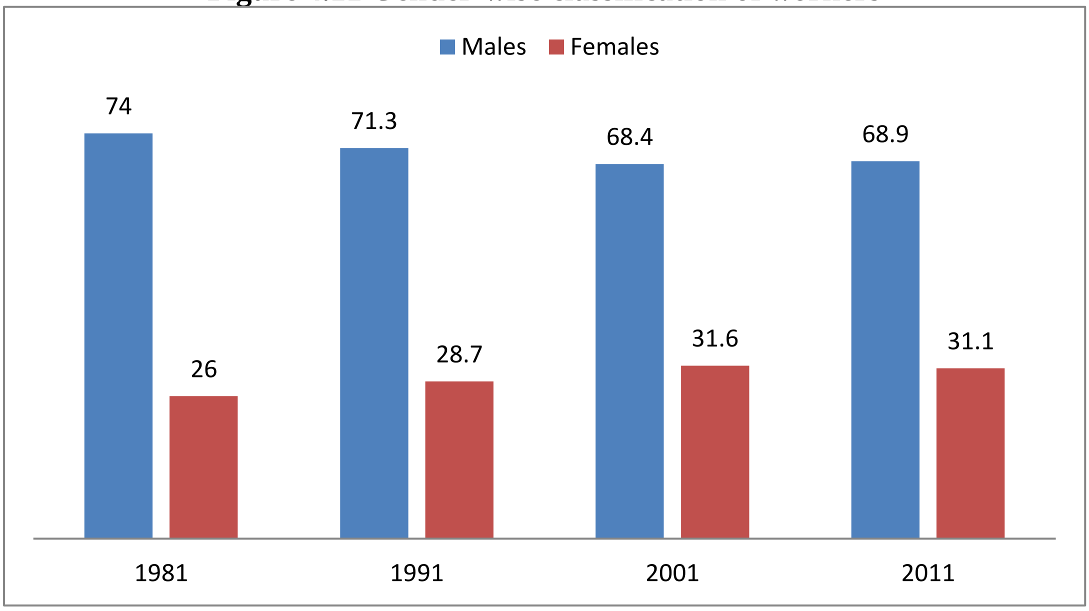
Source: Census of India, Socio-Economic Statistics – 2011

Based on the above data the trend line can be fitted as Y = 49.262 – 0.022X. In this equation, the dependent variable Y represents average number of persons per household and the independent variable X represents the year. The nagative value of the co-efficient of X represents the downward sloping nature of the trend line. Therefore, estimate of the expected value of average number of persons per household for the year 2021 is 4.8.

4.6.7 Growing Female working population

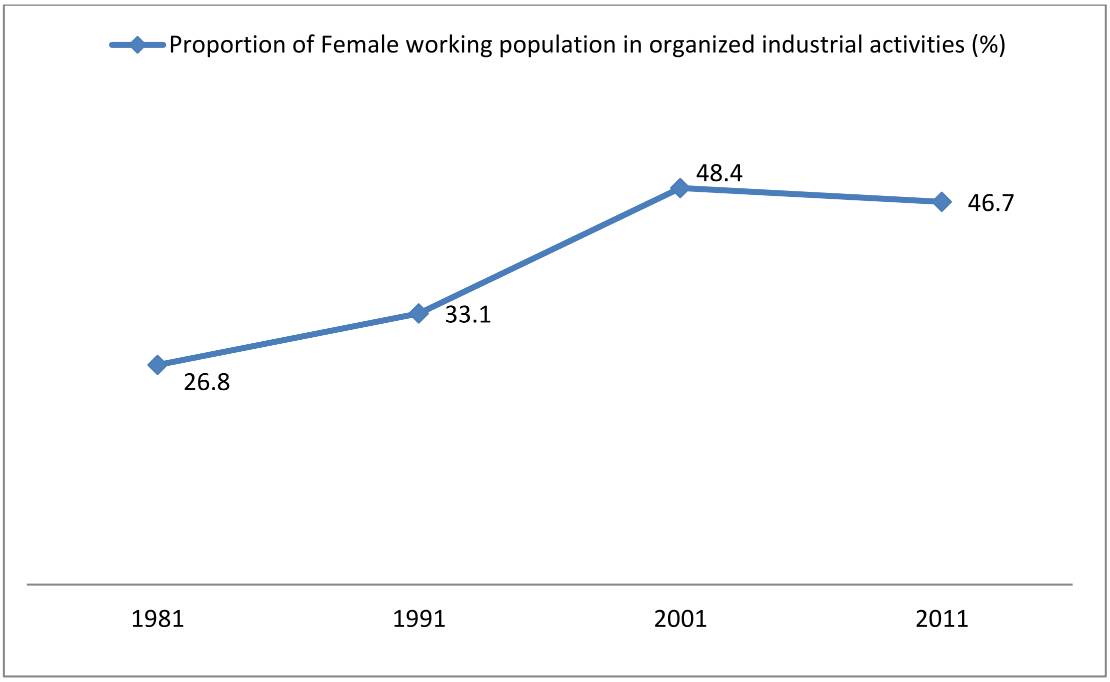
In India proportion of female population in the working force increases along with the economic growth. It was 26 per cent in the financial year 1981 which has increased to 31 per cent in the year 2011. Proportion of working women in organised industrial activities also has increased from 27 per cent in the year 1981 to 47 per cent in 2011. This has increased the demand for goods in two ways; firstly, due to increase in income of the household, and secondly, Females are more aware about the day to day requirements of the family. By considering these things, the organised retailers have increasingly emphasized on the 'one-stop shop' concept wherein all the household requirements ranging from food & grocery to apparel could be met under a single roof. Figure 4.12 shows the gender-wise distribution of the working population in India.

Figure 4.11 Gender-wise classification of workers



Source: Census of India, Socio-Economic Statistics – 2011

Figure 4.12 Female Working Population in Organised Industrial Activities

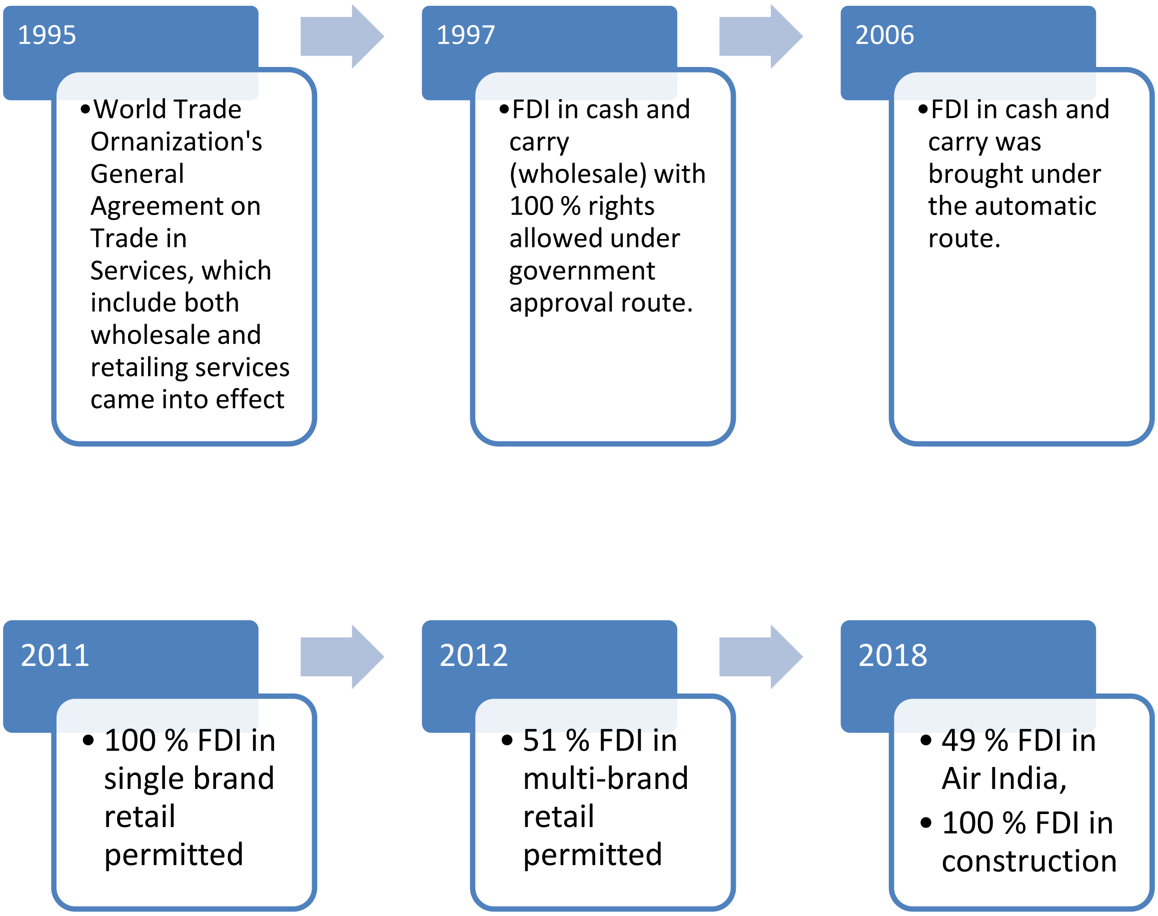


Source: Census of India, Socio-Economic Statistics – 2011

4.6.8 Liberalization of FDI Policy

Since liberalization in the year 1991 and as a member country to World Trade Organization’s General Agreement on Trade in Services we followed liberalized FDI policy thereafter which include wholesale and retailing services. Until 2011, the Indian Central Government denied foreign direct investment (FDI) in multi-brand retail & single-brand retail was limited to 51per cent. In late 2012, the Government of India approved a FDI policy which allowed global retailers to own up to 51 per cent in multi-brand retail & 100 per cent in single brand retail. The major liberal policy measures in connection with FDI since 1991 are depicted in the figure 4.13 below.

Figure 4.13 Changes in FDI policy



4.6.8.1 Details of FDI on Single and Multi-brand Retail in India

The growth of retail industry in India forced the government to reframe the policy framework of FDI in order to lookafter the interest of small unorganised retailers or farmers as well as to attract FDI in India. Details of FDI on single and multi-brand retail in India are shown in the table 4.8 given below.

Table 4.8

FDI policy details on Single and Multi-brand Retail in India

100 per cent FDI in single brand retail	• Single brand products alone should be sold. Sale of multi-brand products under this category is not allowed even if they are produced by the same manufacturer • 100 per cent FDI is allowed under the automatic route in single brand retail • Single brand retailers are allowed to set off their incremental sourcing of goods from India for global operations during the initial five years of starting the business, as against the compulsory sourcing requirement of 30 per cent of purchases from India • 100 per cent FDI in retailing of food products manufactured or produced in India.
51 per cent FDI in multi-brand retail	• 30 per cent procurement of manufactured or processed products must be from SMEs • In backend infrastructure like logistics, cold storage, soil testing labs, seed farming and agro-processing units minimum 50 per cent of total FDI must be invested. • Farmers are expected to receive better prices due to the removal of middlemen. • Development in retail supply chain system • 50 per cent of jobs in retail outlet could be reserved for rural youth and a certain amount of farm produce could be required to be procured from poor farmers • To ensure the Public Distribution System (PDS) and Food Security System (FSS), the government reserves the right to procure a certain amount of food grains • Development of backend infrastructure will help to cut agricultural wastes.

Source: IBEF (2018)

4.8 Major organised Retailers in India:

1. Pantaloon Retail/ Aditya Birla Group:

Aditya Birla Fashion and Retail Limited (ABFRL) has emerged after the consolidation of the two major companies of Aditya Birla group consisting of ABNL (Aditya Birla Nuvo Ltd.)'s Madura Fashion division and ABNL's subsidiaries, Pantaloons Fashion & Retail (PFRL) and Madura Fashion & Lifestyle (MFL) in May 2015. Then, the company was renamed as Aditya Birla Fashion and Retail Limited. ABFRL is India's No 1. Fashion Lifestyle

The Aditya Birla Fashion and Retail Limited (ABFRL) includes:

a) Madura Fashion & Lifestyle

Being a division of ABFRL, Madura Fashion & Lifestyle was the first player operating on a national scale with regard to the fashion retail in India. MF&L was born in 1988 which has a vast retail network comprising exclusive outlets, premium multi-brand and department stores. Four of its brands, viz, Louis Philippe, Allen Solly, Van Heusen and Peter England, are among India's top fashion names, with MRP sales in excess of Rs. 1,000 crore each.

b) Pantaloons

Pantaloons as a division of ABFRL is one of the most loved large format fashion retailers in India. Pantaloons is today's the fastest growing large format retailer in the country. Pantaloons offers a wide range of brand offerings in apparel and non-apparel categories with varied price points. It provides various categories of casual wear, ethnic wear, formal wear, party wear and active wear for men, women and kids. Women'swear covers its half of total apparel sales. Non-Footwear, handbags, cosmetics, perfumes, fashion jewellery and watches come under non-apparel products. Pantaloons began in 1997 as a Future Group company for meeting the demands of Indian middle-class with an indigenous fashion retail format.

2. K Raheja Group:

K Raheja Group entered into retail sector of India's first departmental store in 2001, Shopper's Stop. Crossword Book Store, Mothercare & Early Learning Centre (ELC), Estee Lauder group, HyperCity– a premium shopping destination for Foods, etc., are the other formats of the company. Shoppers' Stop, Crossword, Inorbit and HyperCity are the four group ventures of K Raheja Group.

3. Tata Group:

Tata group established in 1998, Trent is one of the subsidiaries of Tata Group. It operates Westside, a lifestyle retail chain and Star India Bazaar - a hypermarket with a large range of products at the lowest prices. Croma (a consumer electronics chain), Titan (the watch brand) and Tanishq (the jewellery brand) are the major other stores of the company. The Tata Group has more than 100 operating companies spread across six continents. The subsidiary retail companies under Tata Group are Infiniti Retail, Inzpera Health sciences, Landmark, Tata AG, Tata Global Beverages, Tata Coffee, Tata Sky, Tata Unistore, Titan Company and Trent.

a) Infiniti Retail

Infiniti Retail is a subsidiary of tata group which operates a chain of multi-brand electronics stores across India and an e-commerce website under the brand name Croma. The company launched in October 2006. Croma sells more than 2,500 products in five lead segments, namely, home appliances, entertainment, IT products, digital imaging and communication.

b) Inzpera Health sciences

Inzpera Health science is a health sciences company that markets efficacious therapeutic products which aim to restore the health and nutritional balance across age groups. It is a start-up company founded on the core philosophy that healthy habits lead to happier lives. It is a subsidiary of Tata Industries, which holds a 77 per cent equity share.

c) Landmark

Landmark was established in 1987 as a book retailer in India, it became a part of Trent, the company Tata runs the Westside retail chain, in 2005. The company is one of the leading retailers of books and music in India.

d) Tata AG

Tata AG became a worldwide exporter of a wide range of Indian commodities, finished products and non-traditional industrial items. The company undertakes international trading, counter-trading and specialist equipment procurement for overseas projects. It has developed expertise in marketing leather, steel, building industry material, commercial vehicles, passenger vehicles, raw cotton and textiles through its European agency network. The headquarters of the company is located in Zug, Switzerland.

e) Tata Global Beverages

Tata Global Beverages has more than 200 years of history in the beverage market and a heritage of innovation and development, Tata Global Beverages has successfully evolved from a predominantly domestic Indian tea farming company and has become marketing and brand focused global organisation with a portfolio of strong brands.

f) Tata Coffee

Tata Coffee is producing high-quality green bean and instant coffee and became one of the largest integrated coffee companies in the world. The company's business spans spread across the world in key markets such as North America, Europe, Middle East and East Asia. Its instant coffee business is famous in Russia and Africa and in East Asia, Europe and the Middle East.

g) Tata Sky

Tata Sky is a joint venture between Tata Sons and Century Fox. The company provides Direct-to-Home (DTH) television services to viewers in India. It was incorporated in 2004 and offers a range of media and entertainment options to its customers.

h) Tata UniStore

Tata UniStore (TUL) is India's latest destination for authentic and exclusive brands. Tata CLiQ.com was functioning under Tata Industries with the idea of re-inventing online shopping in India, by developing a differentiated e-commerce proposition for shoppers and brand partners. TUL built a complex technology stack which could provide a single view of orders, stock and customers across online and store channels, thereby providing customers with a seamless shopping experience.

i) Titan Company

Titan Company is a manufacturing company that produces India's largest and best-known range of personal accessories such as watches, jewellery, sunglasses and prescription eyewear. Precision engineering is another area of specialisation. Titan Company was established in 1984 as a joint venture between Tata and the Tamil Nadu Industrial Development Corporation.

j) Trent

Trent established in 1998 and part of the Tata group, Trent operates Westside, a departmental store-Star Bazaar, a hypermarket chain and Landmark a family entertainment format store as subsidiaries. The Westside stores have several departments to meet the varied shopping needs of customers. These include menswear, women’s wear, kids’ wear, footwear, cosmetics, perfumes and handbags, household furniture accessories and gifts. It has well-designed interiors, sprawling space, prime locations and coffee shops which enhance the customers’ shopping experience.

4. Reliance:

Reliance Retail is the retail initiative of the group by providing millions of consumers unlimited choice, outstanding value proposition, superior quality and unmatched experience across all its stores. The company has adopted a multipronged strategy and operates a chain of neighbourhood stores, supermarkets, wholesale cash and carry stores, specialty stores and online stores and has access to a variety of products and services across various segments for Indian consumers. Reliance Retail operates Reliance Fresh, Reliance Smart and Reliance Market stores. In the food and grocery segment Reliance Retail operates Reliance fresh, consumer electronics category Reliance Retail operates Reliance Digital, Reliance Digital Express Mini stores and Jio stores, and in fashion & lifestyle category it operates Reliance Trends, Trends Women, Project Eve, Reliance Footprint, Reliance Jewels and AJIO.com in addition to a large number of partner brand stores across the country.

Reliance Retail has brought millions of farmers and small producers to the forefront of the retail revolution by partnering with them for growth. Through the network of retail stores the company offers a world-class shopping environment and unmatched customer experience. Reliance Retail has emerged as the partner of choice for International brands and has established exclusive partnerships with many revered international brands such as Diesel, Superdry, Hamleys, Ermenegildo Zegna, Marks and Spencer, Paul & Shark, Thomas Pink, Kenneth Cole, Brooks Brothers, Steve Madden, Payless Shoesource, Grand Vision and many more.

Reliance Retail reported a turnover of Rs. 69,198 crore for the financial year 2017-18. As on 31st March 2018, Reliance Retail operates 7,573 stores across more than 4,400 cities with a retail area of over 17.70 million sq. ft. Reliance Retail Ventures Limited, a subsidiary of Reliance Industries Limited is the holding company of Reliance Retail Limited which operates the retail business.

6. Other companies:

There are some other groups such as RPG Group, Spencers retail, Margin-free retailers, Piramal Group and Bharti-Walmart are competing in order to mark their presence and to capture a major share of organised retailing in India.

4.8 CONCLUSION

The retail sector of India is growing and updating along with India's economic growth. The liberalization policies and the resultant FDI reforms which encourages large number of global players to enter in the market, increases the competition among the retailers in the economy. Growing per capita income and expenditure, changes in the demographics, Urbanization, increasing use of plastic money and credit availability, changes in the attitude of consumers, rising number of nuclear familites and growing female working population are the major driver of retail growth in India. A large number of the the traditional retail formats are re-structuring to sustain and grow along with the growing modern retail formats. The modern retails tries to provide world class services to its customers. It is expected that these changes would promote this industry on the whole economic development and social welfare of the country. It can be much beneficial for the country if it is done in the right manner.

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CHAPTER V

SERVICE QUALITY AND RETAIL GROWTH

5.1 Introduction

Service quality is pivotal for consumer satisfaction which determines the growth of retail sector. The success of any organization whether it may be health, transport, communication or retail depends up on the quality of service provided to their customers. Measuring service quality is a challenging task as it is subjective in nature. In a service organization the customer perceived service quality is considered as a major determinant of the business performance. There were a few attempts made to measure the service quality of a service entity. Out of them, the tool developed by Parasuraman et al. (1985) and Dabholkar et al. (1996) are widely used. They developed a tool called SERVQUAL for measuring the service quality. They stated that service quality is linked with how well the service level matches their expectations. They brought into force several insights and prepositions regarding the service quality. The researchers are suggested to use the model to assess service quality in a wide range of services including retailing by assessing consumer expectations and perceptions. With the help of the tool, service 'expectation score', 'perception score' and 'gap score' can be measured. Several researchers find the performance perceptions to be sufficient in assessing the service quality compared with the gap score (Carman, 1990). In this chapter an attempt is made to measure the service quality of the retail sector, both traditional and modern sector, which is a major driving factor of retail growth. This chapter is organized in seven sections. After introduction, second section discusses the measures of retail service quality. In the third section sample framework is given. Fourth and fifth sections measure service quality of traditional and modern retail formats. Sixth section deals with a comparative analysis followed by the conclusion in the seventh section.

5.2 Measures of Retail Service Quality

It is pointed out that because of the unique nature of retail service, service quality in retailing cannot be approached in the same way as that of the other services perspective. In retail service, it is necessary to look at quality from the perspective of services as well as goods and derive a set of items that accurately measure this. (Mehta et al., 2000). For this reason, Dabholkar et al. (1996) developed and empirically validated the Retail Service Quality Scale (RSQS) to measure the service quality. Dabholkar et al. (1996) proposed a tool called SERVQUAL to measure the service quality of retail sector with five basic dimensions, namely ‘physical aspects’, ‘reliability’, ‘personal interaction’, ‘problem solving’, and ‘policy’. ‘Physical aspect’ has two sub-divisions, viz, appearance of the physical facilities and convenience offered to the customer by the layout of physical facilities. The second dimension ‘reliability’ has two sub-dimensions including ‘keeping promises’ and ‘doing it well’. The third proposed dimension ‘personal interaction’ has two sub-dimensions as ‘service employees’s inspiring confidence’ and ‘being courteous/helpful’. The fourth dimension ‘problem solving’ addresses the issues of handling goods returned and exchanges and handling of complaints. The fifth dimension ‘policy’ is related to the customer’s evaluation with regard to the working hours, parking facility and other aspects to satisfy customer’s needs. The main dimensions, sub-dimensions and indicators of the SERVQUAL developed by Dabholkar are shown in the table 5.1

Table 5.1

Operational variables of Servqual

<table>
<tr><th>Tool</th><th>Dimensions</th><th>Sub-divisions</th><th>Indicator</th><th>Scale</th></tr>
<tr><td rowspan="22">SERVQUAL</td><td rowspan="5">Physical aspects</td><td rowspan="2">Appearance</td><td>Modern physical facility</td><td rowspan="22">5 points Likert scale</td></tr>
<tr><td>Visually appealing materials</td></tr>
<tr><td rowspan="3">Convenience</td><td>Clean and attractive public areas</td></tr>
<tr><td>Store layout for easy selection</td></tr>
<tr><td>Store layout for going around</td></tr>
<tr><td rowspan="3">Reliability</td><td>Keeping promises</td><td>Keeping promises to do something</td></tr>
<tr><td rowspan="2">Doing it right</td><td>Availability of merchandise</td></tr>
<tr><td>Error free transactions</td></tr>
<tr><td rowspan="8">Personal interaction</td><td rowspan="6">Service employees inspiring confidence</td><td>Employee’s knowledge</td></tr>
<tr><td>Behavior of employees</td></tr>
<tr><td>Prompt service of employees</td></tr>
<tr><td>Time of service</td></tr>
<tr><td>Response to customers</td></tr>
<tr><td>Individual attention</td></tr>
<tr><td rowspan="2">Being courteous</td><td>Employee’s courtesy in the store</td></tr>
<tr><td>Employee’s courtesy on telephone</td></tr>
<tr><td rowspan="3">Problem solving</td><td rowspan="3"></td><td>Willingness to handle return</td></tr>
<tr><td>Interest in problem solving</td></tr>
<tr><td>Customer complaints</td></tr>
<tr><td rowspan="4">Policy</td><td rowspan="4"></td><td>Quality of merchandise</td></tr>
<tr><td>Parking facility</td></tr>
<tr><td>Working hours</td></tr>
<tr><td>Acceptance of credit cards</td></tr>
</table>

Source: Dabholkar et al. (1996)

This study has used the SERVQUAL developed by Dabholkar et al., to measure the service quality of retail business.

5.3 Sample Framework

The study is based on primary data collected from Ernakulum district of Kerala by using a structured interview schedule from 250 customers of traditional retail format and another 250 customers of modern retail format. Data collected from the consumers who are shopping from the three reputed malls in the district, and from supermarkets, and some other modern retail shops. Similarly, information gathered from the customers who are shopping from various traditional retail shops like small stationary shops, footwear shops, tea shops, street vendors and other traditional shops in the district. Information related to expected values and perceived values are separately collected.

5. 3 Measurement of Service Quality of Traditional Retailers

In this section attempt is made to measure the service quality of traditional retail formats with the help of the tool SERVQUAL which consists of five aspects such as physical aspects, reliability, personal interaction, problem solving and policy. Information was gathered from 250 customers. The socio-economic profile of these sample respondents their gender status, age and occupation are also collected. The gender profile of the respondents shows that 56.4 per cent were males and 43.6 per cent were females. The occupational status shows that 42 per cent were salaried persons who are working either in public or private sector, 29 per cent were businessmen, 16 per cent were housewives and the remaining 13 per cent were casual workers, agriculturist, students, etc. The average age of the respondents is 40 years. This analysis helped to identify the relative strength and weakness of the traditional retail formats. Based on the average scores of the fives aspects combined average score, i.e., ‘perception score’ and ‘gap score’ are calculated. The details are shown in table 5.2 and 5.3.

Table 5.2

Descriptive statistics of Service Quality Parameters of Traditional Retail Formats (Perception score)

Parameters	Mean score	Percentage	Standard deviation
Physical aspects	**3.1888**	**63.78**	**0.28091**
- Appearance	3.3973	67.95	0.29783
- Convenience	2.8760	57.52	0.49559
Reliability	**3.8133**	**76.27**	**0.31587**
-Keeping promises	4.0680	81.36	0.33440
-Doing it right	3.6860	73.72	0.38340
Personal interaction	**4.0095**	**80.19**	**0.16303**
-Employees inspiring confidence	4.0480	80.96	0.22782
-Being courteous	3.9967	79.93	0.21976
Problem solving	**3.9133**	**78.27**	**0.26895**
Policy	**3.3360**	**66.72**	**0.45490**
Perception score = 3.6522		**73.04%**	

Source: Primary data

From the table we can see that the performance is below 75 per cent under 'physical aspects' and 'policy'. It is due to the fact that the sub-divisions of the 'physical aspects', that is, 'appearance' and 'convenience' which represents the modern physical facility, visually appealing materials, clean and attractive public areas and store layout for selection and going around scored relatively low points. Similarly the aspect 'policy' which represents the quality of merchandise, parking facility, working hours, acceptance of credit cards also scored relatively low points. Relatively better score is recorded in the area of 'personal interaction' which represents employee's behaviour, response to customer's needs and personal attention. The standard deviation, which measures the spread of individual scores from the average, is the highest in the case of the parameter 'policy' (0.4549) and the lowest in the case of the parameter 'personal interaction' (0.16303).

The studies conducted by Dabholkar et al. condidered that 75 per cent perception score (i.e. 3.75 score) is at the minimum satisfactory level. In this study, the perception score which represents the service quality is 3.6522 (73 per cent) which is lower than the minimum satisfactory level 75 per cent. Therefore, the study reveals that, in order to improve the service quality of the traditional retailers the areas related to the 'physical aspects' and 'policy' are to be improved.

Table 5.3

Gap score of Service Quality Parameters of Traditional Retail Formats

Parameters	Perception scores	Expectation scores	Gap= P – E	Percent
Physical aspects	**3.1888**	**4.9592**	**-1.7704**	**35.41**
- Appearance	3.3973	4.9626	-1.5653	31.31
- Convenience	2.8760	4.9540	-2.0780	41.56
Reliability	**3.8133**	**4.9653**	**-1.1520**	**23.04**
-Keeping promises	4.0680	4.9640	-0.8960	17.92
-Doing it right	3.6860	4.9660	-1.2800	25.60
Personal interaction	**4.0095**	**4.9500**	**-0.9405**	**18.81**
-Employees inspiring confidence	4.0480	4.9980	-0.9500	19.00
-Being courteous	3.9967	4.9340	-0.9373	18.75
Problem solving	**3.9133**	**4.9373**	**-1.0240**	**20.48**
Policy	**3.3360**	**4.9270**	**-1.5910**	**31.82**
Gap score = -1.2956		**25.91 %**		

Source: Primary data

Gap score indicates the difference between the 'perceived value' and the 'expected value'. The 'negative gap score' implies the 'perceived score' is less than the 'expected score'. The measured gap score is -1.2956 which is at 25.91 per cent. From the table values we can note that the gap score of the service quality parameters 'physical aspects' and 'policy' indicates relatively higher gap score. It shows the need for improving these aspects for better performance of the traditional retail formats.

5.4 Measurement of Service Quality of Modern Retailers

In this section service quality of modern retail formats is measured with the help of the tool SERVQUAL. Information was collected from 250 customers. The gender profile of the respondents shows that 60.4 per cent were males and 39.6 per cent were females. The occupational status reveals that 38 per cent were salaried persons who are working either in public or private sector, 29 per cent were businessmen, 20 per cent were housewives and the remaining 13 per cent were casual workers, agriculturist, students, etc. The average age of the respondents is 38 years. This analysis helped to identify the relative strength and weakness of the modern retail formats. Based on the average scores of the fives aspects combined average score, ie. 'perception score', and 'gap score' are calculated. It is shown in table 5.4.

Table 5.4
Descriptive statistics of Service Quality Parameters of Modern Retail Formats (Perception score)

Parameters	Mean	Percentage	Standard deviation
Physical aspects	**4.5544**	**91.09**	**0.27184**
- Appearance	4.5413	90.83	0.34365
- Convenience	4.5740	91.48	0.44307
Reliability	**4.2160**	**84.32**	**0.37966**
-Keeping promises	4.2440	84.88	0.53817
-Doing it right	4.2020	84.04	0.42535
Personal interaction	**4.0605**	**81.21**	**0.34333**
-Employees inspiring confidence	4.4500	89.00	0.45972
-Being courteous	3.9307	78.61	0.44445
Problem solving	**4.0107**	**80.21**	**0.50067**
Policy	**4.5070**	**90.14**	**0.37984**
Perception score = 4.2697		**85.39 %**	

Source: Primary data

It can be seen from the table 5.4 that all the four aspects of the service quality scored above 80 per cent level. In the case of the aspects physical aspects and policy it is 90 per cent. The standard deviation is the highest in the case of the aspect 'problem solving' (0.50067) and the 'spread' is the lowest in the case of 'physical aspects' (0.27184). The perception score is 4.2697 (85.39 per cent) which is at satisfactory level. In this case, 'physical aspects' and 'policy' are the areas of strength under organized retailing. The relatively weak areas are personal interaction and problem solving which are still greater than 80 per cent score. The gap score of service quality of modern retail formats is presented in table 5.5

Table 5.5

Gap score of Service Quality Parameters of Modern Retail Formats

Parameters	Perception scores	Expectation scores	Gap= P – E	Percent
Physical aspects	**4.5544**	**4.8920**	**-0.3376**	**6.75**
- Appearance	4.5413	4.8707	-0.3294	6.59
- Convenience	4.5740	4.9240	-0.3500	7.00
Reliability	**4.2160**	**4.8933**	**-0.6773**	**13.55**
-Keeping promises	4.2440	4.9160	-0.6720	13.44
-Doing it right	4.2020	4.8820	-0.6800	13.60
Personal interaction	**4.0605**	**4.8500**	**-0.7895**	**15.79**
-Employees inspiring confidence	4.4500	4.9820	-0.5320	10.64
-Being courteous	3.9307	4.8060	-0.8753	17.51
Problem solving	**4.0107**	**4.8773**	**-0.8666**	**17.33**
Policy	**4.5070**	**4.8780**	**-0.3710**	**7.42**
Gap score = -0.6084			**12.17%**	

Source: Primary data

The gap score in this case of modern retail format is -0.6084 (12.17 per cent) indicates that the difference between perceived service and expected service is relatively low. The gap score is very low in the case of the service quality parameters 'physical aspects' and 'policy' which is less than 10 per cent. Moreover, 12 per cent gap means 88 per cent of expected service level has achieved which is much higher than the minimum satisfactory level of 75 percent.

5.5 A Comparative Analysis between Service Quality of Traditional Retailers and Modern Retailers

In this section, a comparative study is conducted with the help of 'perception scores' and 'gap scores' of traditional and modern retail formats which were presented in the last two sections. The table 5.6 gives the details.

Table 5.6

Descriptive statistics of the service quality parameters of Traditional and Modern retail formats

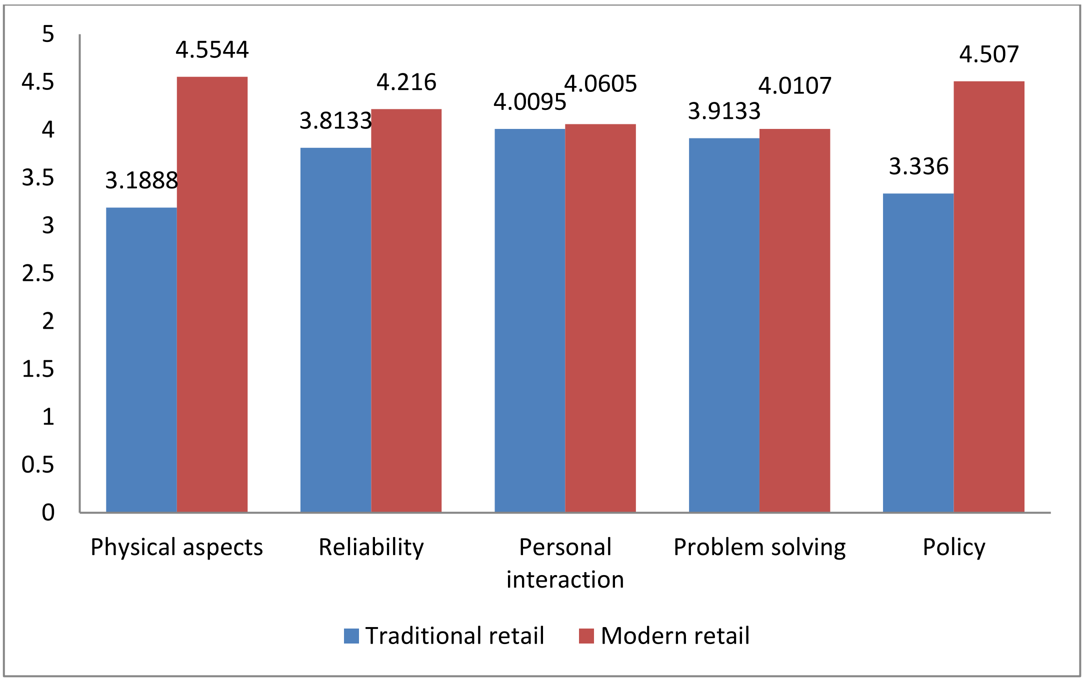
Parameters	Traditional retail		Modern retail	
	Perception score	**Gap score**	**Perception score**	**Gap score**
Physical aspects	3.1888 (63.78)	-1.7704 (35.41)	4.5544 (91.09)	-0.3376 (6.75)
Reliability	3.8133 (76.27)	-1.1520 (23.04)	4.2160 (84.32)	-0.6773 (13.55)
Personal interaction	4.0095 (80.19)	-0.9405 (18.81)	4.0605 (81.21)	-0.7895 (15.79)
Problem solving	3.9133 (78.27)	-1.0240 (20.48)	4.0107 (80.21)	-0.8666 (17.33)
Policy	3.3360 (66.72)	-1.5910 (31.82)	4.5070 (90.14)	-0.3710 (7.42)
Average	**3.6522 (73.00)**	**-1.2956 (25.91)**	**4.2697 (85.39)**	**-0.6084 (12.17)**

Note: Figures in the parentheses are percentages

Source: Primary data

The figure 5.1 provides a visual understanding of the service quality parameters of both traditional and modern retail formats.

Figure 5.1 Average Perception scores of Traditional and Modern Retail formats



Source: Primary data

The figure 5.1 shows that the difference between the service quality parameters ‘physical aspects’ and ‘policy’ is higher than the other parameters. Similarly the difference is low in the case of the parameter ‘personal interaction’ and ‘problem solving’. While the average perception score of traditional retail is 3.6522 (73 per cent) modern retail scored 4.2697 (85.39 per cent). Similarly, the ‘gap score’ (absolute value) of traditional retail format is higher, that is, 1.2956 (25.91 per cent) than that of the modern retail formats which is 0.6084 (12.17 per cent). The negative sign in the ‘gap score’ indicates that the ‘perceived value’ is less than the ‘expected value’. Since ‘perception score’ and ‘gap score’ are inversely related, when we assess the service quality in terms of ‘perception score’ or ‘gap score’ the ‘service quality’ of the traditional retail formats is relatively low compared with modern retail formats. It is due to the low performance of the traditional retailers especially in the areas of ‘physical aspects’ (it consists of modern physical facilities, visually appealing materials, clean and attractive public areas and store layouts for selection of commodities) and ‘policy’ (it consists of quality of merchandise, parking facility and acceptance of debit and credit cards). Since 75 per cent level (3.75 score) is considered as minimum satisfactory level, service quality of traditional retail format is below the minimum satisfactory level while it is above in the case of modern retail formats.

To test whether there is any significant difference between the 'perception scores' of the five service quality parameters between traditional retail formats and modern retail formats ANOVA test is conducted. The result is presented in table 5.7

Table 5.7

ANOVA test for comparing the perception scores between the service quality parameters of Traditional and Modern Retail formats

		Sum of squares	Mean square	F	Significance
Physical aspects	Between groups	233.108	233.108	3051.022	0.000*
Reliability	,,	20.268	20.268	166.182	0.000*
Personal interaction	,,	0.325	0.325	4.501	0.034**
Problem solving	,,	1.184	1.184	7.333	0.007*
Policy	,,	171.405	171.405	976.084	0.000*

* Significant at 1 per cent level of significance

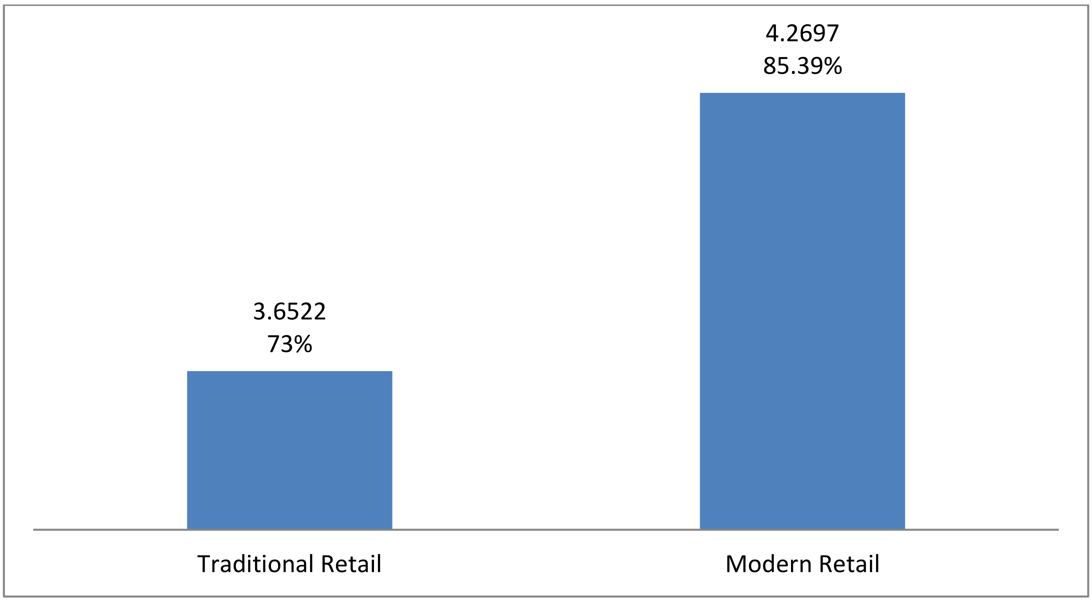
** Significant at 5 per cent level of significance

Source: Primary data

The test values of the service quality parameters 'Physical aspects, Reliability Problem solving and Policy' reveals that there is significant difference between the 'perception scores' of these four parameters between traditional retail formats and modern retail formats at 1 percent level of significance. That is, the 'perception scores' of the variables 'Physical aspects, Reliability and Policy' of Modern retail format is significantly higher than that of traditional retail formats. Similarly there is significant difference in the 'perception scores' of the service quality parameters of 'Personal interaction' between the traditional retail formats and modern retail formats at 5 percent level.

The figure 5.2 provides a visual understanding of service qualities of both traditional and modern retail formats.

Figure 5.2 Service Qualities of Retail Formats



Source: Primary data

To test whether the difference in the service quality between traditional retail formats and modern retail formats is significant or not, t-test' is conducted. The result is presented in table 5.8

Table 5.8

T **test for Comparing Service Quality between retail formats**

Service quality	t-value	Degree of freedom	Significance (2-tailed)	Mean difference
Equal variances assumed	-34.956	498	0.000*	-0.61752

* Significant at 1 per cent level of significance

Source: Primary data

The test value reveals that there is significant difference between means of the two groups at 1 per cent significance level. That is, there is significant difference between the mean values of service quality between the traditional retail formats and the modern retail formats.

The differences in preferences across consumer groups with regard to gender and age are also studied. The following table 5.9 indicates differences in the 'perception scores' of the service quality parameters between males and females of traditional and modern retail formats.

Table 5.9

Gender wise distribution of the perception scores of the service quality parameters of traditional and modern retail formats

Variables	Traditional retailers		Modern retailers	
	Perception scores			
	Male (141) 56.4%	Female (109) 43.6 %	Male (151) 60.4%	Female (99) 39.6%
Physical aspects	3.21 64.2%	3.16 63.2%	4.55 91%	4.56 91.2%
Reliability	3.84 76.8%	3.78 75.6%	4.19 83.8%	4.24 84.8%
Personal interaction	4.00 80%	4.02 80.4%	4.02 80.4 %	4.12 82.4%
Problem solving	3.94 78.8%	3.88 77.6%	3.95 79%	4.1 82%
Policy	3.34 66.8%	3.33 66.6%	4.49 89.8%	4.54 90.8%
Average	**3.67** **73.4%**	**3.63** **72.6%**	**4.24** **84.8%**	**4.31** **86.2%**

Source: Primary data

Note: Figures in the parentheses represent number of customers surveyed

The table 5.9 shows that the the average 'perception scores' which indicates the service quality of both males and females with regard to the traditional retail formats are below satisfactory level (i.e. less than 75 per cent) and that of the modern retail format are at satisfactory level. The areas where the 'perception scores' recorded much below the satisfactory level in the case of the traditional retail formats are 'physical aspects' and 'policy' as presented in the table 5.6 above.The following table 5.10 represents age-wise distribution of the perception scores of the service quality parameters of the retail formats.

Table 5.10
Age wise distribution of the perception scores of the service quality parameters of traditional and modern retail formats

Variables	Traditional retailers			Modern retailers		
	20-35 Years (73)	35-45 Years (79)	45-60 Years (98)	20-35 Years (80)	35-45 Years (81)	45-60 Years (89)
Physical aspects	**3.17** 63.4%	**3.18** 63.6%	**3.21** 64.2%	**4.57** 91.4%	**4.54** 90.8%	**4.56** 91.2%
Reliability	**3.80** 76%	**3.82** 76.4%	**3.82** 76.4%	**4.23** 84.6%	**4.16** 83.2%	**4.25** 85%
Personal interaction	**4.00** 80%	**4.00** 80%	**4.02** 80.4%	**4.04** 80.8%	**4.05** 81%	**4.08** 81.6%
Problem solving	**3.89** 77.8%	**3.93** 78.6%	**3.92** 78.4%	**4.00** 80%	**4.05** 81%	**3.98** 79.6%
Policy	**3.40** 68%	**3.31** 66.2%	**3.31** 66.2%	**4.46** 89.2%	**4.55** 91%	**4.51** 90.2%
Average	**3.65 73%**	**3.65 73%**	**3.66 73.2%**	**4.26 85.2%**	**4.27 85.4%**	**4.27 85.4%**

Source: Primary data

Note: Figures in the parentheses represent number of customers surveyed

The table 5.10 indicates that there is significant difference in the service quality parameters among the age groups (20-35, 35-45 & 45-60) between the traditional and modern retail formats and the 'average perception scores' of these three age groups with regard to the traditional retail formats were found below the satisfactory level due to the low performance in the areas of ‘physical aspects’ and ‘policy’.

5.6 Conclusion

The growth of the retail sector depends upon the nature of services provided by the sector. In this chapter the service quality of both the traditional and modern retail sector is measured with the help of the tool Servqual developed by the Dabholkar, Thorpe and Rentz (1996). Perception score and gap score with regard to both retail format are measured. The measured perception score (73 per cent) and gap score (25.91 per cent) of the traditional retail formats indicates that the service quality is below the satisfactory level. Therefore, special measures are required to improve the service quality of traditional retailers for proper growth of the sector. The ‘perception score’ (85.39 per cent) and the ‘gap score’ (12.17 per cent) of the modern retail formats indicates that modern retail service quality is at satisfactory level. It is also noted that there is significant difference between the ‘perception scores’ of the service quality measures of traditional retail formats and modern retail formats.

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CHAPTER VI

IMPACT OF ORGANISED RETAILIN ON TRADITIONAL RETAILERS AND CONSUMERS

6.1 Introduction

Retail sector of India is undergoing a tremendous change where the traditional market forms like owner-managed small shops give way to the modern retail formats like supermarkets, hypermarkets, department stores and specialty stores. Since the traditional retailers are running with relatively low capital, a large number of people are resorted to traditional form of retailing for their livelihood. Modern retailers, on the other hand, working with relatively large capital, modern technique of trading, and large scale of operation, are getting an advantage over the traditional retailing with regard to the product selection, their qualities, and price levels. It is argued that growth of organized retails may have an adverse impact on unorganized retailers. On the other hand, it is also argued that growth of organized retail will yield efficiencies in the supply chain, better access to farmers and small producers and enabling them better prices and lower prices to the consumers. In this chapter an attempt is made to analyze the impact of modern retailing on traditional retailing and on consumers. The chapter is organized in seven sections. In the next section provides a brief note on traditional and modern retail. Third section discusses the growth of organized retail in India. The sample framework of the study is given in the fourth section. The fifth section deal with the impact on consumers due to the growth of modern retailers. The sixth section discusses the impact on traditional retailers followed by the conclusion.

6.2 Traditional versus Modern Retail

In the developed economies organised retail accounts for 75 to 80 per cent of total retail. But, in developing economies the traditional retail sector dominates the retail business. Modern retail formats, such as hypermarkets, supermarkets, discount stores and convenience stores are widely present in the developed world, whereas such forms of retail outlets have only just begun to spread to developing countries in recent years. Retail business in the developing countries continues to be dominated by family-run neighborhood shops and open markets. Wholesalers and distributors who carry products from industrial suppliers and agricultural producers to the independent family-owned shops and open markets are also common in these countries.

6.3 Organised retailing in India

In India organised retailing is growing very fast as a result of the rise in per capita income, improved infrastructure, growing consumerism and liberalization of the economy. Organised retailing is characterized by lower prices for the products, product assortment and improvement in the supply chain in the economy. Currently, organised retail market is valued at about USD 60 billion which is about 9 per cent of the sector where as unorganised retail market holds the rest. India's organised retail penetration is much lower compared with developed countries, such as the United States where it accounts about 85 per cent. As the share of organised retail in total retail increases, the sector is likely to experience major restructuring and consolidation where some of the large retailers and processors taking over smaller players or joining hands with other large retailers to get benefited from the scale of operation.

ICRIER (2007) and Anuj Goel (2013) had conducted a study to evaluate the impact of Organised Retailing on Indian Economy. They observed that the retail sector of India is growing along with the economic growth. They discussed that growth of organised retail has affected the traditional retailers, farmers, the middle man, and consumers differently. They stated that emergence of organized retail enhances the gain for farmers and consumers. It has improved the efficiency in supply chain and the benefits brought by the organized retailing will outweigh the negative effects. For getting a comprehensive idea about the impact of organized retail on traditional retailers and consumers the researcher conducted a study at Ernakulum district of Kerala.

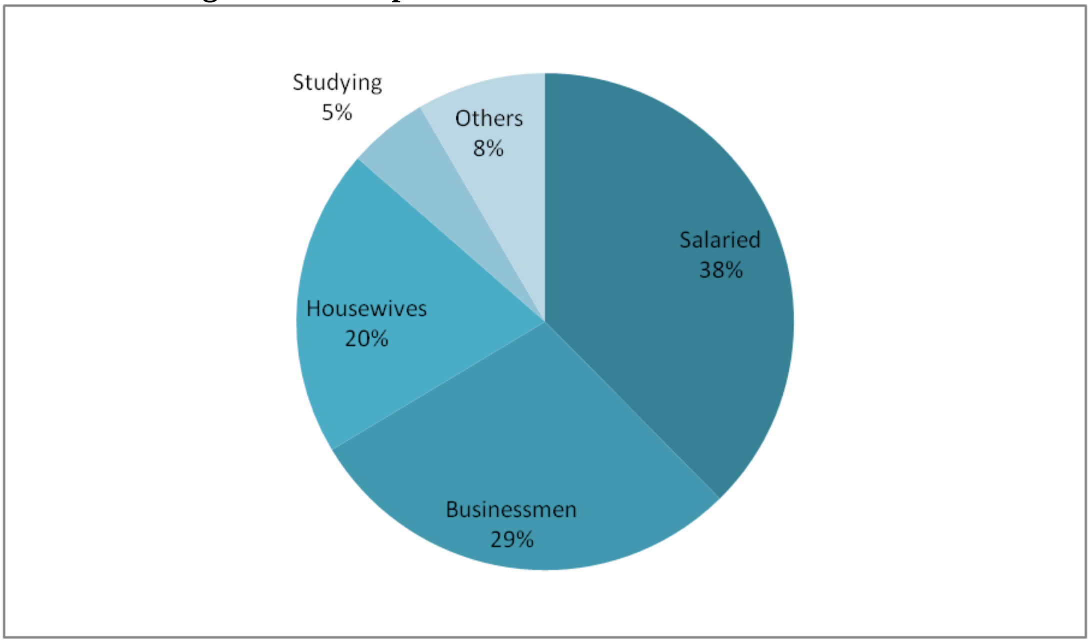
6.4 Sample framework

The study is based on primary data collected from and traditional retailers and consumers. Ernakulum district of Kerala is selected as the study area by considering the district as one of the most developed district of Kerala with five big malls and more than hundred supermarkets and large number of small retail formats. Method of random sampling with the help of structured interview schedule was undertaken to gather information from 250 traditional retailers and 250 customers each from modern retail shops and the traditional retail shops.

6.5 Impact on customers

To analyze the impact of modern retail on customers 250 samples are collected who were just leaving after shopping. Out of 250 samples taken, 100 respondents were females and 150 were males. Their age varies between 19 and 66 years, and the average age is 38 years.

Figure 6.1 Occupation-wise distribution of Customers



Source: Primary data

The figure 6.1 shows that the majority of customers surveyed are salaried persons, accounts 38 percent, who are working either in government or private sector. Businessmen and housewives account 29 per cent and 20 per cent respectively. Customer's opinion with regard to the quality of the product, their varieties, prices, convenience for selection, and whether any change in consumption expenditure due to the entry of modern retail are collected. Their revealed preferences are depicted in table 6.1

Table 6.1

Consumer's opinion on the impact of the entry of modern retailers

Variable\Consumer's opinion	Strongly agree	Agree	Indifferent	Disagree	Strongly disagree	Total score	% score
Product variety has increased	198	51	1	Nil	Nil	447	89.4
Quality improved	142	88	10	10		362	72.4
Helped to save energy and time	44	157	9	37	3	202	40.4
Getting commodities at lower prices	42	146	21	40	1	188	37.6
Products are arranged more conveniently	144	88	10	8	Nil	368	73.6
Motivated consumers to purchase more	145	91	9	5	Nil	376	75.2
Consumption expenditure has increased	172	57	15	6	Nil	395	79

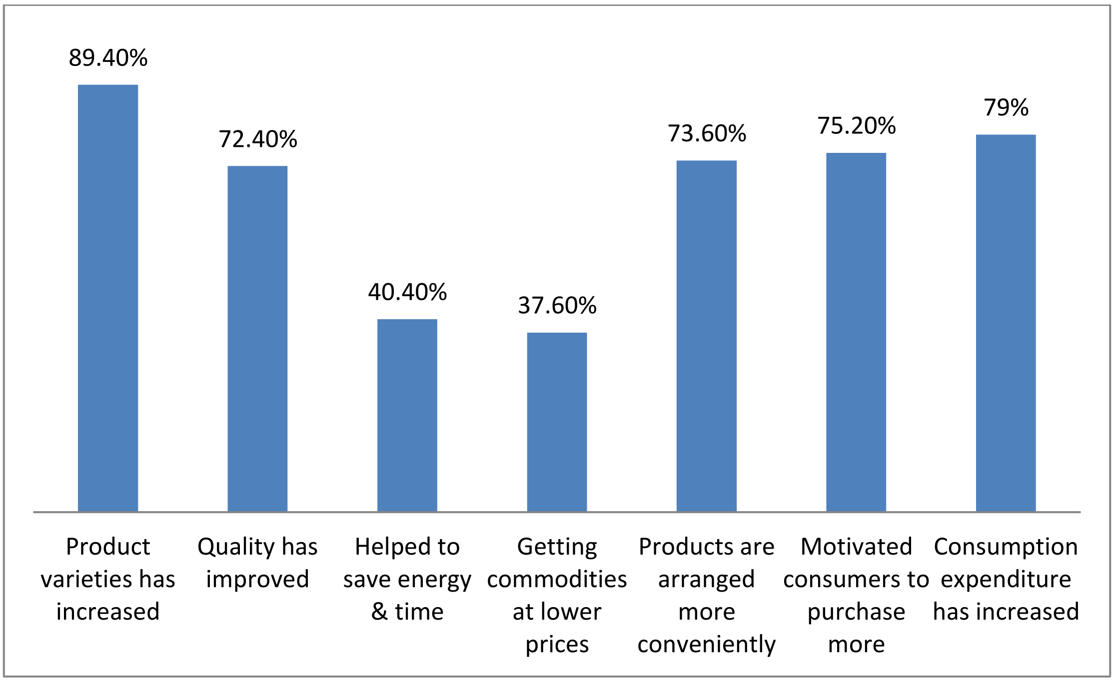
Source: Primary data

Note: Scores given for strongly agree=2, agree=1, indifferent=0, disagree=$^-1$and strongly disagree=$^-2$

The first two columns can be taken as consumer's positive opinion and last two columns consumer's negative opinion towards modern retailing. While we are taking the first two columns of the above table as 'consumer's benefit' and the last two columns are taken as ‘consumer’s loss’ then it implies that consumer’s welfare has increased much as a result of the entry of modern retail in the market.

Similarly, when we measure consumer’s revealed preferences on the basis of likert scale, that is, by giving 2 for ‘strongly agree’ and -2 for ‘strongly disagree’, we obtain total score of each variable. Thus percentage score for each variable can be obtained. Again, more than 70 percent of the consumers opined that product variety increased, quality of the products improved, products are arranged more conveniently, consumers are motivated to purchase more and, therefore, consumption expenditure increased as a result of the entry of modern retailers in the retail market. The diagrammatic presentation of consumer’s opinion is shown in figure 6.2.

Figure 6.2 Consumer’s opinion on the impact of the entry of modern retailers



Source: Primary data

6.6 Impact of organised retailers on traditional retailers

In order to analyze the impact of organised retailers on traditional retailers, 250 traditional outlets of various types near to the three malls and some other modern retail formats in Ernakulum district were surveyed. The details are given in table 6.2 and in figure 6.3.

Table 6.2

Type of outlets surveyed

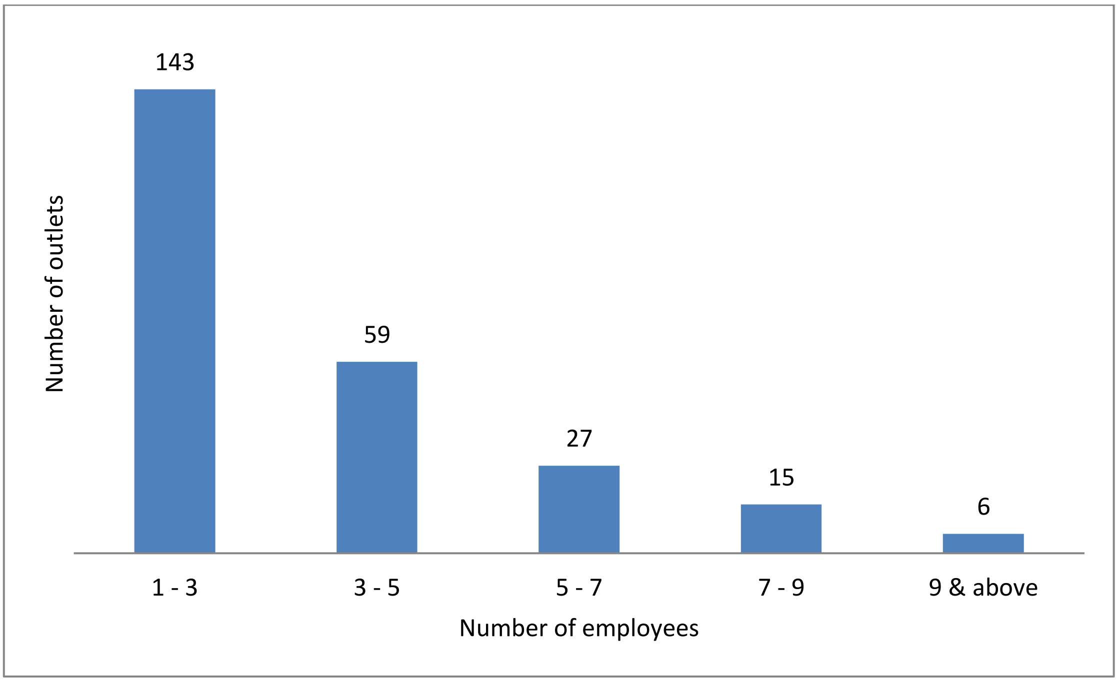
Sl. No	Type of outlets	Number of outlets
1	Grocery	28 (11.20)
2	Textiles	74 (29.60)
3	Fruits & vegetables	12 (4.80)
4	Hotels, tea, snacks, coolbars	31 (12.40)
5	Mobiles	12 (4.80)
6	Footwear &bags	35 (14.00)
7	Bakery	14 (5.60)
8	Others (books, sanitary, fancy, etc)	44 (17.60)
Total		250 (100.00)

Note; Figures in parenthesis are in percentages

Source: Primary data

In India traditional retailers are dealing with those commodities which are essential for meeting the day to day needs like food items, clothing, footwear, medicine, etc. Therefore retail shops come under eight groups such as grocery, textiles, fruits and vegetables, hotels and coolbars, mobiles, footwear & bags, bakery and others including books, fancy, sanitaries, etc were surveyed as shown in the figure 6.2. The figure 6.3 shows the distribution of outlets on the basis of the number of persons employed.

Figure 6.3 Classification of outlets on the basis of the number of persons employed



Source: Primary data

Among the traditional outlets surveyed 57.2 per cent (143) of the outlets are having only one or two employees, 23.6 per cent (59) are having 3 to 4 employees, 10.8 per cent (27) of outlets are having 5 to 6 employees, 6 per cent (15) of outlets are having 7 to 8 employees and the remaining 2.4 per cent (6) of outlets are having 9 to 12 employees. During this period some outlets have showed increase in the number of persons employed and rise in the quantity sold whereas some others noticed decrease in both. They cited that the area development as a result of the entry of malls and other modern retail formats and the resultant increase in demand for goods and services are the major reasons for increase in number of persons employed and rise in sales in some outlets. But the majority of retail shops showed no change in the number of persons employed and quantity sold, as shown in the table 6.3.

Table 6.3

Change in number of employees

Number of employees		
Change	Number of outlets	Percent
Increased	10	4
Decreased	6	2.4
No change	234	93.6
Total	250	100

Source: Primary data

Among the 250 retailers studied, only 6 (2.4 per cent) outlets showed decrease in the number of employees whereas 10 outlets (4 per cent) showed increase in the number of employees due to the entry of modern retail. But in the case of the majority of outlets there is no change in the employment level due to the modern retail penetration. The table 6.4 shows changes in sales of the traditional retailers after the entry of modern retailers.

Table 6.4

Change in sales

Sales		
Change	Number of outlets	Percent
Increased	76	30.4
Decreased	28	11.2
No change	146	58.4
Total	250	100

Source: Primary data

Table 6.4 indicates that the total quantity of sales showed an increase in the case of 76 traditional outlets (30.4 per cent)., whereas 28 outlets (11.2 per cent) showed a decrease in the quantity of sales. It is to be noted that 4 per cent of the traditional retailers opined that the number of employees has increased (Table 6.3) and 30.4 per cent of the retailers said that their sales revenue has increased (Table 6.4) along with the growth of modern retail formats. The development occurred in the areas of operation as a result of the growth of the modern retailers and the resultant increase in the demand for goods and services are the major reasons for this phenomenon. Further, a few of the retailers have introduced some sort of structural modifications like quality products, multiple brands, attractive display, self-service facility and home delivery to attract the customers.

The modern retailers are employing modern facilities and techniques like computerized billing, modern facilities for cashless transaction, product assortment, attractive display of the products, offers and discounts, availability of multi-branded products etc for attracting the customers. The table 6.5 indicates that many of the traditional retailers are not still having such modern facilities.

Table 6.5

Facilities available within the traditional retailers

Facilities	Number of outlets	Percent
Computerized billing	6	2.4
Credit card machine	42	16.8
Both computerized billing & Credit card machines	82	32.8
None of these	120	48
Total	250	100

Source: Primary data

The above table indicates that still 48 per cent of the traditional retailers are not having the modern facilities like computerized billing and the facility to use credit/debit cards for financing the bills. But 32.8 percent of retailers are having both of the facilities. Modern retailers are using such modern facilities to improve the efficiency of retail. Therefore traditional retail outlets also started to introduce such technology.

The competition from the modern retailers compelled the traditional outlets to introduce some changes in connection with the number of employees, sales, credit facilities, price, new product lines, self service, better display, new brands, home delivery and store space. The result obtained from the survey is presented in table 6.6.

Table 6.6 **Policy changes within the traditional retailers**

Policy changes	Changes (number of outlets within brackets)	
Price reduction	Introduced (20) 8%	Not introduced (230) 92%
Credit facility	Available (36) 14.4%	Not available (214) 85.6%
New products	Added (63) 25.2%	Not added (187) 74.8%
Discontinued some products	Discontinued (2) 0.8%	Not discontinued (248) 99.2%
Number of brands	Increased (119) 47.6%	Not increased (131) 52.4%
Better display	Yes (223) 89.2%	No (27) 10.8%
Self-service	Available (31) 12.4%	Not available (219) 87.6%
Home delivery	Available (18) 7.2%	Not available (232) 92.8%
Store space	Increased (19) 7.6%	Not increased (231) 92.4%

Source: Primary data

From the table it can be seen that while competing with the modern retailer the majority of traditional retailers said that there is no change with regard to the number of employees and sales. But a few retail outlets said there is increase in the number of employees and sales as a result of the entry of modern retailers. To increase the competency some of the retailers are introduced some policy measures like introduction or extension of credit facility, price reduction, addition of new products, increase in the number of brands, better display, self-service, home delivery and increase in the store space in their outlets.

To assess whether there is any association between the policy changes like the introduction of better display, reduction in prices, self-service facility, credit facility and store space 'Chi-square test' was conducted. The details are shown in the table 6.7.

Table 6.7

Test for association between policy changes and change in sales

Sl. No.	Ho	Tool	P - value	Result
1	No association between display and sales	Chi-square test	0.008*	Sales increased as a result of better display
2	No association between reduction in prices and sales	Chi-square test	0.000*	Reduction in prices increased sales
3	No association between self-service and sales	Chi-square test	0.048**	Introduction of self-serves increased sales
4	No association between credit facility and sales	Chi-square test	0.000*	Availability of credit facility increased sales
5	No association between store space and sales	Chi-square test	0.000*	Increased store space increased sales

* Significant at 1 per cent level of significance

** Significant at 5 per cent level of significane.

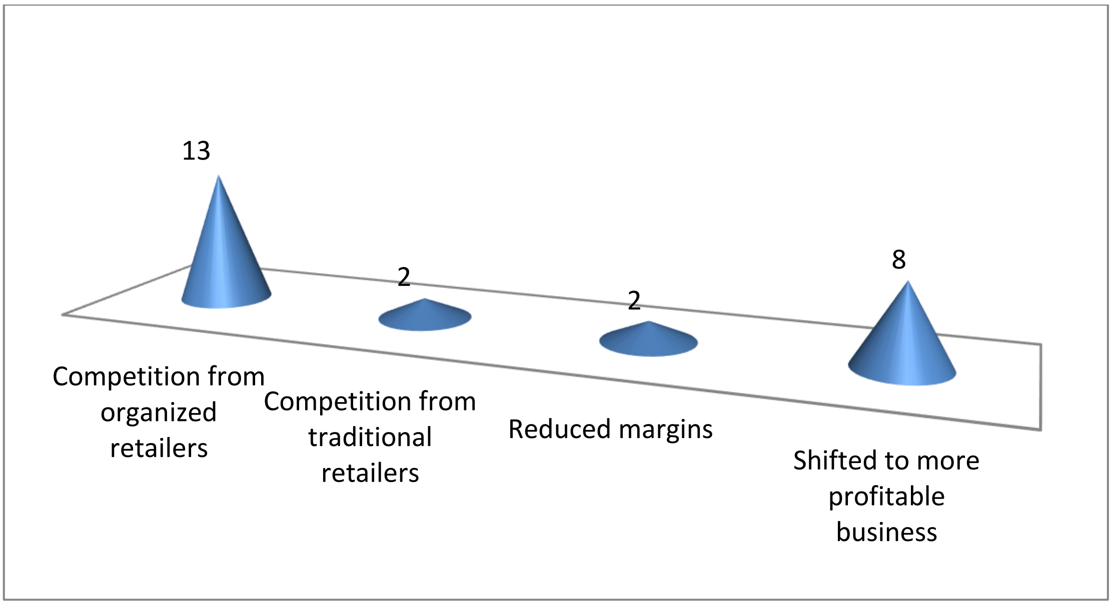
Source: Primary data

The test statistics reveals that the policy changes like introduction of better display, reduction in prices, self-service facility, credit facility and store space and quantity sales are positively related.

It was noticed that the entry of modern retailers led to the closure of some small retailers wholly or partially due to their inability to compete with them. In this study 0.8 percent of the retail outlets discontinued some of their product lines and 25 outlets were closed. Competition from the organized retailers, competition from the traditional retailers, reduced margins and shifting of outlets to more profitable business were cited as the major reasons for their closure. Figure 6.4 displays the details.

Figure 6.4

Reasons for closure of traditional retail outlets



Source: Primary data

It can be seen from the diagram that out of 250 traditional outlets are surveyed 13 outlets (5.2 per cent) were closed due to the competition from the organized retailers, 2 outlets (0.8 pe rcent) were closed due to the competition from the traditional retailers, 2 outlets (0.8 per cent) were closed due to the reduced margins and 8 outlets (3.2 per cent) were shifted to more profitable business. And the remaining 225 outlets are functioning although they face fierce competition from the modern retailers.

6.7 CONCLUSION

In this chapter an attempt has been made to portray the impact of modern retailing on customers and traditional retailers. Due to the expansion of modern retailing in the country, customers have benefited much in terms of lower prices for the commodities, availability of branded products and improvement in quality of the products. The farmers are benefited through direct procurement by the organized retailers. Large employment opportunities were also created as sales persons in the retail outlets, and in the production and processing sectors. On the other hand, some of the retail outlets are forced to close their business due to their inability to compete with the modern retailers and they lost their jobs. However, it is interesting to note that many of the traditional retailers have started to modernize their retail outlets by introducing computerized billing facility, acceptance of debit and credit cards for payment, addition of more branded products, better display, etc., to attract more customers. This has led to an overall development of the retail sector.

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CHAPTER VII

SUMMARY, CONCLUSION AND SUGGESTIONS

7. 1 Introduction

Retail sector of India has emerged as one of the fast growing and dynamic industries in recent years due to the entry of several new players, rise in income levels, favourable demographics and changes in policy measures. As a major component of service sector, retail sector is the largest contributor of employment next to agriculture and contributes 14 per cent of GDP. Although organised retail in India is growing very fast, majority of retailers are still unorganised. Since 1991, Government of India has been following liberal measures for the development of retail sector. Until 2011, Government of India denied FDI in multi-brand retail and single brand retail was allowed up to 51 per cent. But in late 2012, 51 per cent of mult-brand retail and 100 per cent single brand retail were allowed. These changes have resulted a rapid expansion and modernization of the retail sector of India.

7. 2 Objectives of the study

The study puts forward four major objectives which include: to study the nature and growth of retail sector in India, to examine the service quality of both traditional and modern retail formats and to study the impact of organised retail on consumers and traditional retailers.

7. 3 Methodology and Data source

Both primary and secondary data has been used in this study to materialize the study objectives. Primary data were collected from the customers of both the traditional and modern formats of retailing. The customers include all the visitors of both of the retail formats during the survey period April to July, 2017. Similarly data were collected from selected traditional retailers also in order to examine the impact of modern retailing on traditional retailing. The study area was Ernakulum district of Kerala which was selected on sound grounds as the fastest growing unban center of the state. We have selected 250 samples each from customers of both retail formats and the selected traditional retailers. Secondary data were also used extensively selected from various sources including ProwessIQ database, IBEF, CSO, RBI and from various journals including Journal of Retailing, Journal of Marketing and Academy of Management Journal. The data collected by using structured interview schedules were analysed by using appropriate mathematical and statistical tools.

7. 4 Major Findings

Generally speaking, Global Retail industry is growing and valued at USD 23460 billion in the year 2017. However, the growth rate of physical stores slows, the existing stores tries to re-shape to fulfil the needs of the customers by introducing digital facility for marketing their products as a result to the growth of e-commerce. Digital players are started to acquire physical stores to strengthen their retail business. Retail industry of India is growing and modernising which continues to become the second largest employment provider next to the agriculture and allied activities by contributing a major share of GDP. The entry of foreign players along with domestic modern retailers accelerated the development of the sector. In specific terms, the objective-wise findings are cited in the sub-heads 4.1, 4.2 and 4.3.

7. 4. 1 Nature and growth of retail sector

The nature and growth of retail sector of India has been studied in terms of the employment generation, contribution towards GDP and growth of both traditional and modern retail, 2000 onwards.

- Retail sector of India contributes 8 per cent of employment and 10 per cent of GDP in 2017.
- Retail industry of India has dominated by the traditional retailing. In India the modern retail accounts for 9 per cent in the year 2016. While in the

developed countries like the USA the share of modern retail in the total retail is about 85 per cent.

- Online retail in India has grown in 2017 at a CAGR of 17.01 per cent.
- During the period 2000-2016 Indian retail industry has grown at a CAGR of 7.34 per cent.
- The ProwessIQ database provided retail revenue of 186 major Indian companies for the period 2003 – 2017. The data reveals that during the period 2003 – 2017 retail sales has grown at a CAGR of 21.25 per cent.
- Rise in disposable income and expenditure, urbanization, changes in the attitude of the consumers, demographics, credit availability and FDI policy, rise in the use of plastic money and working population of women are considered as the major drivers of retail growth.

7. 4. 1. 1 Major drivers of Retail Growth

- Per capita personal disposable income has increased at a CAGR of 10.25 per cent during the period 2012 – 2016,
- Proportion of working population in the age group 15-60 years has increased from 55.4 per cent in the year 1991 to 66.2 per cent in the year 2016,
- Proportion of people lived in urban area has increased from 31.2 per cent in the year 2001 to 32.7 per cent in the year 2015,
- Use of plastic money has increased at a CAGR of 15.17 per cent during the period 2011-12 to 2016-17 and
- Availability of credit for consumer durables has increased at a CAGR of 25.83 per cent during the period 2011-12 to 2015-16

This has led to the growth of retail sales at a CAGR of 7.34 per cent during the period 2000-2016.

In this study the growth of global retail has been examined using the data of retail revenue of top 250 companies provided by Deloittee in the year 2016.

- Top 250 retailers of the world has grown at a CAGR of 4.8 per cent during the period 2011-16 and top 50 retailers has grown at a CAGR of 20.9 per cent during the same period.
- During the same period, retail revenue in India has grown at a CAGR of 7.04 per cent which is slightly higher than the CAGR of top 250 companies in the world, but much lower than the CAGR of top 50 retailers in the world.
- It is to be noted that 22.5 per cent of total revenue of top 250 companies on an average were from foreign operations.
- Reliance retail is the only Indian company ranked at 189 among the top 250 companies in the world. It implies that Indian companies have to be struggle in order to get a remarkable achievement in the world market.

7. 4. 2 Service Quality of Traditional and Modern retail formats

Quality of services provided by the retailers is one of the major determinants of retail growth. The study attempted to assess the service quality of both the traditional and modern retail formats with the help of the tool called 'SERVQUAL' separately. The tool is based on five variables, viz, Physical aspects, reliability, personal interaction, problem solving and policy. We have used 'Perception score' and 'gap score' to assess the service quality. The result obtained from the consumer survey with regard to the service quality of traditional and modern retail formats are shown in the sub-heads 7.4.2.1 and 7.4.2.2.

7. 4. 2. 1 Service quality of Traditional retail formats

- The service quality which is indicated by the perception score in the case of traditional retailers is 3.6522 (73 per cent) which is lower than the minimum satisfactory level 75 per cent.

- Among the five aspects of service quality parameters 'physical aspects' and 'policy' are relatively weak and scored below 75 per cent in the case of traditional retail formats.

- The aspect 'personal interaction' has scored 80 per cent as perceived value which is relatively strong aspect among the service quality parameters in the case of traditional retail formats.

- The aspect 'personal interaction' has low value of dispersion and the aspect 'policy' has highest value of dispersion among the service quality parameters in the case of traditional retail formats.

- The perceived service quality is 26 per cent less than the expected service, since the 'gap score' is 25.91 per cent.

- Gender-wise and age-wise perception scores of service quality parameters also show the similar trend at below satisfactory level.

7. 4. 2. 2. Service Quality of Modern retail formats

- The service quality of modern retail is at satisfactory level since the perception score is 85 per cent.

- In the case of modern retail formats all the five aspects of the service quality parameters scored more than 80 per cent perceived value.

- The aspect 'problem solving' has highest dispersion and 'physical aspect' has lowest dispersion among the service quality parameters in the case of modern retail formats.

- The perceived service quality in the case of modern retail formats is 12 per cent less than the expected service, since the gap score is 12.17 per cent.

- Gender-wise and age-wise perception scores of service quality parameters also show the similar trend at satisfactory level.

7. 4. 3 Perceptions of consumers about the entry of Modern retail formats

The consumers perceptions with regard to the changes in the quality and price of the products, time and energy spending, total expenditure as a result of the entry of modern retailers are listed below.

- 92 per cent of the respondents in the study opined that quality of the product has improved.
- 80 per cent said that modern retailers helped to save energy and time.
- 75 per cent said price of the products has decreased.
- 91 per cent said that total expenditure has increased as a result of the entry of the modern retailers in the retail market.

7. 4. 4 Perceptions of Traditional retailers about the entry of Modern retailers

- The entry of modern retailers has affected the traditional retailers positively and negatively. The majority, about 94 per cent, of the retailers said that there is no change in the number of employees as a result of the entry of the modern retail in the market. Only 2.4 per cent opined that the number of employees has decreased due to the competition from modern retailers.
- With regard to change in sales majority 58 per cent said there is no change, 30 per cent said increase in sales and 11 per cent said decrease in sales as a result of the entry of the modern retailers in the market.
- Among the retailers surveyed, about 33 per cent of the traditional retailers said that they are using both computerized billing and credit card machines, 2.4 per cent said they are using only computerized billing and 48 per cent said that they are not using such modern facilities.

- The competition from the modern retailers compelled to adopt certain policy changes with regard to price, display, availability of brands, self-service, etc. Only 8 per cent said that they introduced price reduction, 25 per cent said they added the product lines, about 48 per cent said that they increased the number of branded products, 89 per cent said they introduced better display, 12 per cent said that they had self-service facility, 7 per cent said they introduced home delivery and 8 per cent said they increased store space to sustain in the retail market.

- The entry of modern retailers led to the closure of some small retailers wholly or partially due to their inability to compete with them. In this study 0.8 per cent of the retail outlets discontinued some of their product lines and 25 outlets (10 per cent) were closed.

- The retailers expressed various reasons for closure. Among the 250 outlets surveyed, 13 (5.2 per cent) were closed due to the competition from the organized retailers, 2 outlets (0.8 per cent) were closed due to the competition from the traditional retailers, 2 outlets (0.8 per cent) were closed due to the reduced margins and 8 outlets (3.2 per cent) were shifted to more profitable business. And the remaining 225 outlets are functioning although they face Strong competition from the modern retailers.

7. 4. 5 Suggestions for policy formation

On the basis of the findings of the study, the following suggestions are made to improve the service quality of the traditional as well as the modern retailers.

- Since the service quality of the traditional retail formats is below satisfactory level, comprehensive measures are to be taken to improve the various aspects of the service quality paremeters.

- The perception scores of the service quality parameters ‘physical aspects’ and ‘policy’ of the traditional retail formats are 63.78 per cent and 66.72 per cent respectively which are much below the minimum satisfactory level.

Therefore, special attention is to be given in these areas to improve the service quality.

- Although the perception scores of all the service quality parameters of modern retail formats are at a satisfactory level, the relatively weak areas are reliability, personal interaction and problem solving. Therefore by taking special measures in connection with these areas the quality of service of modern retailers can be improved further.

7. 4. 6 Conclusion

Being an integral part of the economy, retail industry contributes a major share in employment and income. The industry is growing and modernizing along with the growth of the economy. Increase in disposable income, changes in demographics, tastes and preferences, policy of the government and entry of foreign players and the development of science and technology are the major drivers of growth. Growth has been accelerating in most of the developed and developing countries. International retailers depend on developing markets for expansion of the retail business. Organised retailing in India has been growing at a higher rate than that of unorganised retailing. The consumers are benefited much from the growth of organised retailing in India in terms of the increased availability of branded products, decrease in prices, better offers, and diversified selection. The farmer’s profit has increased due to the improvement in the supply chain and better prices for their products. Since quality of service is one of the major determinants of retail growth, both the traditional retailers and modern retailers are modernizing their shops to improve the service quality. The traditional retailers are adapting their retail environment by incorporating better display, product assortment, branded products and other service matters. Retail industry can develop further by providing better products and services to the customers. By identifying the potentialities and challenges of each market can grow further. Therefore, proper decision is needed from the part of the retailers to identify them and move along the path of development.

7. 4. 7 Scope for further studies

1. Problems and prospects of e-tailing in India:

2. Role and impact of FDI in the retail sector of India.

3. Potentialities and challenges faced by the modern retailers in India.

4. Impact of diffusion of technology in the retail sector.

There is no much studies conducted so far in these areas. Therefore, studies in these areas will help to learn more about the opportunities and challenges in the retail industry.

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Appendix 1

GLOBAL RETAIL DEVELOPMENT INDEX

The annual A.T. Kearney Global Retail Development Index ranks 30 developing countries on a 0 to 100 point scale. Higher rank indicates higher opportunity for global retailers to enter in the country. The countries are selected from 200 nations based on three criteria:

a) Country risk: Greater than 35 in the Euromoney country risk score.

b) Population size: 5 million or more

c) Wealth: GDP per capita of more than $3000 (Note: GDP per capita threshold for countries with more than 35 million people is more flexible because of the market oppoutunity.)

GRDI scores are based on the following four variables:

1. Country and business risk (25 percent)

Country risk (80 percent). Political risk, economic performance, debt indicators, debt in default, or rescheduled, credit ratings, and access to bank financing. The higher the rating, the lower will be the risk of failure.

Business risk (20 percent). Business cost of terrorism, crime, violence and corruption. The higher the rating, the lower will be the risk of doing business.

2. Market attractiveness (25 percent)

Retail sales per capita (40 per cent). Based on total annual sales of retail enterprises (excluding taxes). A score of zero indicates an underdeveloped retail sector; a score of 100 indicates a mature retail market.

Population (20 percent). A score of zero indicates the country is relatively small with limited growth opportunities.

Urban population (10 percent). A score of zero indicates a mostly rural country; 100 indicates a mostly urban country.

Number of large cities (10 percent). A score of zero indicates all cities in the country have fewer than 1 million inhabitants; '100' indicates significant number of large cities with more than 1 million inhabitants.

Business efficiency (20 percent). Parameters include government effectiveness, burden of law and regulations, ease of doing business and infrastructure quality. A score of zero indicates inefficiency; '100' indicates highly efficient.

3. Market saturation (25 percent):

Share of modern retailing (20 percent). A score of zero indicates a large share of retail sales is from a modern format within the average Western European level of 200 square meters per 1000 inhabitants. Modern formats include hypermarkets, supermarkets, discount stores, convenient stores, department stores, variety stores, warehouse clubs and super centers.

Number of International retailers (30 percent): Country presence was analyzed for about 300 retailers. Countries with the maximum number of retailers have the lowest score.

Modern retail sales area per urban inhabitant (20 percent): A score of zero indicates the country ranks high in total modern retail area per urban inhabitant, close to the average Western European level of 200 square meters per 1000 inhabitants.

Market share of leading retailers (20 percent): A score of zero indicates a highly concentrated market; '100' indicates a fragmented market.

4. Time pressure (25 percent):

The time factor is based on 2013 to 2015 data, measured by the CAGR of modern retail sales weighted by the general economic development of the country (CAGR of GDP from 2013-2015 and forward looking from 2016-2018) and CAGR (2013-

2015) of the retail sales area weighted by newly created modern retail sale areas. A score of 100 indicates a rapidly advancing retail sector, thus representing a high time pressure to enter the country and capture the growth opportunity.

Data and analysis are based the United Nations Population Division database, IMF and economic intelligence unit national statistics, Euromoney and World Bank reports and Euromonitor and Planet Retail databases.

Appendix 2

Retailer Interview Schedule

Serial No……

Cluster……. Retailer…….. Town

Sample outlet (Traditional) Identification Particulars

A. Name of the retail shop

B. Distance from Organized retail outlet (in Km)

C. Year of opening of outlet

D. Respondent Name

E. Respondent category Owner of shop ……1
Relative of Owner…2
Employee in shop…3

Section – 1 Outlet Type

Question No.	Question	Option	Codes
1.1	Type of outlet (Do not ask, record from observation)	Grocery store	1
		Textile & Readymade garments	2
		Fixed Fruit/Vegetable seller	3
		Bakery	4
		Wood	5
		Pave cart venture	6
		Sanitary	7
		Others (Hotels, Tea & snacks, Cool bar)	9
		Books & stationeries	10

		Mobiles Footwear/Bags Fancy Home appliances	11 12 13 14
1.2	Type of location (Market) of outlet	Large shopping complexes Popular big shopping market Local neighborhoods/Colony market Market popular for special products Stand-alone shops Road side/Street hawkers Others (specify….)	1 2 3 4 5 6 8
1.3	Type of business retail/ wholesale	Only retail Retail-cum-wholesale Any other (Specify….)	1 2 8

Section 2 Employee and Customer Profile

Question No.	Question	Now	Before ….months (Ref. period from…. To ……)
2.1	Number of personnel working in this outlet		
2.2	If decreased, give main reason/s. (Ask only if number of customers now is less 3.4than before in Q.3.2	1. …………………………………………….. 2. …………………………………………….	
2.3	Whether the most of your customers are regular / repeated customers	Yes = 1 No = 2	Yes = 1 No = 2

Section 3 Sales Composition

Product category	Do you deal in this product category		Sales trend	
Grocery store Textile & Readymade garments Fixed Fruit/Vegetable seller Bakery Wood Pave cart venture Sanitary Others (Hotels, Tea & snacks, Cool bar) Books & stationeries Mobiles Footwear/Bags Fancy Home appliances	Yes	No	From the last …. years has the sale of this product category increased/decreased / remaining the same Increased = 1 Decreased = 2 Remained the same=3	If decreased, reasons for the same (use the code)

Note:- Reasons

1 = Competition from organized (large retailers)

2 = Competition from small (Traditional retailers)

3 = Seasonality factors

4 = Reduced household income

5 = High prices

6 = Any other

Section 4 Facilities and Services

4.1Please tell us about the technological facilities that you currently use and the one which you plan to use in near future

	Currently using	Plan to use
A. POS/Computerized billing	1	2
B. Credit card machine	1	2
C. Scanning/bar coding	1	2
D. Computerized accounting, inventory control, etc	1	2
E. Electrical equipments like refridgerator, inventory freezer, etc	1	2
F. Air conditioning	1	2
G. Electronic weighing machine	1	2
H. Any other	1	2
4.2 Do you accept credit cards	Yes No	

5. Impact of Organized Retailers

	Yes	No
5.1 Has there been any change in your business after any new big store opening nearby	1	2
5.2 If yes, describe………………….		
5.3 Some small retailers have done a few things to compete with the large retailers. Have you done any of these in the last ---months after the organized retailer started operating in the area		
A. Reduced prices	1	2
B. Reduced expenses	1	2

C. Reduced staff	1	2
D. Add new product lines	1	2
E. Discontinued some product lines	1	2
F. Increased number of brands	1	2
G. Better display	1	2
H. Introduced self-service	1	2
I. Done up my store	1	2
J. Improved home delivery	1	2
K. Increased store space	1	2
L. Increased price for some consumers	1	2
M. Any other (describe)	1	2
5.4 Are you willing to become a franchise of organized retailers	Yes No DK/CS	1 2 9
5.5 Are you personally aware of any retail outlet (of similar nature like yours) that has been closed in the vicinity in the last ---months	Yes No DK/CS	1 2 9
`5.6 How many small retail outlets have closed down	Number =	
5.7 Can you please name these outlets		
5.8 What is/are the main reasons for the closure of these outlets	Competition from large organized retailers Competition from small traditional retailer Reduced margins Migrated for other reasons Shifted to more profitable business Any other	1 2 3 4 5 6

Customer Interview Schedule

Serial No……   District: ………

Section – 1 Personal details

Name of the customer:

Question No.	Question	Option	Code
1.1	Sex	Male = 1 & Female = 2	
1.2	Age in completed years		
1.3	Occupation	Casual workers = 1 Agriculture = 2 Business = 3 Salaried = 4 Others = 5	

Section 2 Outlet type and evaluation on service quality

Type of Outlet:

1. Traditional retailer (Local kirana store/Owner operated store/Hand-cart hawkers)

2. Modern retailer (Super markets/Hyper markets/Speciality stores and malls)

1. This store has modern physical facilities and equipments

   [1. Strongly disagree   2. Disagree   3. Indifferent
   4. Agree   5. Srongly agree]

2. Materials associated with this store's service (such as shopping bags, catalogues or statements) are visually appealing

   [1. Strongly disagree   2. Disagree   3. Indifferent
   4. Agree   5. Srongly agree]

3. The store has clean, attractive, and convenient public areas (eg:-rest rooms)

   [1. Strongly disagree   2. Disagree   3. Indifferent
   4. Agree   5. Srongly agree]

4. The store layout at this store makes it easy for customers to find what they need

   [1. Strongly disagree 2. Disagree 3. Indifferent
   4. Agree 5. Srongly agree]

5. The store layout at this store makes it easy for customers to move around in the store

   [1. Strongly disagree 2. Disagree 3. Indifferent
   4. Agree 5. Srongly agree]

6. When this store promises to do something by a certain time, it will do so

   [1. Strongly disagree 2. Disagree 3. Indifferent
   4. Agree 5. Srongly agree]

7. This store has merchandise available when the customers want it

   [1. Strongly disagree 2. Disagree 3. Indifferent
   4. Agree 5. Srongly agree]

8. The store insists on error-free sales transactions and records

   [1. Strongly disagree 2. Disagree 3. Indifferent
   4. Agree 5. Srongly agree]

9. Employees in this store have the knowledge to answer customers' questions

   [1. Strongly disagree 2. Disagree 3. Indifferent
   4. Agree 5. Srongly agree]

10. The behavior of employees in this store instills confidence in customers

    [1. Strongly disagree 2. Disagree 3. Indifferent
    4. Agree 5. Srongly agree]

11. Employees in this store give prompt service to customers

    [1. Strongly disagree 2. Disagree 3. Indifferent
    4. Agree 5. Srongly agree]

12. Employees in this store tell customers exactly when services will be performed

    [1. Strongly disagree 2. Disagree 3. Indifferent
    4. Agree 5. Srongly agree]

13. Employees in this store are never too busy to respond to customers request

    [1. Strongly disagree 2. Disagree 3. Indifferent
    4. Agree 5. Srongly agree]

14. This store gives customers individual attention

[1. Strongly disagree 2. Disagree 3. Indifferent
4. Agree 5. Srongly agree]

15. Employees in this store are consistently courteous with customers

[1. Strongly disagree 2. Disagree 3. Indifferent
4. Agree 5. Srongly agree]

16. Employees in this store treat customers courteously on the telephone

[1. Strongly disagree 2. Disagree 3. Indifferent
4. Agree 5. Srongly agree]

17. This store willingly handles returns and exchanges

[1. Strongly disagree 2. Disagree 3. Indifferent
4. Agree 5. Srongly agree]

18. When a customer has a problem, this store shows a sincere interest in solving it.

[1. Strongly disagree 2. Disagree 3. Indifferent
4. Agree 5. Srongly agree]

19. Employees in this store are able to handle customer complaints directly and immediately

[1. Strongly disagree 2. Disagree 3. Indifferent
4. Agree 5. Srongly agree]

20. This store offers high quality merchandise

[1. Strongly disagree 2. Disagree 3. Indifferent
4. Agree 5. Srongly agree]

21. This store provides plenty of convenient parking for all its customers

[1. Strongly disagree 2. Disagree 3. Indifferent
4. Agree 5. Srongly agree]

22. This store has operating hours convenient for all its customers

[1. Strongly disagree 2. Disagree 3. Indifferent
4. Agree 5. Srongly agree]

23. This store accepts most major credit cards

[1. Strongly disagree 2. Disagree 3. Indifferent
4. Agree 5. Srongly agree]

Section 3 Impact of organized retailers on customers

24. The presence of modern retailers(super markets, hyper markets, etc.) increased the availability of different varieties of products in the market

    [1. Strongly disagree 2. Disagree 3. Indifferent
    4. Agree 5. Srongly agree]

25. They improved the quality of the products

    [1. Strongly disagree 2. Disagree 3. Indifferent
    4. Agree 5. Srongly agree]

26. They helped to save energy and time

    [1. Strongly disagree 2. Disagree 3. Indifferent
    4. Agree 5. Srongly agree]

27. Consumers are now getting the commodities at lower prices

    [1. Strongly disagree 2. Disagree 3. Indifferent
    4. Agree 5. Srongly agree]

28. The products are arranged more conveniently for customers to select the required ones.

    [1. Strongly disagree 2. Disagree 3. Indifferent
    4. Agree 5. Srongly agree]

29. The modern retailers motivate the customers to purchase more products than required.

    [1. Strongly disagree 2. Disagree 3. Indifferent
    4. Agree 5. Srongly agree]

30. The consumption expenditure increases due to the presence of modern retailers

    [1. Strongly disagree 2. Disagree 3. Indifferent
    4. Agree 5. Srongly agree]