

THE EFFECT OF MODERN RETAIL AGGLOMERATION ON RETAILING IN INDIA

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ABSTRACT

We know that agglomeration of retail is related to development and has evolved historically all over the world including India. With the advent of organized or modern retail, layouts & formats have been changing dynamically over a period of time. On the other hand the Indian consumers most of whom are young, enjoying disposable income, an exposure through media, telecom & internet are changing their attitude. While the previous generation believed in simple living & glorified dispossession, the new generation aspires to a better standard of living & aspire for possession of worldly goods. Both the elements play a crucial role in retail and have an effect on determining the future of the industry. Today competitive market conditions are spread across retail areas & different retail formats. More explicitly this research study has resulted in a threefold contribution.

Firstly, it has highlighted how the retail elements of agglomeration & multiple retail formats present in the country today have evolved and are growing; Secondly, it has studied & investigated the effects of changes in the retail formats, new types of agglomeration, shopping pattern and consumption trends in shopping behavior. Finally the study has evaluated the effects of intimidation of the above two elements of the shopping outcome, and proposed the way these retail elements can be guided by developing a strategy to reach the goals for the economy & industry. The bottom line is that Indian retail and consumer market is changing rapidly. With the effects of modern retail agglomeration, new formats and categories present an unprecedented retail business opportunity that needs validation by the Indian shopper.

KEYWORDS: Agglomeration, Modern Retail, Disposable Income, Standard of Living, Multiple Retail Formats, Shopping Pattern, Intimidation, Changing Strategy, Shopping Outcome, Validation, Bottom Line

INTRODUCTION

Retailing is undergoing tremendous change, especially in emerging economies like India. In the last 5 years the change has become highly perceptible. Fuelled in a large measure by the economic success from IT & services industry, there has been a tremendous growth in the disposable income of the Indian consumer. The demographic changes resulting in having the largest population in the world of people in the age group of 14 yrs to 40 yrs has also brought about unprecedented changes in the spending patterns.

The economic liberalization of the country over the last decade has not only impacted the economy in terms of scaling its growth, it has also brought an opportunity for the industry to grow at a rapid pace. Today there is a growing presence in this industry from big business houses in the country, including Birla, Future, Goenka, Godrej, ITC, Landmark, Modi, Raheja, Reliance, Singhanian, Tatars, and Wadia etc. Future group has grown big in retail from an SME textile exporter background and Landmark group is NRI Indian from Dubai who first tasted success in the Gulf. The unprecedented growth in modern retail has had a psychological effect on traditional retail, which is agitated about losing its

business and means of income.

Although traditional retail presently has a share of over 90% of the retail business in India, modern retail is fast emerging all over the country growing at a stupendous 25% per annum. International retailers and brands have also gained entry into the retail industry in India during this period. International brands like Metro AG, Marks & Spencer, Debenhams, H&M, Mango, Tommy Hilfiger, Espirit, Guess, Levis, Nike, Adidas, Max & SPAR are already spreading all over Tier I cities. Soon they will be entering Tier II urban centers. They have brought with them best retail practices and multiple formats, tried and tested in different markets all over the world.

New shopping formats of malls, department stores & factory outlets are being implemented. An agglomeration of retail on high streets and destination locations is also happening simultaneously. The expanding growth of retail has brought about a problem of choice both for retailers and customers. While the increasing level of competition poses a challenge to the retailer, shoppers are also challenged with the prospect of making optimal purchase decisions. Retail is a socioeconomic behavior which is influenced by intimidation of retail elements like (R.K. Srivastava, 2008)

MODERN RETAIL VIS-À-VIS THE TRADITIONAL RETAIL IN INDIA

The retail sector is one of the fastest growing sectors in the Indian economy today. Even some of the traditional shops are transforming themselves in new formats such as department stores, supermarkets and discount stores. Western-style malls have begun appearing in metros and mini metro cities, introducing the Indian consumer with a new shopping experience.

India's retail market is expected to grow at a Compound Annual Growth Rate (CAGR) of 10 per cent to US\$ 1.6 trillion by 2026 from US\$ 641 billion in 2016-17 (IBEF report, 2017). While the overall retail market is expected to grow at 12% p.a., modern trade would expand twice as fast at 20% pa and traditional trade at 10% pa. This implies that Indian retail market which stands at around Rs 41 Lac Cr per annum today. Modern organized retail is estimated to have a share of approx 10.2% (Anasua Chakraborty 2016) of this at approx 4.08 Lac Cr (US\$ 64 Billion) today. With the growth of organized retail estimated at over 20% CAGR pa (IBEF report, 2017) over the next few years it has a potential to grow to a level of Rs 5.75 Lac Cr (US \$ 85 to 90 Billion) by 2020.

The Indian economy is reportedly growing with a GDP of 7% to 8% today. The resulting improvements in income dynamics along with factors like favorable demographics and spending patterns are driving the consumption demand. Indian Retail Industry is ranked among the ten largest retail markets in the world. The attitudinal shift of the Indian consumer in terms of "Choice Preference", "Value for Money" and the emergence of modern retail including e-commerce and m-commerce have transformed the face of Retailing in India.

The Indian retail industry though predominantly still fragmented through the owner run " Kirana" and "Mom and Pop" outlets has been witnessing the entry of large business houses with medium to large sized formats of retail chains across the length and breadth of the country. With Shoppers Stop, Home Stop, Crossword and Hyper-city under the Raheja group; Madura brands, Pantaloons & More under Aditya Birla group; Reliance Trends, Reliance Footwear, Jewelry, Digital and Reliance Fresh under RIL group; Westside, Landmark, Chroma, Titan, Tanishq & Star Bazaar under the TATA Group; Spencer's, Food world & Music world under RPG Group and Big Bazaar, Food Bazaar, E-zone, Central and Brand Factory under Future Group covering a large chunk of this business.

In the last few years, Indians have gone through a dramatic transformation led by the younger generation in choices by moving from traditional spending on food, groceries and clothing to lifestyle categories that deliver modern fashion trends and tastes. Modern retailing satisfies rising demand for such goods and services with many players entering the bandwagon in an attempt to tap greater opportunities.

The research study examines this dramatic change taking place in India and the Shopping behavior of the Indian shopper on the one hand vis-à-vis the retail agglomeration & development of modern retail in the country on the other.

RESEARCH METHOD

The descriptive research study has been carried out in two parts. The first part consists of collecting and analyzing secondary data on the state of retail in India. Literature survey of research reports from Emerald Research, Research Gate, Shodhganga, Google Scholar and white papers published by reputed organizations in the field including RAI, IBEF, KSA Technopak, Mckinsey, E & Y, Forbes and Forrester.

The second part of the study involved a survey of shoppers at POS in modern retail formats and shopping malls (80 shoppers across 10 locations) in the city of Bangalore, India.

CHANGE IN CONSUMERS RETAIL SHOPPING BEHAVIOR

Over the past decade, India's middle and High Income group has grown at a rapid pace of over 10% per annum. Though this growth is most evident in urban areas, it has also taken place in semi-urban & rural areas. Further, the number of households earning above Rs.1,50,000 pa (US\$ 2000 pa) is about 60 million today and is expected to grow to 100 million by 2018. This growing high-income population will trigger the demand for consumer goods, leading to the proliferation of retail in the country. There is huge potential for further consumption of goods and services due to the increased level of disposable income. The expenditure on essential goods and services has a higher share in semi urban & rural areas as compared to urban centres in the country. Recent research findings also suggest that by 2018, India will have at least 5 million people with an annual income of over Rs 500,000 pa (US\$ 7000 pa) this is the official, declared and straight income meaning there could be a considerable number of consumers with other sources of income.

Considering that decline in growth seen from 2009 to 2014 has been arrested and this is the third successive year with consistent economic growth in India, it is obvious that we shall have more people with higher disposable income. With higher disposable income, the discerning Indian consumers are not going to be conscious about price alone. These emerging consumers seem to suggest a hypothesis that they want something special, unique, different, better, customized and more.

Let us look at the consumption pattern between rural and urban customers; (Rajesh Shukla, 2011, NCAER-CMCR) the buying pattern of Indian consumers is different when we compare Semi urban/Rural with Urban metros in Tier I & II cities as follows:

Table 1

Items	Semi Urban & Rural	Metros Tier I & II	Difference +/-
Food & Grocery	46%	14%	-32%
Clothing, Footwear, Jewelry etc	9%	49%	+40%
Durables	3 %	13%	+10%
Health & Wellness	5%	3%	-2%
Entertainment	4%	11%	+7%
Others like house rent, education & ceremonies	33%	10%	-23%

Source: NCAER-CMCR.

It is clear from the comparison of the consumption trends, that expenditure as a % of income on lifestyle choices such as clothing, footwear, jewellery, durables and entertainment is much higher in urban India than rural. Today's urban consumer is spending almost 73% of disposable income on lifestyle choices. While expenditure on basic necessities food & grocery, house rent, education as well as social ceremonies such as weddings etc take a much higher % share of income in rural and semi-urban towns. This could also be due to the relatively lower income levels seen in a majority of rural households compared to urban and hence basic necessities constitute a major share of the income.

Major Reasons for Shift in Behaviour of Shopper

The major reasons for the shift in shopping behaviour in urban India stems from

- Increase in disposable incomes
- Affinity to spend on lifestyle and lifestyle products
- Preference to save less and spend more and
- Exposure to international culture and way of life. (KSA-Technopak, 2008)

Increase in Disposable Incomes

The increase in disposable incomes is mainly due to larger pay packets from the IT & ITES industry. In addition a large number of MNC companies have set up shop here in India and several Indian companies have also gone global. All these factors have pushed up the income levels.

Affinity to Spend on Lifestyle and Lifestyle Products

The expense basket has seen a strong shift to personal comfort products starting with mobile phones, personal vehicles (both two and four wheelers), and fashion wear including clothes, footwear and fancy jewellery. Entertainment including eating out has also increased with the appearance of multiplex's and food courts in shopping malls.

Preference to Save Less and Spend More and

The saving and spending habits of people have undergone a remarkable change. With family sizes and way of living changing from joint family to nuclear families, increasing appearance of double income no kids (DINK) couples, multiple sources of incomes including returns on investments etc have all contributed to the rise in income especially disposable income and resultant change in attitudes.

Exposure to International Culture and Way of Life. (KSA-Technopak, 2008)

The wide explosion of media especially television and internet has resulted in middle class getting exposure to global trends sitting here in India. There has also been a significant increase in travel both inwards by foreigners as well as outwards by Indian IT professionals and students.

REVOLUTIONARY CHANGES IN RETAIL FORMATS AND AGGLOMERATION

Modern retailing has entered India in form of malls and huge complexes offering shopping, entertainment, leisure to the consumer as the retailers experiment with a variety of formats, from discount stores to supermarkets to hypermarkets to specialty chains. However, “Kirana’s” still continue to co-exist mostly due to the convenience factor (PWC, 2008) i.e. a) proximity or nearness to their house and b) personal relationship developed over a period of time with the retailer.

Retailing is no longer about just stocking and selling but about efficient supply chain management, developing vendor relationship quality customer service, efficient merchandising and timely promotional campaigns. The modern retail formats are encouraging development of well-established and efficient supply chains in each segment ensuring efficient movement of goods from farms to kitchens, which is also resulting in huge savings for the farmers as well as for the nation. The government also stands to gain through more efficient Format change in retail is a continuous process. However, with the advent of modern retail many of the traditional formats prevalent are undergoing change. Format change in retail is a continuous process.

Some of the Format Changes are Taking Place in Categories can be Noted as Follows

Table 2

Sr.no.	Category	Traditional Format	Modern Formats
1	Food & Grocery	Kirana's & Vendors	Supermarkets & Convenience
2	Consumer Durables	General store	EBO & Category killers (CK)
3	Apparel & Accessories	Garment MBO & Exhibition	EBO & Department stores
4	Footwear, Time wear, Eyewear	General Store & MBO	EBO, CK & Shop in Shop (Dept)
5	Jewelry	Family Jeweler	EBO, Specialty & Shop in Shop (Dept)
6	Furniture & furnishings	Exhibition shops	EBO, Category K, Big Box & Dept.
7	Medicines	Dispensary & Pharmacy	Specialty, Hospital chain & Dept
8	Toys, Books, CD's & Videos	General, Stationery & Exhibitions	Specialty & Big Box
9	Dining	Stalls, Canteen & Restaurant	Branded Café, Food courts & Fine Dining
10	Movies	Cinema theatres	Multiplexes in Shopping Malls & Centers
11	Games & Entertainment	Fairs, Halls & Clubs	Video parlor, Gaming zones at Malls

Modern Retail Formats today

Malls

The present day malls are a creation of the past few years post 2000. They are designed professionally using a lot of international experience and combine shopping with a lot of brand building, recreation, food and entertainment. Located with proximity to urban population. Malls range from 50,000 sq ft. to 5 Lac sq ft. and above.

Speciality Stores

These stores focus on specific category of products and have established themselves strongly in their sectors. They may range from 3000 Sq ft to 15000 Sq ft.

Discount Stores

As the name suggests, discount stores or factory outlets, offer discounts on the MRP through selling in bulk reaching economies of scale or excess stock left over at the season. Smaller stores are 500-1500 Sq ft and larger stores range from 2500 – 10000 Sq ft. Discount shopping centres and malls having an area of 25000 to 50000 Sq ft have multiple stores.

Big Box Stores

Large stores ranging from 10000-50000 sq. ft, catering to a variety of consumer needs. Usually focused on product or customer categories such as clothing & accessories, footwear, children toys, furniture & furnishings, consumer electronics, etc are Big Box stores.

Department Stores

Departmental Stores are large multi brand fashion and lifestyle product stores which may have a large number of brands in each category.

Hypermarts/Supermarkets

Large self service outlets, catering to varied shopper needs are termed as Supermarkets. These are located in or near residential high streets. These stores today contribute to 30% of all food & grocery organized retail sales. Super Markets are typically 1,000 sq ft to 2,000 sq.

Hypermarkets are very large retail stores of 20000 to 50000 Sq ft having a strong focus on all household category including food & grocery, apparel, hygiene including personal hygiene, footwear, luggage, kitchen & dining ware, basic electrical and electronics, consumer durables etc.

Convenience Stores

These are relatively small stores 400-2,000 sq. feet located near residential areas. They stock a limited range of high-turnover convenience products and are usually open for extended periods during the day, seven days a week. Prices are slightly higher due to the convenience premium. Convenience stores are found in all neighbourhoods' localities, at travel points as well as highway gas/petrol stations.

MBO's

Multi Brand outlets, also known as Category Killers, offer several brands across a single product category. These usually do well in busy market places in the cities. In the semi urban & rural areas these are more like General stores stocking all brands of a particular category of merchandise.

Looking at the vast opportunity in this sector, big players like Aditya Birla, TATA, and RIL etc have all ventured into this sector to become the country's largest modern retail chains by establishing stores in different formats across all

major cities. As modern retailing developed, a key strategic choice for growth was format change. Innovation in formats provides an edge to retailers. Organized retailers in India have put up a variety of formats, ranging from discount stores to supermarkets to hypermarkets to specialty chains in different locations. The retail formats and locations have been adopted by key players in order to target agglomerating segments as indicated below:

List of Modern Retail Formats, Retailers in the Industry, Agglomerating Locations and Customer Segments

Table 3

Formats	Stores	Agglomerating Locations	Customer Segments
Convenience	KB's, FW Express, 24X7, Seven Eleven, Shell, Speed Mart etc.	Suburbs, Petrol Stations, Airports, Train & Bus Stations, Highways.	Commuters
Supermarkets	Reliance Fresh, More, Food World, Easy Day, Food Bazaar, Nilgiris, Avenue, Dmart, Vishal, Namdhari's etc.	Main Streets in the neighborhood & Shopping Center's	Local residents
Department Stores	Shoppers Stop, Pantaloon, Lifestyle, Westside, Wills Lifestyle, Reliance Trends, Globus, Mega Mart,	Main Streets in CBD and Shopping Malls.	Office goers Family outings Cinema goers Visitors & Tourists
MBO (Multi-brand) or Category Killers	Vijay Sales, e-Zone, Chroma, Reliance Digi, Reliance Footprint,	Main Streets in neighborhood and Shopping Malls.	Local residents. Serious Shoppers
Specialty Stores	Landmark, Crossword, Reliance Time Out, Planet Sports, Fastrack, Decathlon, Mother care	Main Streets in CBD & Shopping Malls	Local residents. Family & friends outings for cinema, eating out & shopping. Serious shoppers
EBO (Exclusive Brand)	Hugo Boss, Zara, Mango, Tommy Hilfiger, Marks & Spencer, Arrow, Van Heusen, Allan Solly, Peter England, Indigo Nation, Scullers, Colors, Levis, Wrangler, Nike, Adidas, Puma, Reebok, Titan, Tanishq, Gilly etc.	Main Streets in CBD & Shopping Malls	Office goers Family & friends outings for cinema, eating out & shopping Serious shoppers
Cash & Carry, Bulk Seller	Metro Cash & Carry, Wall-Mart, Big Bazaar Wholesale, Reliance Wholesale etc.	Special Complexes on highway and in city	Micro & Small retailers from out of city & interior areas, Bulk buyers for business and groups
Online e-Commerce and m-Commerce	Amazon, Flipkart-Myntra, Snapdeal, Jabong, PayTM etc.	Limited only by internet access and time for delivery	Professionals, Elders, Students and shift workers.

NEED FOR STUDY

The vast number of stores and the landscape of formats together with their locations in the largely urban space of India still may not cover the entire modern retail industry in India which would include many more local Indian and International brands. However this is only to demonstrate the expanse of modern retail in India which has been growing steadily and is expected to grow at a CAGR of 20% pa from US\$ 640 Billion in 2016 to nearly US\$ 1.6 Trillion by 2026 (IBEF January 2016) and raises two important questions:

Whether the value proposition and the agglomeration of many similar retail formats at the same location and number of opportunities for shopping have impacted shopping in the urban landscape today?

Retail business in India in an unprecedented move is ready to add value proposition as a new chapter in the history of India retailing. Every city in the country big or small now has localities which have become agglomeration of discount and value retail. The retail shops in these locations in a variety of formats, description have two main things in common. The value proposition and the agglomeration of all known retail brands together with a number of new comers, private labels and also ran's could be as follows:

Table 4

SrNo	Format	Description	Value Proposition
1	Branded Stores	Exclusive	Complete range
2	Specialty Stores	Focus on a category	Greater choice to the consumer
3	Department Stores	Large variety of products	Organized into departments
4	One stop shop	Varied/ consumer needs	Supermarkets
5	Discount Stores	Offering discounts	Low Prices
6	Hypermarket	Larger than a supermarket	Greater variety, Large space & Far flung
7	Convenience stores	Small self-service formats	Location
8	Online retail	Variety	Easier comparison & Home delivery

Shoppers in India often appear to make one of the formats as their primary choice and make most of the purchase from that format. It is therefore imperative that a retailer should identify the value and then choose the format that delivers the value to the fullest. At the core of the process for deciding a format is the value proposition that the retailer chooses to offer to its customers. The positioning of the store is then based on this.

Once the shopper decides on the reason for purchase he/she decides the format or agglomeration they are going to visit to shop. Having taken that decision, now the shopper is faced with the choice of formats. Then the value proposition of the retailer must become the strongest reason for this choice.

Is it true that proliferation of modern retail and the new agglomeration of shopping malls have influenced the customers to move away from traditional retail formats?

Entry of these retailers in different formats, including online, has affected an irreversible change in consumer buying habits and businesses related to serving these retailers (Sinha, P. K. et al, 2012).

The modern retailers, whether domestic or international, have focused on investing in various retail formats like supermarkets, hypermarkets, cash and carry stores and convenience stores which has eventually led to the change in the overall consumer shopping behavior. The small stores are also undergoing a change. It is found that in the food and grocery sector, hypermarkets would face more competition from the upgraded kirana's than supermarkets (Sinha, P. K. et al, 2005). The smaller stores offer very high level of service and convenience and are able to tailor the requirement to their customer much better than the larger stores, who so far have been competing on price and wider assortment.

To answer these questions the study was carried out in Bengaluru one of the leading metro cities of India which has a cosmopolitan population and could be considered to represent the behavior and aspirations of its people.

THE ROLE OF AGGLOMERATION & FORMATS IN RETAIL

Retail elements like the location, the merchandise mix, shopper's profile & expectations. Secondly, it requires the retailer to evaluate the competition and seek differentiation. The success of agglomeration of retail and the increasing competition from multiple formats pose a challenge.

The retailer has to arrive at an optimal mix of Retail elements to satisfy the target customer segments' needs effectively. In order to succeed it is very important to understand the effects of retail agglomeration & format on the shopper & shopping behaviour in India.

Each retailer in India needs to evaluate the enablers and deterrents for succeeding in the market place. This primarily involves identifying the key drivers of retail that match the location agglomeration to those.

Types of Locations in Retail Agglomeration and their Advantages

High – Street Location:

- Very busy with high customer traffic.
- Has an array of retail stores in small sizes. The lack of adequate infrastructure makes it virtually impossible to reach this virtually untapped market. Distribution, or lack of it, is a major hindrance for retailers in India.
- Has stores that are generally found in clusters based on product categories.
- High real-estate rentals.

Destination / Freestanding Location

- Does not have a high footfall rate (customer traffic needs to be pulled through the store's marketing efforts for value based prices & products)
- May not be a commercial retail area at all.
- Low real-estate rentals.
- May have a large parking area.

Shopping Centre/Mall Location

- Has an Existing mall traffic.
- Has a clean un-polluting Environment.
- Has a designated parking area.
- Medium to High rental cost.

Location, Store Design and Layout

Once a geographical market has been chosen, the next step in formulating the retail business plan is to select a site for the store. The importance of this decision is summarized by a favourite saying of retailers: "There are three vitally important things in retailing - location, location, and location" (Icmrindia, 2009)

In assessing the desirability of various available locations, one should note the positive and negative aspects of each. Once again, analysis of trends is important. No location is static; it is either improving or declining in such things as traffic flow and potential market area.

Store design and layout of the store's interior and exterior help determine the store's image and character. In planning a new store or remodelling of an old one, there is plenty of room for creativity. This part of the plan takes a lot of thought and consideration. Some bad decisions made in the planning stage can be corrected, but mistakes made in the area of store design and layouts are usually quite costly to correct.

Retailers can get specialized assistance from merchandise suppliers, local architects, and store planning consultants. Display windows, fixtures, lighting, and storage are examples of areas covered in this part of the retail business plan. Store layout involves such considerations as allocation of space, customer traffic flow throughout the store, and maximizing profit per square foot.

Planning a retail business format & location has several advantages. A well thought out plan not only makes the best of the present agglomeration effect, but also anticipates future contingencies. Retailers must decide how to make the best use of a given location. It has been known that even in popular shopping areas, certain areas or beyond a certain point even the footfall goes down drastically and the chances of success get terribly reduced. In order to use agglomeration in the most productive way, the retailer must find this point and plan the shop location within this.

The most important planning occurs before a retail store even opens for business. Careful planning at this time can greatly enhance a store's chances of success. By gathering and synthesizing the relevant information of agglomeration into a retail business plan, the retailer can make better decisions. Without planning, there is no predetermined course of action, and without some predetermined course of action, retailers do not know what to do, where to do, or why it should be done. They waste their own energies and the resources of the store. Planning involves scientifically selecting the location and devising a strategy to draw shoppers to the shop.

Today shopper's lead busy lives and shopping which is like a task can take time. Shoppers are more and more getting habituated to finding their needs and analyzing what to buy easier on the net. Online shopping on the computer or mobile devices is becoming far more convenient than offshore retail stores.

As per research carried out in US, online reviews and price comparisons enable consumers to feel more confident in their buying decisions (Brian K Walker, 2014). Recent retail research in the US by Forrester Research shows that 56% of shopper's used a mobile device to research products at home, 38% percent of shopper's check inventory availability while on their way to a retail store and 34% even used their mobile to research products while in a store. So the online channel mode is not just used for buying from the confines of your home. Consumers not only like to research online for tips to finalize their purchase decision but also like to go out and socialize while doing their shopping.

Modern retail in India is also exploring the option of going online and providing the customers the advantages of convenience for comparing the products before making a buying decision. Soon Omni-channel formats will also start getting popular in India.

IIMB Management Review (Mishra, Dr. Ashis. 2013) underlines the importance of relevant customer value propositions, multiple channels and multiple formats. It recommends a structured approach of strategy in future as a

prerequisite to business model development for retailing in India.

RETAIL AGGLOMERATION AND SHOPPING BEHAVIOUR: A SUMMARY OF FINDINGS

- **A majority of shopper's in Indian metro cities like Bangalore prefer to purchase at agglomerated modern shopping malls & centres.** Overwhelming majority (81%) of the respondents showed happiness with the large scale expansion of organized modern retail in the last decade in India.
- **Most of the shopper's felt that the modern retail shops helps them to plan their shopping, get more choice and better value for money.** On a mutually exclusive basis the largest section (46%) of respondents felt that getting choice and value for money was the greatest help received from modern retail. While ability to plan the shopping was helpful according to 30%, another 18% admitted that modern retail formats helped them to cut down on wastage of time and increased their productivity in shopping. Only a minuscule (6%) of the respondents felt that modern retail did not make any change to their shopping style.
- **Respondents reported an increase in shopping for gadgets & consumer durables, luxuries & apparels and entertainment.** Category-wise a nearly 84% of the respondents felt that their spending on gadgets and consumer durables has increased with modern retail. Sizable 68% agreed that spending on luxury brands, perfumes and jewellery had also gone up due to modern retail, and 65% felt that their spending on entertainment had also increased with the modern retail formats of multiplexes and gaming zones. 61% confessed that impulse buying of gifts and novelties has also increased due to modern retail. A slight majority 55% of the respondents felt that modern retail has also increased spending on fashion & lifestyle than before. On the food court front however the response was mixed while 39% accepted an increase in spending, 35% felt that it has not resulted in increase but the location may have changed from eating street food to food courts in shopping malls. The rest (26%) of the respondents felt that in fact due to the availability of ready to eat and easy to cook packaged food in modern retail & grocery their eating out has in fact reduced compared to earlier times.
- **Shoppers felt that the majority of the customers went to agglomerated shopping malls & centre's for shopping.** As for the perception about retail formats and agglomeration a majority of the respondents 61% preferred to shop in shopping malls, shopping centres or independent big box formats of modern retail wherever it may be located. Less than a third, (28%) still preferred shopping in main streets or prime shopping areas of the CBD. A small minority (6%) felt that neighbourhood shopping was good enough and 3% were non-committal.
- **Choice of modern retail formats was very popular for Gadgets, Durables, Luxury brands, Jewellery, Entertainment and Fashion apparel in that order.** The preference for grocery shopping in hypermarkets was however relatively ambivalent. In terms of shopping formats, Entertainment (90%), Luxuries (87%), Fashion Apparel & Lifestyle (81%), Durables and Gadgets (69%) showed high preferences from the respondents for visiting Shopping Malls or Centres'. In the case of monthly grocery however the reaction was mixed. While 43% preferred the modern retail formats, 32% felt that neighbourhood grocery stores (Kirana's) were good for these. However almost of quarter (25%) were undecided as they appear to be shopping at both locations depending on other reasons probably.

CONCLUSIONS AND THE ROAD AHEAD

As an emerging economy with high growth rates, consumer spending has risen sharply as the youth population (more than 33% of the country is below the age of 15) has seen a significant increase in its disposable income. Consumer spending rose an impressive 75% in the past 5 years alone.

Among categories apparel, along with food and grocery, will lead the organized retailing in India. India has one of the largest numbers of retail outlets in the world. A report estimates the number of operational malls currently around 410 with 205 million square feet will grow by a further 74% to 715 malls by 2018, with major retail developments in tier-II & III cities in India.

According to industry experts, the next phase of growth is expected to come from rural markets, with rural India accounting for almost half of the domestic retail market, valued over US\$ 800 billion (Ernst & Young Research Report on Prospects for Retail in India, 2015). Rural India is set to witness an economic boom, with per capita income having grown by 50% over the last 10 years, mainly on account of rising commodity prices and improved productivity.

A Growing Consumer Class

Favourable demographic and psychographic changes relating to India's consumer class, international exposure, availability of increasing quality retail space, wider availability of products and brand communication are some of the factors that are driving the retail in India. Over the last few years, many international retailers have entered the Indian market on the strength of rising affluence levels of the young Indian population along with the heightened awareness of global brands and international shopping experiences and the increased availability of retail real estate pace.

The next level of opportunities in terms product retail expansion lies in Omni-channel including e-commerce in categories such as apparel & fashion accessories, consumer durables, jewellery and furniture & furnishings. These categories have already witnessed the growth due to entry of large industry groups in modern retail formats and more players are expected to join the bandwagon. Some niche categories like Books, Music and Gifts which launched the online retail are now almost vanishing from brick and mortar retail stores.

THE GROWTH DRIVERS FOR RETAIL IN INDIA

The Growth in Indian Retail can be attributed to Several Factors Such as:

- Demography Dynamics: Approximately 60% of Indian population below 30 years of age.
- Nuclear families and Double Incomes: Complete breakdown of joint family system to nuclear family with double Incomes contributing to rise in spending power.
- Plastic Money or future income: Increasing use of credit cards and EMI facilities especially for categories relating to Luxury lifestyle purchases, Gadgets & Consumer Durable Goods, Furniture & Fixtures, Travel & Entertainment etc.
- Urbanization: Increased urbanization has led to higher customer density areas thus enabling retailers to use lesser number of stores to target the same number of customers. Aggregation of demand that occurs due to urbanization helps a retailer in reaping the economies of scale. Covering distances has become easier: with increased

automobile penetration and an overall improvement in the transportation infrastructure, covering distances has become easier than before. Now a customer can travel miles to reach a particular shop, if he or she sees value in shopping from a particular location.

- Location: With modern retail formats having made their foray into the top 20 cities of India namely Mumbai, New Delhi, Chennai, Kolkata, Bangalore, Hyderabad, Ahmedabad, Chandigarh, Amritsar, Jaipur, Lucknow, Pune, Coimbatore, Nagpur, Kanpur, Indore, Vadodara, Mangalore, Ludhiana, Kochi there exists tremendous potential. In the next 5 years the modern retail growth is going to spread to the over 100 smart cities of Tier & 2 being developed in the country.
- Categories with High Growth Potential: Certain segments that promise a high growth are Food and Grocery (91%), Clothing (55%), Furniture and Fixtures (27%), Pharmacy (27%), Durables, Footwear & Leather, Watch & Jewellery (18%).
- Fastest Growing Formats: Some of the formats that offer good growth potential are: Specialty and Super Market (45%), Hyper Market (36%), Discount stores (27%), Department Stores (18%), Convenience Stores and E-Retailing (9%).

THE FUTURE FOR RETAIL

Indian consumers are rapidly evolving and accepting modern formats overwhelmingly. Retail Space is also no more a constraint for growth with supply of shopping malls and centres exceeding the demand. India has overtaken China to top AT Kearney's Global Retail Development Index (GRDI), a study which ranks the top 30 developing markets for retail investment: (<http://economictimes.indiatimes.com/>). The quantum of investments is likely to sky-rocket as investments into the retail sector are estimated at INR 25 billion in the next 2-3 years, taking the total to INR 200 billion by 2020.

Retailers have responded to this phenomenon by introducing contemporary retail formats such as hypermarkets and supermarkets in the new pockets of growth. Prominent 'tier-II' cities and towns like Surat, Lucknow, Dehra Dun, Vijayawada, Bhopal, Indore, Vadodara, Coimbatore, Nasik, Bhubaneswar, Varanasi and Ludhiana among others.

With consumption in metros already being exploited, manufacturers and retailers should increasingly target consumers in tier II cities and towns. On the supply side, mall development activity in the small towns needs to pick up at a rapid pace, thereby, creating quality space for retailers to fulfil their aggressive expansion plans.

Thus, the 'modern retail boom', 85% of which has so far been concentrated in the metros will begin to percolate down to smaller cities and towns. The contribution of these tier-II cities to total organized retailing sales will grow and soon organized retail will have a 50% share of the total retail market in India by 2026 and reach a level of Rs 25 Lac Cr (US\$ 390-400 Billion).

India's retail business meter shows that only 10.2% of retail business is modern and organized in India. It means that nearly 90% of the market is yet to be reached. Modern retail can hence grow fast over the next 5 to 10 years and by 2025 India could be making trends in retail that will be used as benchmark in the world. Modern retail in India is a booming business albeit at a nascent stage. One can think of what would be the scenario when it would be a mature market.

Industry and the Government are now realizing the potential and stepping up the retail business with a positive approach. Retail is becoming one of India's largest industries and arguably can have the highest impact on the country's employment after agriculture. It has the potential to penetrate into rural India, and take India's GDP growth beyond 10%.

TABLES SHOWING THE FINDINGS FROM THE RETAIL SURVEY CONDUCTED AT THE POINT OF PURCHASE

Shoppers' Happiness with the Presence of Better Organized Modern Retail

Yes	81 %
No	19 %

Help Received from Modern Retail According to Shoppers'

Get more choice & better value for money	46 %
Can plan shopping	30 %
Efficient shopping / cut down wastage of time	18 %
No changes in the shopping style	6 %

Category-Wise Changes in Spending Pattern

At the restaurants & food courts

Increased	39 %
Same	35 %
Reduced	26 %

On gadgets & consumer durables

Increased	84 %
Same	10 %
Reduced	6 %

On Fashion Apparel & Accessories

Increased	55 %
Same	32 %
Reduced	10 %
Can't say	3%

On Luxuries brands, Perfumes & Jewellery

Increased	68 %
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Same	6 %
Reduced	26 %

On Entertainment & movies

Increased	65 %
Same	23 %
Reduced	6 %
Don't Know	6 %

On Gifts & Novelties

Increased	61 %
Same	39 %

Preference for Retail Formats & Agglomeration

Prefer to shop in shopping malls & centres	61%
Prefer to shop in other shopping areas	28%
Prefer to shop in my neighbourhood	7%
No preference/don't know	3%

Choice of Format Location/Products

Shopping Mall/Centre	Neighbourhood	Can't says	
Monthly grocery	43%	32%	25% (depends)
Durable Gadgets	69%	22%	9%
Apparel etc	81%	12%	7%
Luxuries etc	87%	7%	6%
Entertainment	90%	8%	2%

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