

The Retail business in India: - revolution or evolution? A perspective towards the history and modernization of retail business in India

Hitesh Bhatia

Dept. of Economics, ICFAI National College, Baroda, India.

Daxay Soni

Dept. of Marketing, ICFAI National College, Baroda, India.

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Abstract

The origins of retail in India can be traced in fairs and 'mela's (an Indian word for village events to sell and promote goods) which were held across the country for the twin purpose of trade and entertainment. The retail story silently continued in an unorganized structure across every street and its corner in India till early 80's. The process of liberalization which started during 80's brought modern retail into its veracity. But the contemporary retail is only a re-evaluation of century old activity of traders selling their produce in a collective arrangement. The paper attempts in tracing out the transformation of traditional formats of fairs and melas into the contemporary retailing in India. The modern format of retail is only a gradual evolution of trade from melas to malls contradicting the general theory of revolution.

Introduction

The word 'Retail' originated in 1365 as a derivative of the French word "Retailer" meaning 'cutting off, clip and divide'. It was only in 1433 when for the first time it was recorded for a meaning of 'sale in small quantities'. The history of retail in India dates back to AD 1672 when a month long yearly fair started in Meerut district of UP. Nauchandi mela, as it is popularly called, is held every year after 'holi' and attracts over a lakh (100,000 in Indian system of numbers) of visitors. It had started with the objective of trading in animals, especially horses. Over a period of time, cattle trading was complemented by a multiple of activities of religious rituals, commercial, artistic creativity and rural gaiety. For centuries, such fairs and 'mela's have existed across the villages and cities of India. Other than being a source of entertainment, such fairs were held with a specific objective of commerce. Those who produced surplus were given appropriate place to sell their produce. Later on specific mandi's and gatherings started with sole purpose of trading.

The retail business, in its present form, involves all actions complementary to selling goods and services in small quantities to specific customers for ultimate consumption. This is done by organizing the availability of goods and services on a large scale and selling to consumers on a comparatively diminutive size. The retail business can be tagged into two formats, one Nomadic Retailers; these are small time

vendors who move from one place to another carrying their produce in a cart or a vehicle, sometimes even on their heads selling door to door or on the roadside. Secondly Preset Retailers; as the name denotes have small or big shops either in front or back of their homes, on street corners, or in commercial complexes. The mom and pop stores, kirana stores, kiosks, provision stores are few examples of preset retail stores. Both of these kinds of retailers are now merged and known as unorganized retail. The organized retail on the other hand is one in which the trading activities embark on by licensed retailers, those who are registered for sales tax, income tax, etc.

Unorganized retail in India

The 'Traditional Retail' or as popularly called 'The Unorganized Retail' undoubtedly dominates the Indian Retail industry. The exemplar; starting with small cabins, hand cart hawkers, pavement vendors to kirana stores, chemists & provision stores, paan-beedi walas and likes of these many exist on every right - left and corner of the streets in India.

Operating in less than 5000 Sq. feet of area the unorganized retailers comprise 96% of total retail space in India. The stock for sales and display depends upon the taste and sense of the owner; rather than demand of customer. The retailers are mostly illiterate or less educated; they charge Maximum retail price and are unable to maintain proper accounts. Mostly of the transactions are cash oriented and credit cards are generally not accepted.

Table 1
Indian Retail; Organized v/s Unorganized

(Growth in Rs Billion)

Year	Organized	Unorganized	Unorg as a% of Total	Total
2003-04	350	10241	96.69	10591
2004-05	408	10900	96.39	11308
2005-06	479	11544	96.01	12023
2006-07	598	13976	95.89	14574
CAGR (%)	19.5	10.92	-	11.20

Source:

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ICRIER,

2008

Despite the fact that in last few years the organized retail has amplified at a gigantic 19.5% CAGR (between 2004-07), the nuance of unorganized sector is nowhere contracted. Retailing in India is scrupulously unorganized. According to a survey by AT Kearney, the brick and mortar retail comprises of an overpowering share of the Rs. 400,000 crore against Rs. 20,000 crore segment of the market which is organized. India's per capita retailing space is lowest in the world at about 2 square feet compared to 16 square feet in the United States (KSA Technopak (I) Pvt Ltd). To the extent that 96 per cent of the five million-plus outlets are smaller than 500 square feet in area.

Evolution of organized retail in India

'The retail boom' with 300 million plus middle class, retail trade is the perfect mantra to make money in India, everyone starting media, investors, consultants and others keep on saying about the influx of colossal business opportunity in India. Is it a fact or hype? For many organized retail in India started with opening of Crosswords,

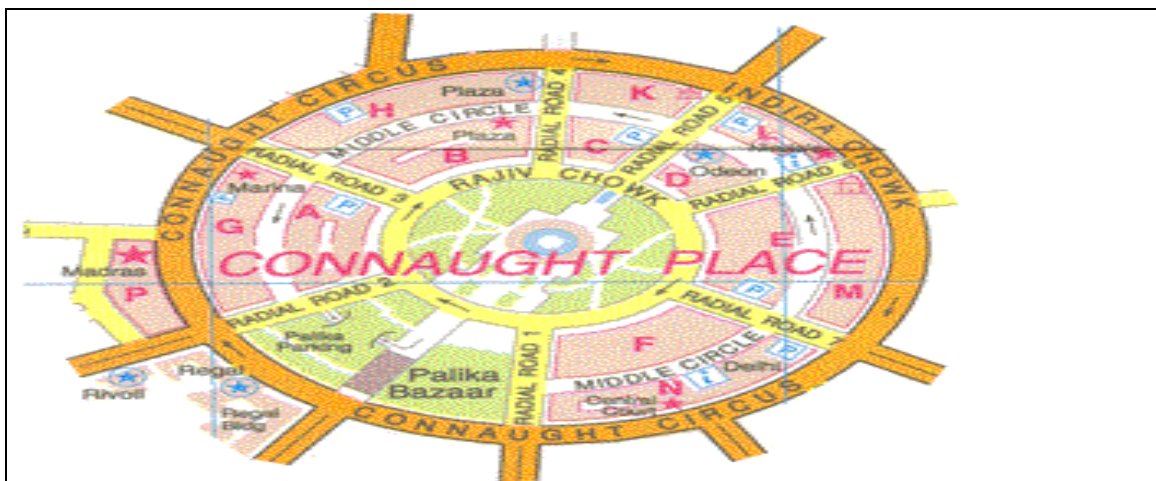
Planet M, Music World and Ansal's Plaza in Delhi during early 90's. However if we take the liberty of defining retail in terms of a place or location were different sellers sell differentiated products to common group of consumers then the early trace of organized retail dates back to 1869.

Table II
Early Traces of Organized Retail in India

Name of the Market	Period of Establishment	City
Crawford Market	1869	Mumbai
New Market	1874	Kolkata
Conought Place	1931	Delhi
King's Corner	1958	Mumbai
Palika Bazaar	1970's	Delhi
Mount Road	1970's	Chennai
Brigade Road	1980's	Bangalore

Source: - <http://en.wikipedia.org>

Crawford market of south Mumbai opened in 1869 and New Market of Kolkata opened in 1874 along with Connaught Place at Delhi are few of many pioneers of organized retail in India. Amid urbanization speeding up in almost every metropolitan city of the country had a couple of covered shopping arcades by late 1970's; this undoubtedly shows their role in the evolution of organized retail in India.



Established in late 70's **Palika Bazaar** is an air-conditioned market situated below the inner circle of Connaught Place, New Delhi. It encloses several hundred shops selling an assorted array of items; though, dominated by electronic goods and readymade garments. At any given weekday the market is host to nearly 15000 plus customers, mostly tourists. Even today it remains a shopper's paradise with wide range of products and low prices.

Source: - <http://www.palikabazaar.com/>

The decade of 80's was significant in more than one ways, a young prime minister was seen by many as a change of guard, and he brought a new air of liberalization. Rising living standards of people in I & II tier cities, growing preference towards specific brands and perfect knowledge about the markets led to the opening of

exclusive elegant showrooms and authorized stores in case of textiles, garments, shoes and electronics. DCM, Bombay Dying, Grasim, Raymond and Vimal in textiles and garments, Bata in footwear, Allwyn, Godrej and Phillips in consumer goods, Titan and HMT in watches, had started organized retail in India much before then the brands like Reebok and Benetton were born in their parent countries. What's more; the face of modern retail in India, Pantaloon got registered in 1987, launched chain of exclusive stores for jeans under the brand name of BARE in 1991 (Pantaloon, Company Profile, SEBI). Organized retail in India then is a corollary of evolution over the years rather than an abrupt revolution.

Table - III
Share of Organized Retail in Total Retail by Category (%)

	Items	2003-04	2004-05	2005-06	2006-07
1	Food & grocery	0.5	0.6	0.7	0.7
2	Beverages	5	3.8	3.6	3.1
3	Clothing & footwear	21.6	19	20.4	18.5
4	Furniture, appliances & services	13	11.4	11.3	10.2
5	Non-institutional health care	1.5	1.7	1.9	2.1
6	Sports goods, entertainment, books	11.6	12.1	14.4	16
7	Personal care	2.8	3.5	4.7	5.4
8	Jewellery, watches	3.3	4	5.1	5.6
	Total Organized Retail	3.3	3.6	4	4.1

Source: - ICRIER, 2008

Though the purchasing power of the Indian urban consumer is less by any international standards it is rising at a fast pace. The drift of modern India towards nuclear families, single and working women, mounting work pressure, commuting time, chaotic life style has resulted in the growing need for convenience shopping. The urban consumers crave everything under one roof for ease of access and array of choice; offering a tremendous opportunity for organized retailing. Organized retailing in recent years has moved beyond apparels, cosmetics, shoes, watches, electrical and electronic items and has penetrate into Food & grocery, Beverages, health care, entertainment. During all these transitional years the government naively went on to support the organized retail but with a different objective. Khadi Stores, Apna Bazaar, Co-operative stores and PDS outlets were established for selling essential goods to poor section of society at reasonable prices. If we consider the format and size as criteria to define organized retail then certainly these stores fit well into the definition.

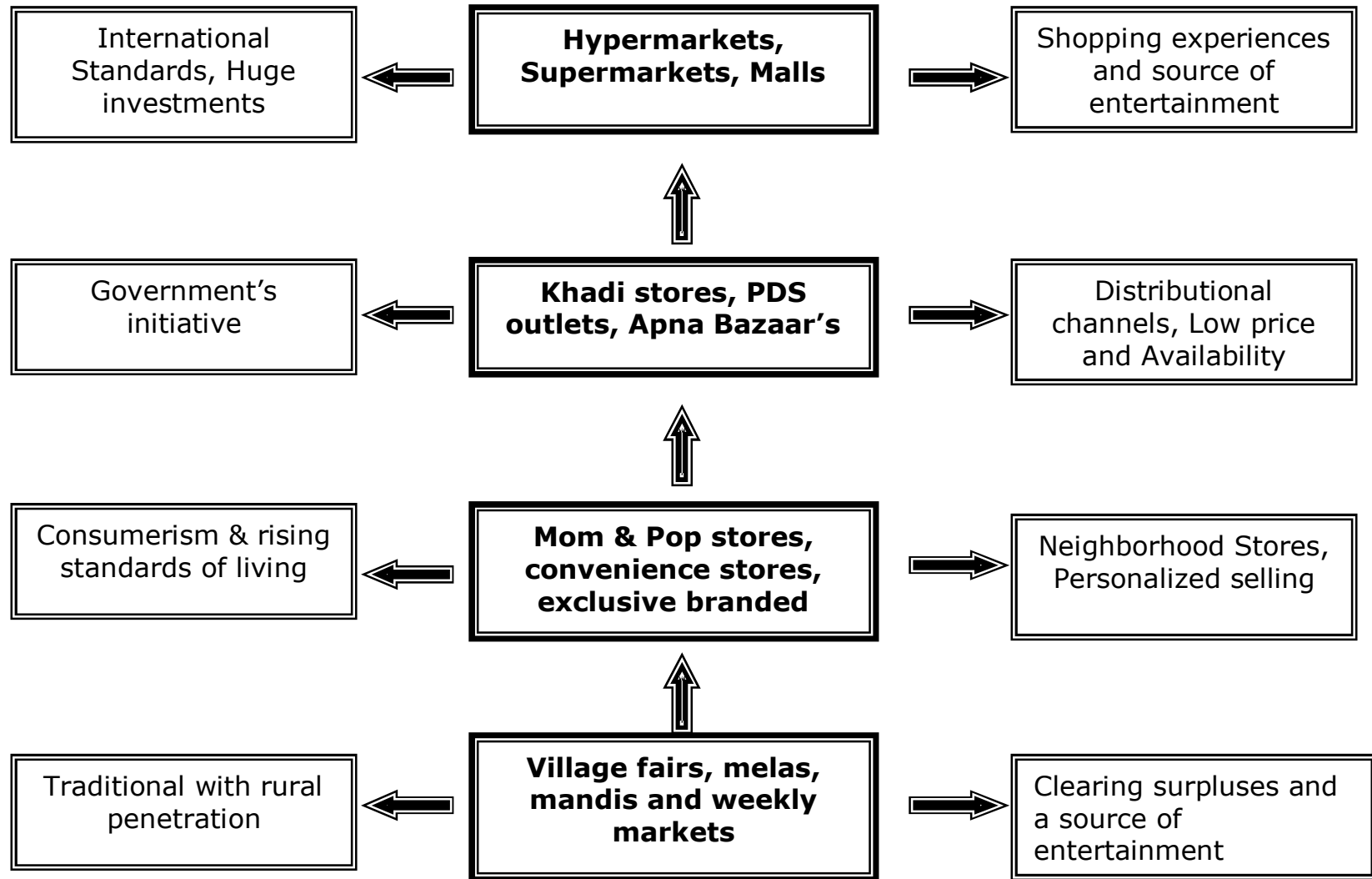
The U-turn: From mela's to malls

Historically India is known for its diversity, festivals and celebrations. Fair's and Mela's abide this identity of India. States like Assam, Orissa, Andhra, Madhya Pradesh, Gujarat, and Uttar Pradesh are distinctively well-known for week and month long traditional fairs. Since centuries people of all caste, creed and religion come to these fairs along with their families, especially with children's for shopping, eating, playing games, watching magic and puppet shows. For traders these mela's are a source of selling

variety of goods at one place during a given a period. Handicrafts, utensils, decorative items, pottery, textiles, festival goods, food grains, even birds and animals are profitably traded during such time-honored activity.

The modern organized retail is no different from such fairs and melas. Thousand's of people visit these super and hyper malls for the same objective; shopping and entertainment. Several assorted items of daily use- FMCG to Electronics, Garments to Automobiles are available under the same roof. The *figure-2* clearly shows a U turn in the centuries old business model of attracting thousands of people daily, on weekends and during festivals at one place and selling variety of goods along with entertainment. Unlike village fairs and mandis which had rural penetration and were unorganized, the supermarkets and hyper malls are of international standards, urbanized and organized.

Of course with proficient security systems, spacious parking zones, fully air-conditioned, adequate public amenities the malls score much more over the melas. No matter the modern malls are trying hard to mock-up the feel of melas during festivals and seasons. It has become common and trendy for hyper malls to serve *sarson-da-sag* and *makke-di-roti* during winters in their punjabi restaurants or do ganpathi sthapna for a week long ganesh festival. Similarly one will find celebrations of diwali, holi and all major state festivals like onam, navratri and tih being fêted within these malls. Creating a village like environment or celebrating festivals in traditional form is only a means of attracting common man who otherwise may not have entered the so called 'hyper mall'. At the same time by building such a nostalgic mood the malls are taking advantage of over pressured lifestyle of urban population. Just by spending few hours in such a rustic atmosphere on their weekends people feel as they are still allied to their roots.



Shoppertainment

The malls today do not count footfalls; they increase consumption and time spent. The idea is not only to attract the shoppers but largely to invite everyone and retain them for a longer period so that they keep spending in more than one activity. The key to success is to position itself as a one-stop-shop for shopping, leisure and entertainment thus the modern retail other than shopping offers restaurants, multiplexes, bowling alleys, video-game arcades, children's play areas and carnival rides. The idea is to give choice to the customers, retailers want people especially teenagers to spend entire day in mall, the trend is common in west and gearing up in India. Its history; at least in urban India, when people had a weekly visit to nearby superstore for shopping value-for-money grocery. Modern retail has fused shopping with entertainment and the gist of weekend shopping is given a whole new facet. Nowadays families step into a mammoth mega store, enjoy thrills at the bowling alley, take kids to the play station, pamper themselves to a spa, have lunch in one the several eating outlets, take a leisurely walk around 100s of branded outlets, and probably exit after watching a night show of a latest movie. Well the shift from only shopping to shoppertainment is thanks to increased disposable incomes of young India. Contrary to this the disposable time has decreased, nuclear families demand wholesome entrainment on weekends due to their over pressured schedules on weekdays.

Table - IV
Per Capita Income and Consumption

Year	Income		Consumption	
	Rs. (Cr)	Growth (%)	Rs. (Cr)	Growth (%)
2002-03	20996	2.2	13352	1.1
2003-04	22413	6.8	13918	4.2
2004-05	23890	6.6	14413	3.6
2005-06	25696	7.6	15422	7
2006-07	27784	8.1	16279	5.6
2007-08	29786	7.2	17145	5.3

Source: - *Economic Survey 2007-08, Govt of India*

The speed of economic development has stimulated considerably during the last five years (including 2007-08). The growth of per capita income measured by per capita GDP at market prices was growing at a steady pace of around 2% till 2002-03. Since then there has been a sharp quickening in the growth of per capita income, roughly doubling to an average of 7.2 per cent per annum during 2002-03 to 2007-08. This means that average income would now double within one generation, unlike earlier. Per capita private final consumption expenditure has increased corresponding with per capita income. Thanks to economic reforms the growth of per capita consumption has accelerated from an average of 2.2 % per year during 1990s. The growth rate has nearly doubled to 5.1 per cent per year during the five years from 2003-04 to 2007-08, with the current year's growth likely to be 5.3 per cent, slightly higher than the five year average.

Table - V
Change in Formats by Key Retail Players

Retailer	Original formats	Later Formats
RPG Retail	Supermarket (Food world)	Hypermarket (Spencer's) Specialty Store (Health and Glow)
Piramal's	Department Store (Pyramid Mega store)	Discount Store (TruMart)
Pantaloon Retail	Small format outlets (Shoppe) Department Store (Pantaloon)	Supermarket (Food Bazaar) Hypermarket (Big Bazaar) Mall (Central)
K Raheja Group	Department Store (shopper's stop) Specialty Store (Crossword)	Supermarket (TBA) Hypermarket (TBA)
Tata/ Trent	Department Store (Westside)	Hypermarket (Star India Bazaar)
Landmark	Department Store (Lifestyle)	Hypermarket (TBA)
Others	Discount Store (Subhiksha, Margin Free, Apna Bazaar), Supermarket (Nilgiri's), Specialty Electronics	

Source: - Ministry of External Affairs, Govt of India

Many of the original retailers could survive for initial years by making a key strategic choice in terms of innovation in their formats. Indian retail in last decade has expanded by trying a variety of formats.

In 2007 the international rating agency Fitch had envisaged that infiltration of organized retail in India will increase to about 10 per cent over the next five years from the then of 3 per cent. Key players have customized the formats of their outlets to better service their target market and it look forward to a strong top line growth across the industry including hypermarkets, department stores and supermarkets. Retailers are to benefit from the amplified accessibility of real estates, as the fast growth of malls in major cities is expected to continue.

Interestingly some formats have been successful and others busted, still there is no accord among experts as to what would work where. Each formats has its own merits and demerits, and careful location and proper planning, precise consumer insight with efficient supply chain management will remain the decisive for any format.

Conclusions

The Indian retail industry, as said earlier, can be classified into four different structures. *One*, Unorganized retail; popularly called as mom & pop or father & son stores. *Second*, Fragmented retail; a vast majority of 12 million stores with average size of 50 sq feet located at every street and corner of the country. *Thirdly*, Conventional rural retail; comprising of "Haat"s

and "Mela"s. 'Haat's are the weekly bazaar serving 10-50 villages and selling day-to-day supplies. 'Mela's are larger in size and more refined in terms of the goods sold. *Lastly*, Modern Organized retail; what "*Haat"s and "Mela"s* do in villages the 'Hypermalls' do in urban India. It's more than just selling goods and services; all the sales and marketing activities are involved in the face of severe competition as evidenced globally. Thus the retail business in India is an evolution of age old format of mela's into malls and not a rapid revolution of twenty first century. Though 'shoppertainment' has changed the shopping and buying habits of urban population, counting it as an unexpected exuberance would be fictional. The real retail revolution is still to come, when these so called malls will sell the branded and up-to-the-minute goods at affordable prices to suit the budgets of the vast 300 million plus middle class Indians earning between 90,000 to 200,000 rupees.

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