



Retailing in India – An analytic view

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Abstract

The Indian retail industry is now beginning to evolve in the line with the transformation that has swept other large economies. It witnesses tremendous growth with the changing demographics and an improvement in the quality of life of urban people. The growing affluence of India's consuming class, the emergence of the new breed of entrepreneurs and a flood of imported products in the food and grocery space, has driven the current retail boom in the domestic market. The concept retail which includes the shopkeeper to customer interaction, has taken many forms and dimensions, from the traditional retail outlet and street local market shops to upscale multi brand outlets, especially stores or departmental stores. Though at this moment, it is still premature to say that the Indian retail market will replicate the success stories of names such as Wal-Mart stores, Sainsbury and Tesco but at least the winds are blowing in the direction of growth. Hence, we focus on two aspects of retail marketing i.e., Store Retailing and Non-Store Retailing. Store Retailing as the departmental store, which is a store or multi brand outlet, offering an array of products in various categories under one roof, trying to cater to not one or two but many segments of the society and Nonstore Retailing as the direct selling, direct marketing, automatic vending. Therefore, this concept of retail marketing through departmental stores, which is coming up in a big way in India was decided to be studied in detail, through an exploratory and conclusive research. The objective being to assess the various parameters that influences a buyer to visit or shop at departmental store thereby contributing to its turnover (in terms of sales and profits) hence leading to its overall success.

Keywords: FMCG Companies, Organized retail, Store Retailing, Non- store Retailing, Discount Formats, Catalog Showroom, Mall Culture

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1. INTRODUCTION

The word 'retail' means to sell or be sold directly to individuals. Retail is India's largest industry, and arguably the one with the most impact on the population. It is the country's largest source of employment after agriculture, has the deepest penetration to rural India, and generates more than 10 percent of India's GDP. However, retailing in India has so far, been mostly in the hand of small disorganized entrepreneurs. It is also India's least evolved industries. In fact, it is not even considered a real industry. The industry suffers from lack of management talent, poor access to capital, unfavorable regulation and denial of access to best practices. The Indian retail industry is only now beginning to evolve in line with the transformation that has swept other large economies. Fifty years of restricting the consumer goods industry, a national mindset which favored denial over indulgence, and a fractured supply chain for agricultural products have all contributed to prevent the development of modern tenants based on scale advancements and consumer preferences.

India has some 12 million retail outlets, but many of these act merely as subsistence providers for their owners and survive on a cost structure where labor and land is assumed to be free and taxes nil. Compare this with the global retail industry, which is one of the world's largest organized employers, is at the cutting edge of technology, and which leverages scale and scope to offer value-added services to its customers.

However, only recently has there been an awakening in this sector, with more organized retailers starting to make an impact. The liberalization of the consumer goods industry, initiated in the mid-80s and accelerated through the 90s has begun to impact the structure and conduct of the retail industry. Backed by changing consumer trends and metrics, liberalization in mindsets driven by media, new opportunities and increasing wealth, retailing in India, presents a vast opportunity for a variety of businesses - real estate, store design & operations, visual merchandising logistics and communications, B2C service providers, and FMCG companies who can add to their offers by partnering this revolution.

The Indian Retailing Industry stands poised to take off into the 21st century. It is one of the fastest growing sectors in the nation that caters to the world's second largest consumer market. Retail boom is unabating. India has five million retailers with a business volume of \$180 million growing at 5 to 7 per cent a year. The middle class drives retailing anywhere in the world and this segment should have reasonable income. The next driver is availability of variety of goods, products and brands. The third one is "sense of awareness".

In other developing economies, this transformation has already begun. In many of these countries, organized retail already has a 40 percent share of the market, compared to India's current levels of 2 percent. As India goes through this transformation, new businesses with sales of 1 billion - 2 billion US \$ will be created in grocery and of 250-500 million US \$ in apparel. Smaller but still interesting opportunities will be created in other sectors like books, electronics, and music. This transformation will also impact the supply chain in agriculture, the tax collections from trade and the way people shop.

In the last 10 years, all Southeast Asian countries like Indonesia, Malaysia, Taiwan and Korea have gone through similar phases. China, with a per capita income of \$650-700 per annum, is going through the same phase what India is also facing now. Europe went through this phase of

retail revolution about 40-50 years ago. It is believed that when a country's per capita income reaches the level of \$1,200 per annum, organized retailing begins to takeover. Though India has a per capital income of \$ 400, on the basis of purchasing power parity (PPP) it has already hit the \$1200 level. This does strengthen the belief that probably, the right time for organized retailing to click in India has come.

This paper aims at providing an insight into the emerging trends in the industry and the barriers to change and a perspective on what this industry could become, using the global industry as the backdrop.

2. OVERVIEW OF THE GLOBAL RETAIL INDUSTRY:

Retail, with total sales of \$ 6.6 trillion, is the world's largest private industry ahead of financial industries \$ 5.1 trillion. It is also home to a number of the world's largest enterprises. Over 50 of the Fortune 500 companies, and around 25 of the Asian top 500 companies, are retailers. The industry accounts for over 8 percent of the GDP in western economies. **Source: Euro monitor**

A Study by Mc Kinsey states that organized retail accounts for just around 2 percent (out of which modern retail formats account for 7 percent of trade) presently is set to grow at exponential exceeding 35 percent. Fitch estimates the current share of organized retail to grow from 2percent presently to around 15 to 20 percent till 2010.

Table-1:

Retail Consumption areas	US \$ billion	Existing Companies in the organized sector
Food Retailing	130	Food Bazaar (Pantaloon) Food World Subhishka.
Clothing & Apparel	12	Pantaloon Westside, Shoppers Stop
Jewelry, Watches	7	Tanishq, Titan, Gold Bazaar (Pantaloon)
Home Furnishing	5	Home Store, Arcus (Pantaloon)
Foot wear	1.7	Bata, Woodland
Beauty Care	3.6	VLCC, Health & Glow

Source: Economic Time's Industry Report

Traditionally, most retailers have had very localized operations. This localized nature of the industry is changing as retailers face low rates of growth and threatened profitability at home. New geographies will help them sustain top-line growth as well as permit global sourcing. Profits in retail have steadily been rising and have generated 18 percent shareholder returns between 1994 and 1999. Significantly, retail is also one of the world's largest employers, accounting for instance 16 percent of the US workforce, Poland 12 percent, China 8 percent, India 10 percent and Brazil 6 percent. Factors such as scale in sourcing, merchandising, operational effectiveness and ambience have driven the spread of organized retail.

Grocery, electronics are examples of categories that compete on the strength of better pricing, which in turn is driven by superior sourcing and merchandising and cost-efficient operations. Wal-Mart, Home Depot and Kingfisher are benchmark retailers in these fields.

In apparel, home furnishings and furniture, the advantage is driven by the marketers' ability to provide better products in a comfortable ambience at affordable prices. In these cases sourcing capability has to be backed by strong design capability and store management. IKEA and GAP are good examples of this model of retailing.

Over the last few decades, retail formats have changed radically. The basic department stores and co-operatives of the early 20th Century have given way to mass merchandisers, hypermarkets, warehouse clubs, category killers, discounters and convenience stores. Each of these formats has been driven by marketer's need to offer relevant, distinctive and economic propositions to an evolving consumer base.

Global retailers have also reached a position of strength that enables their brand to be leveraged across a wide range of services. Many of them have expanded their offering, over the years to include fuel retail, car retail, convenience services and personal financial services. This has put them in a position where they are not only beginning to capture growth from geographical expansion, but are also entering large new areas of business.

The recent evolution of the Internet has helped further broaden the scope of operations of large retailers. Further, a large number of retailers are pursuing innovative aggregation and supply chain-streamlining initiatives using B2B technology.

3. THE RETAIL MARKETING REVOLUTION:

At the end of 2010, the list of India's top 10 retailers has Indian corporate. Retail Marketing will go through a tremendous change in India this millennium. It will change India's cities, its people, and its households. The Indian consumer is reportedly the largest spender in Singapore and London. It is, therefore, strange that there have, so far, been few efforts to present the product in the right kind of environment in India. Indeed, the right shopping experience does induce Indian consumers to spend more. This is evident from the experiences of retail-outlets like Shoppers' Stop, Music World, Food World, Crosswords, The Home Store, Ebony, Bigjo's, Saboos, Standard, Vijay Store and Janaki Das & Sons, Westside etc.

However, the development of organized retail is dependent on the efforts of several agencies and institutions. *The first among these is the government.* In a country as big as India and with as many states as ours, it is imperative that the Central government and all state governments bring in Value Added Taxation or a unified taxation system to ensure that the tax-regimes are the same across the country.

The laws governing retail real estate should also be looked into, so that it is possible to develop retail-estate beyond the city-limits.

Apart from providing entertainment and retail opportunities, this will also decongest the city center and facilitate the development of suburbs. The relevant rules should also be amended to allow retail-stores to operate 7 days a week, 12 hours a day. Given the hours most urban consumers keep at work, and keeping in mind the increase in the number of nuclear families, this may, indeed, make sense. This will also help people enjoy their evenings, out at malls.

The second group, whose participation is essential in making retail a boom-sector in this millennium, comprises developers. Most properties are developed without considering the end user; thus, we sometimes find high-ceilinged offices and low-ceilinged retail stores. Often, the shopper's convenience is not taken into consideration while the property is constructed.

Another area of concern is the way in which developers sell their space. The only consideration is the price, not the usage pattern or the nature of the product that is to be sold. In contrast, internationally, mall-management is treated as a specialized discipline of retail management. This is what we have to focus on in this millennium.

The third constituency that has a role to play in the fortunes of organized retail this century is the education-sector. Retail is a people-intensive business, and there is a huge opportunity for retail institutes in India.

For manufacturers, retailing will present an attractive opportunity. Organized retail allows them to expose their products to a large volume of customers in an environment conducive to buying. Already, several transnational retail giants have established their presence in India; others, notably Chinese retailers, have visited India and studied the Indian market. There's a lot at stake here: even so early in the 21st Century, India is too large a market to be ignored by transnational retail giants.

From the manufacturing company's perspective, the focus should be on producing good products, and forging relationships with organized retail. Manufacturers need to draw a plan of producing quality products and tie in with retailers. Indeed, the birth of organized retail will also engender the creation of private labels and store-brands. Thus, if a manufacturing company lacks the resources to build a brand, it can supply to a retail-chain that has the resources to create a brand of its own.

A glimpse of the last 2 decades of the previous century proves illuminating. Large-format retailing started with outlets like *Vivek's* and *Nalli's* in Chennai and *Kidskemp* in Bangalore, and, at another level, with manufacturer-retail brands like *Bata*, *Bombay Dyeing*, and *Titan*. The last decade of the millennium witnessed the emergence of lifestyle brands and the plastic culture. Liberalization and increasing awareness of the world around us created the Indian yuppie, who aspired to own everything we saw on TV, or in shops during jaunts abroad. New lifestyle brands offered traditional retail-outlets an opportunity to convert themselves into exclusive stores, franchised or otherwise. And even as these developments were taking place, the Indian consumer became more mature. Customer-expectations zoomed.

Thus, at the beginning of the New Millennium, retailers have to deal with a customer who is extremely demanding. Not just in terms of the product-quality, but also in terms of service, and the entire shopping experience. Today, the typical customer who shops in a retail outlet compares the time spent at the check-out counter with that at an efficient petrol station, and the smile of the counter-person to that decorating the face of a Jet Airways' crew member. To cope with the new customer, manufacturers have to focus on product quality and brand building. And retailers, in turn, have to focus on the quality of the shopping experience.

Internationally, retailing is a large business; you find at least one retailer amongst the top 10 companies in every country. In the US, it is *Wal-Mart* with a turnover in excess of \$ 120 billion. In the UK, it is *Marks and Spencer's* with close to £ 10 billion; and, in Germany, it is *Karstadt* with a turnover in excess of dm 10 billion.

Table-2: Top 10 Retailers Worldwide

Rank	Retailer	No of stores owned	Sales in US\$ Millions
1	Wall-Mart Stores Inc. (USA)	4178	\$180,787
2	Carrefour Group (France)	8130	\$61,047
3	The Kroger Co. (USA)	3445	\$49,000
4	The Home Depot, Inc. (USA)	1134	\$45,738

5	Royal Ahold (Netherlands)	7150	\$45,729
6	Metro AG (Germany)	2169	\$44,189
7	Kmart Corporation (USA)	2105	\$37,028
8	Sears, Roebuck and Co. (USA)	2231	\$36,823
9	Albertson's, Inc. (USA)	2512	\$36,726
10	Target Corporation (USA)	1307	\$36,362

Source: Economic Times industry report

Studies by consulting firms like A.T. Kearney, KSA Technopak, and McKinsey & Co. in India have indicated a huge potential for retailing in the country. Drawn by the magic number of Rs 1, 60, 000 crore that is expected to be the size of the retail industry by the end of the decade of this millennium, several companies from the organized sector have also jumped into the fray.

In this millennium, like in the last, customers will want to spend time with their family and friends. They may like to visit malls on weekends where everything will be available under one roof. India will benefit from these developments because of increased consumption through retailing and the corresponding increase in employment created by retailing.

3.1 Retail Marketing

Retail Marketing includes all the activities involved in selling goods or services directly to final consumers for personal, non-business use. Any organization selling to final consumers -- whether a manufacturer, wholesaler, or retailer – is doing retailing. It does not matter *how* the goods or services are sold (by Person, Mail, Telephone, Vending Machine, or Internet) or *where* they are sold (in a store, on the street, or in the consumer's home).

There are many approaches to understanding and defining retail marketing; most emphasize retail marketing as the business activity of selling goods or services to the final consumer, but what we emphasized upon is defined as follows:

“Any business that directs its marketing efforts towards satisfying the final consumer based upon the organization of selling goods and services as a means of distribution”

The concept assumed within this definition is quite important. The final consumer within the distribution chain is a key concept here as retailers are at the end of the chain and are involved in a direct interface with the consumer.

A *retailer* or *retail* store is any business enterprise, whose sales volume comes primarily from retailing. Retail organizations exhibit great variety and new forms keep emerging. There are store retailers, non-store retailers, and retail organizations. Consumers today can shop for goods and services in a wide variety of stores. The best-known type of retailer is the department store. Japanese department stores such as Takashimaya and Mitsukoshi attract millions of shoppers each year. These stores feature art galleries, cooking classes, and children's playgrounds.

A retailer is at the end of the distributive channel. He provides goods and service to the ultimate consumers. This he does through his small organization, with the help of a few personnel. In an individual retail store there is not much scope for organization except in the sense that the shopkeeper has to organize and apportion his time and resources. The need for organization becomes essential as soon as he hires people and enters into partnership or takes the help of members of his family in running his store. A retailer deals in an assortment of goods to cater to

the needs of consumers. His objective is to make maximum profit out of his enterprise. With that end in view he has to pursue a policy to achieve his objective. This policy is called *retailing mix*. A retailing mix is the package of goods and services that store offers to the customers for sale. It is the combination of all efforts planned by the retailer and embodies the adjustment of the retail store to the market environment. Retailing mix, a communication mix and a distribution mix. The maximum satisfaction to the customers is achieved by a proper blend of all three.

The success of the retail stores, therefore, depends on customers' reaction to the retailing mix which influences the profits of the store, its volume of turnover, its share of the market, its image and status and finally its survival.

There are three main phases in the life of a retailing institution. These are:

- Innovation (Entry)
- Trading Up
- Vulnerability.

In the entry stage, a new retailer enters with new price appeal, limiting product offering, Spartron Stores & Limited services. Its monopoly power over the others is its price advantage, which means that it offers products at low prices so as to get a competitive edge over its competitors.

In the trading up stage, the retailer starts expanding. It expands in terms of product offering, better services, and improved interiors. With all these, it starts charging a bit higher prices.

In the vulnerability stage, there is a gap in the market leaving some space for the new players to come in. This is due to increase in the prices by the retailer.

Normally these stages are there in the life of a retail institution. But all these may not be necessarily there in every retail institution. For instance, any retail institution targeting the upper class may start itself with a large variety & high price.

This brings to broadly identify and categorize the types of retail marketing, which are defined as follows:

1. Store Retailing
2. Non store Retailing

3.2 Types of Retail Marketing

3.2.1 Store Retailing

Store retailing provides consumers to shop for goods and services in a wide variety of stores and it also help the Consumers to get all the needed goods and services from one shop only. The different types of store retailing are given below:

3.2.1(a) Specialty Stores: These stores focus on leisure tastes of different individuals. They have a narrow product line with deep assortment such as apparel stores, sporting goods stores, furniture stores, florists and bookstores. These stores are usually expensive and satisfy the needs of selected consumers who have liking or preference for exclusive things.

3.2.1(b) Departmental Store: These stores are usually built in large area and keep variety of goods under one shed. It is usually divided into different sections like clothing, kids section, home furnishings, electronic appliances and other household goods. In a departmental store a consumer can buy variety of goods under one shed.

3.2.1(c) Supermarket: These stores are relatively large, low cost, low margin, high volume, self service operations designed to serve total needs for food, laundry and household maintenance

products. Supermarkets earn an operating profit of only 1 percent on sales and 10 percent on net worth.

3.2.1(d) Convenience Stores: These are relatively small stores located near residential area, open for long hours seven days a week, and carrying a limited line of high turnover convenience products at slightly higher prices than departmental stores. Many such stores also have added takeout sandwiches, coffee and pastries.

3.2.1(e) Off-Price Retailer: These stores sell goods at low price with lower margins & higher volumes. These stores sell goods with deteriorated quality. The defects are normally minor. This target at the persons belonging to the lower income group, though some have a collection of imported goods aimed to target the younger generation. The company owned showroom selling the seconds products is a typical example of off - price retailer.

3.2.1(f) Discount Store: These stores sell standard merchandise at lower prices by accepting lower margins and selling higher volumes. The use of occasional discounts or specials does not make a discount store. A true discount store regularly sells its merchandise at lower prices, offering mostly national brands, not inferior goods.

In recent years, many discount retailers have “traded up”. They have improved decor, added new lines and services, and opened sub-urban branches—all of which has led to higher costs and prices and as some department stores have cut their prices to compete with discounters.

Not only that, discount stores have moved beyond general merchandise into specialty merchandise stores, such as discount sporting goods stores, electronics stores, and bookstores.

3.2.1(g) Catalog Showroom: Catalog showrooms generally sell a broad selection of high-markup, fast-moving, brand-name goods at discount prices. These include jewelry, power tools, cameras, luggage small appliances, toys, and sporting goods. Catalog showrooms make their money by cutting costs and margins to provide low prices that will attract a higher volume of sales. Catalog showrooms have been struggling in recent years to hold their share of the retail market.

India has sometimes been called a nation of shopkeepers. This epithet has its roots in the huge number of retail enterprises in the country totaling 12 million, about 78 percent of these are small family owned businesses utilizing only household labour. Even among retail enterprises that hire workers the bulk of them hire less than 3 workers. India’s retail sector appears backward not only by standards of industrialized countries but also in comparison to several other emerging markets in Asia and elsewhere. There are only 14 companies that run departmental stores and mere two with hypermarket operations. While the number of businesses operating supermarkets is higher (0.425 in 2004) most of these had only 1 outlet, the number of companies with supermarket chains was less than 10.

In nutshell, major formats of In-Store Retailing are as follows:

Table-3: Major formats of In-Store Retailing

Format	Description	The Value Proposition
Branded Stores	Exclusive showrooms either owned or franchised out by a manufacturer.	Complete range available for a given brand, Certified product quality.
Specialty Stores	Focus on a specific consumer need; carry most of the brands available.	Greater choice to the consumer, comparison between brands possible
Department	Large stores having a wide variety of	One stop shop catering to varied

Stores	products, organized into different departments, such as clothing, house wares, furniture, appliances, toys, etc.	consumer needs.
Supermarkets	Extremely large self-services retail outlets.	One stop shop catering to varied consumer needs.
Discount Stores	Stores offering discounts on the retail price through selling high volumes and reaping the economies of scale.	Low prices.
Hyper-mart	Larger than a Supermarket, sometimes with a warehouse appearance, generally located in quieter parts of the city	Low prices, vast choice available including services as cafeterias.
Convenience Stores	Small self-service formats located in crowded urban areas.	Convenient location and extended operating hours.
Shopping Malls	An enclosure having different formats of in-store retailers, all under one roof.	Variety of shops available close to each other.

Source: India info line

3.2.2 Non-store Retailing

It is another type of retail marketing. Different types of non-store retailing are given below:

3.2.2(a) Direct Selling: Direct selling which started centuries ago with itinerant peddlers has burgeoned into a \$9 billion industry, with over 600 companies selling door to door, office to office, or at home sales parties. A variant of direct selling is called multilevel marketing, whereby companies such as Amway recruit independent business people who act as distributors for their products, who in turn recruit and sell to sub distributors, who eventually recruit others to sell their products, usually in customer homes.

3.2.2(b) Direct Marketing: Direct marketing has its roots in mail-order marketing but today includes reaching people in other ways than visiting their homes or offices, including telemarketing, television direct response marketing, and electronic shopping.

3.2.2(c) Automatic Vending: Automatic vending has been applied to a considerable variety of merchandise, including impulse goods with high convenience value (cigarettes, soft drinks, candy, newspaper, hot beverages) and other products (hosiery, cosmetics, food snacks, hot soups and food, paperbacks, record albums, film, T-shirts, insurance policies, and even fishing worms).

3.3 Organized Retail Formats in India

Each of the retail stars has identified and settled into a feasible and sustainable business model of its own.

- Shoppers' Stop-Departmental store format
- Westside - Emulated the Marks & Spencer model of 100 percent private label, very good value for money merchandise for the entire family
- Giant and Big Bazaar - Hypermarket/cash & carry store
- Food World and Nilgiris - Supermarket format
- Pantaloons and The Home Store - Specialty retailing

- Tanishq has very successfully pioneered a very high quality organized retail business in fine jewellery.

Structure of the retailing industry according to ownership patterns:

- An Unaffiliated or Independent Retailer
- A Chain Retailer or Corporate Retail Chain
- A Franchise System
- A Leased Department (LD)
- Vertical Marketing System (VMS)
- Consumer Co-operatives

A new entrant in the retail environment is the 'discounter' format. It is also known as cash and-carry or hypermarket. These formats usually work on bulk buying and bulk selling. Shopping experience in terms of ambience or the service is not the mainstay here. RPG group has set up the first 'discounter' in Hyderabad called the Giant. Now Pantaloon is following suit.

Two categories of customers visit these retail outlets.

1. The small retailer. For example, a customer of Giant could be a dhabawala who needs to buy edible oil in bulk.
2. The regular consumer who spends on big volumes (large pack sizes) because of a price advantage per unit.

Retailing in India is still evolving and the sector is witnessing a series of experiments across the country with new formats being tested out; the old ones tweaked around or just discarded. Some of these are listed in Table below.

Table-4: Retailing in India

Retailer	Current Format	New Formats
Shoppers' Stop	Departmental Store	Quasi-mall
Ebony	Departmental Store	Quasi-mall, smaller outlets, adding food retail
Crossword	Large bookstore	Corner shops
Pyramid	Department Store	Quasi-mall, food retail
Pantaloon	Own brand store	Hypermarket
Subhishka	Supermarket	Considering moving to self service
Vitan	Supermarket	Suburban discount store
Foodworld	Food supermarket	Hypermarket, Foodworld express
Glob us	Departmental Store	Small fashion stores
Bombay Bazaar	Super market	Aggregation of Kiranas
Efoodmart	Food super market	Aggregation of Kiranas
Metro	Departmental store	Cash and carry
S Kumar's	Departmental store	Discount store

Source: India info line

Retailers are also trying out smaller versions of their stores in an attempt to reach a maximum number of consumers. Crossword bookstores are experimenting with Crossword Corner, to increase reach and business from their stores. FoodWorld is experimenting with a format of one-fourth the normal size called FoodWorld Express.

3.4 Trends in Retail Marketing

At this point, we can summarize the main development which retailers and manufacturers need to take into account as they plan their competitive strategies.

In India the trends are mainly in three sectors. These sectors are:

1. New retail forms and combinations continuously emerge. Bank branches and ATM counters have opened in supermarkets. Gas stations include food stores that make more profit than the gas operation. Bookstores feature coffee shops.
Even old retail forms are reappearing: In 1992 Shawna and Randy Heniger introduced peddler's carts in the Mall of America. Today three-fourths of the nation's major malls have carts selling everything from casual wear to condoms. Successful carts average \$ 30,000 to \$ 40,000 a month in sales and can easily top \$ 70,000 in December. With an average start-up cost of only \$3,000, push carts help budding entrepreneurs test their retailing dreams without a major cash investment. They provide a way for malls to bring in more mom-and-pop retailers, showcase seasonal merchandise, and prospect for permanent tenants.
2. New retail forms are facing a shorter life span. They are rapidly copied and quickly lose their novelty.
3. The electronic age has significantly increased the growth of non store retailing, consumers receive sales offers in the mail and over television, computers, and telephones, to which they can immediately respond by calling a toll-free number or via computer.
4. Competition today is increasingly intertype, or between different types of store outlets. Discount stores, catalog showrooms, and department stores all compete for the same consumers. The competition between chain superstores and smaller independently owned stores has become particularly heated. Because of their bulk buying power, chains get more favorable terms than independents, and the chains' large square footage allows them to put in cafes and bathrooms. In many locations, the arrival of a superstore has forced nearby independents out of business. In the book selling business, the arrival of a Barnes & Noble superstore or Borders Books and Music usually puts smaller bookstores out of business. Yet the news is not all bad for smaller companies. Many small independent retailers thrive by knowing their customers better and providing them with more personal service.
5. Today's retailers are moving toward one of two poles, operating either as mass merchandisers or as specialty retailers. Superpower retailers are emerging. Through their superior information systems and buying power, these giant retailers are able to offer strong price savings. These retailers are using sophisticated marketing information and logistical systems to deliver good service and immense volumes of product at appealing prices to masses of consumers. In the process, they are crowding out smaller manufacturers, who become dependent on one large retailer and are, therefore, extremely vulnerable, and smaller retailers, who simply do not have the budget of the buying power to compete. Many retailers are even telling the most powerful manufacturers what to make; how to price and promote; when and how to ship; and even how to reorganize and improve production and management. Manufacturers have little choice: They stand to lose 10 to 30 percent of the market if they refuse.

6. Marketing channels are increasingly becoming professionally managed and programmed. Retail organizations are increasingly designing, and launching new store formats targeted to different lifestyle groups. They are not sticking to one format, such as departmental stores, but are moving into a mix of retail formats.
7. Technology is becoming critical as a competitive tool. Retailers are using computers to produce better forecasts, control inventory costs, order electronically from suppliers, send e-mail between stores, and even sell to customers within stores. They are adopting checkout scanning systems, electronic funds transfer, and improved merchandise-handling systems.
8. Retailers with unique formats and strong brand positioning are increasingly moving into other countries. McDonald's, The Limited, Gap, and Toys "R" have become globally prominent as a result of their great marketing prowess. Many more Indian retailers are actively pursuing overseas markets to boost profits.
9. There has been a marked rise in establishments that provide a place for people to congregate, such as coffee houses, tea shops, juice bars, bookshops, and brew pubs. Denver's two Tattered Covered bookstores host more than 250 events annually, from folk dancing to women's meetings. Brew pubs such as New York's Zip City Brewing and Seattle's Trolley man Pub offer tasting and a place to pass the time. The Discovery Zone, a chain of children's play spaces, offers indoor spaces where kids can go wild without breaking anything and stressed-out parents can exchange stories. There are also the now-ubiquitous coffeehouses and espresso bars, such as Starbucks, whose numbers have grown from 2,500 in 1989 to a forecasted 13,000 by 2001. And Barnes & Noble turned a once-staid bookstore industry into a fun-filled village green.

4. RETAIL MARKETING IN INDIA

Retail marketing is the most important part of the entire logistics chain in a business especially in consumer related products. Without proper retailing the companies can't do their business. Retailing is the process of selling goods in small quantities to the public and is not meant for resale. Retail is derived from the French word *retailer*, meaning to cut a piece off or to break bulk.

There are various ways of making goods available to consumers like:

- Company to distributor to wholesaler to retailer to consumer
- Company to salesperson to consumer
- Company to consumers (online/ phone/ catalog ordering)

These three are among the most common ways of making the goods available to consumers. But in India the three layered system of distributor, wholesaler and retailer, forms the backbone of the front-end logistics of most of the consumer-good companies.

In this system the company operating on all India bases appoints hundreds of distributors across the country that supply to various retailers and wholesalers. Wholesalers in turn can either directly sell in the market or can supply to retailers. The current retailing system prevalent across the country is highly fragmented and unorganized. Anyone with some money and some real estate can open a small shop and become a retailer catering to the locality in which he opens the shop.

There are a number of reasons behind this fragmented retail market. Some of the major reasons being:

Poverty and lower literacy levels.

Low per capita income.

Savings focused and less indulgence mindset.

Poor infrastructure facilities like roads etc.

Restrictions on intra-state good movement.

- High taxes.
- No exposure to media.
- High import duties on imported goods.
- FDI in retailing is not allowed.
- Retailing is not considered as a business or industry by the government.
- Hitherto few business schools in India were offering specialized courses on retailing.
- Expensive supply chain.

Besides this there is other reasons too, which led to stifling of growth of organized segment of retailing sector and which instead led to highly fragmented market.

Today in India we have more than *12 million retail outlets* and most of them are family run and locally owned. There are very few nationally present retail stores. In India the process of buying and selling at these unorganized retail outlets, is highly characterized by bargaining and negotiations. But slowly with increasing influence of media and urbanization the market is shifting towards organized segment. Seeing the huge market size of retail business in the country and the current level of organized segment, many players have jumped into the fray and many are waiting for the right opportunity to enter it.

4.1 Retailing in 1990s

On account of the liberalization drive in the 1990s, several structural and demographic changes that are taking place are helping the industry to grow. The GDP has grown by 6.6 percent in the last decade resulting in increased income levels and higher purchasing power for the population. Increasing literacy levels, increasing number of working women, increasing urbanization, higher international travel by Indian population and increasing media penetration has raised aspiration levels of the population, resulting in demand for better shopping experience and larger variety of goods. India has close to 54 percent of population below the age of 25, which translates into higher prospects for increased consumption levels in the future. Finally, interest rates have also declined in the past few years further propelling the consumption demand.

These factors were the key drivers for the retail wave in the country. Notable among the early entrants were players like Shoppers Stop, Pantaloon, Ebony, Foodworld, Subhiksha, etc. Initially, the growth in organized retail was very slow and concentrated mainly in metros, with south India holding its ground as the pioneer in organized retail growth, on account of the low cost of real estate. Due to the high investments required in the early stages and the fact that real estate was the key deciding factor for success of stores, real estate developers have been the major players in the industry (see Table 5).

Table-5: Major players in the industry

Group	Retail Business
Rajan Raheja – Real Estate Developer	Globus – Chain of departmental stores
K, Raheja - Real Estate Developer	Shopper's Stop - Chain of departmental stores
Hiranandani - Real Estate Developer	Haiko Supermarket, Loft Shoe Stores and Hakone Mall.
Tata – Diversified Business House	Westside – Chain of Department Stores
DS Group - Real Estate Developer	Ebony - Chain of Department Stores
RPG – Diversified Business House	Foodworld Supermarkets, Giant Hypermarkets, Health & Glow Beauty and Health Stores.
DLF – Real Estate Developer	DLF malls
ITC - Diversified Business House	Wills Sport – Chain of Apparel Stores.

Source: Fitch

In the early 1990s, as the players were lower down on the learning curve many faltered in their models, and growth of the industry remained slow. The second half of 1990s saw several players making losses and exiting from the business. The worst years for the industry were 2000 and 2001, as the stock market downturn, which reduced customer confidence and spending, had a direct impact on the performance of the industry. The industry recovered in the starting of 2002. It now appears the efforts and learning's of the players in the last decade are beginning to pay off; the organized retail industry has established firm roots and is beginning to grow.

Before 2011, India had prevented innovation and organized competition in its consumer retail industry. Several studies claim that the lack of infrastructure and competitive retail industry is a key cause of India's persistently high inflation. Furthermore, because of unorganized retail, in a nation where malnutrition remains a serious problem, food waste is rife. Well over 30% of food staples and perishable goods produced in India spoil because poor infrastructure and small retail outlets prevent hygienic storage and movement of the goods from the farmer to the consumer.

One report estimates the 2011 Indian retail market has generated sales of about \$470 billion, of which a minuscule \$27 billion comes from organized retail such as supermarkets, chain stores with centralized operations and shops in malls. The opening of retail industry to free market competition, some claim will enable rapid growth in retail sector of Indian economy. Others believe that the growth of Indian retail industry will take time, with organized retail possibly needing a decade to grow to a 25 percent share. A 25 percent market share, given the expected growth of Indian retail industry through 2021, is estimated to be over \$250 billion a year: revenue equal to the 2009 revenue share from Japan for the world's 250 largest retailers.

The Economist forecasts that Indian retail will nearly double in economic value, expanding by about \$800 billion by 2020. The projected increase alone is equivalent to the current retail market size of France.

In 2011, food accounted for 70 percent of Indian retail, but was under-represented by organized retail. A.T. Kearney estimates India's organized retail had a 31 percent share in clothing and apparel, while the home supplies retail was growing 20 percent to 30 percent per year. These data correspond to retail prospects prior to November announcement of the retail reform.

It might be true that India has the largest number of shops per inhabitant. However there are detailed figures for Belgium, the Netherlands and Luxemburg. In Belgium, the number of outlets is approximately 8 per 1,000 and in the Netherlands it is 6. So the Indian number must be far higher.

Indian retailers

A 2012 PWC report states that modern retailing has a 5 percent market share in India with about \$27 billion in sales, and is growing at 15 to 20 percent per year. There are many modern retail format and mall companies in India. Some examples are in the following table.

Indian Retail Group	Market Reach in 2011 and Notes
Pantaloon Retail	65 stores and 21 factory outlets in 35 cities, 2 million square feet space
Shoppers Stop	51 stores in 23 cities, 3.2 million square feet space
Spencers Retail	200 stores in 45 cities, 1 million square feet space
Reliance Retail	708 mart and supermarkets, 20 wholesale stores in 15 cities, 508 fashion and lifestyle ₹1206 crore (US\$200 million) per month sales in 2013
Bharti Retail	74 Easyday stores, plans to add 10 million square feet by 2017
Birla More	575 stores nationwide
Tata Trent	59 Westside mall stores, 13 hypermarkets
Lifestyle Retail	15 lifestyle stores, 8 home centers
Future Group	193 stores in 3 cities, one of three largest supermarkets retailer in India by sales ₹916 crore (US\$150 million) per month sales in 2013

Retail experts find Indian industry promising

The retail movement in India has acquired the critical mass that is required for rapid acceleration in terms of industry growth as well as geographical spread. The Indian retail industry can no longer be called nascent.

The spread of super stores to the northern cities such as Delhi, Chandigarh, Jaipur, and Kolkata is evidence of the fact that organized retailing in India has emerged from its southern bastion.

The retailing boom is being driven by increased expectations as well as changing shopping behavior of the urban Indian consumer. With the increasing number of nuclear families, working women, greater work pressure and increased commuting time, consumers are looking for convenience. And, convenience is defined as having everything under one roof, longer hours and multiplicity of choice.

On the supply side, the current inefficient supply chain in India, particularly for food items has led a few players to consolidate their operations to take advantage of economies of scale and match consumer expectations in terms of delivery as well as space. So, we have a situation where

both demand and supply side dynamics are fuelling the growth of organized retailing in India, although improvements in the supply chain are yet to fully match with consumer expectations. The future growth need not necessarily come only from the big metros, where there already exists a good retail network. The fact that big Indian retail chains are moving into places like Indore or Chandigarh is an important indicator of future growth. For the Rs. 20000-crore organized retail industry it is, perhaps, time to tap the relatively smaller cities.

Retail Sales to touch \$ 785.1 by 2015: Retail is exciting, and action in the sector promises to hot up. It is believed that the organized sector will grow nine folds to almost \$ 785.1 by 2015. The share of organized sector in total retail sales will grow from one per cent now to six per cent by 2015. While projections can be slippery, hard facts point to exciting growth ahead for this sector.

According to KSA, organized retailing is focusing on only type-A cities, India's 23 largest cities. That is where a large portion of the country's urban population exists. Today 82 per cent of organized retailing comes from the top nine cities and 12 per cent from the next four. KSA says the top 10 cities provide 94 per cent of organized retail sales in India.

By 2005, KSA projects the top six cities will account for 66 per cent of total organized retailing and the next four for 20 per cent. The top 10 cities will account for 86 per cent of organized retail sales. There could be variations in growth patterns in different segments. The second half of the top 10 cities will provide large growth for food and groceries, while the top six would still be the growth centers for consumer durables, believes KSA.

The spread of organized retailing is unlikely to be a national phenomenon yet. This appears to be the case so far. South India, particularly Chennai, Hyderabad and Bangalore, Pune etc., have seen the emergence of chain stores or large format stores. While garment stores have been around for some time, other segments like food and groceries, consumer durables and even books and music have witnessed the emergence of organized players in large cities in South India. The lack of trained manpower or alternatively the tremendous scope the sector has to provide employment is another issue.

5. MALL MANIA: THE DEVELOPING MALL CULTURE IN INDIA:

Modern malls made their entry into India in the late 1990s, with the establishment of Crossroads in Mumbai and Ansals Plaza in Delhi. By early 2001, several mall projects were announced. According to market estimates, close to 12 million sq. ft. of mall space is being developed across several cities in the country, of which 10 million sq. ft. is expected to be operational by end of 2003 (see Table below). With this, rentals for retail properties have shown a marked decline, which has brought down the break-even levels of the retail projects. Moreover, retailers would now have access to retail-specific properties, which will increase their efficiencies.

Table-6: Mall Development in India

Mall	Location	Rate / Sq. ft.
Crossroads	Tardeo, Mumbai	225-250
Ansals	South Ex, Delhi	175-200
Nirmal Lifestyle	Mulund, Mumbai	75-90
Runweals Mall	Mulund, Mumbai	75-90
Karnavat Mall	Thane, Mumbai	65-85
Raheja Mind space	Malad, Mumbai	60-80

Jog's Mall	Andheri, Mumbai	55-75
Cable Corporation	Borevali, Mumbai	55-75
Ansals	East Delhi	75
Sahara	Gurgaon	50-70
MGF Malls – Metroplitian & Plaza	Gurgaon	65-85*
DLF	Gurgaon	65-85
Shipra	Noida	80-180
Forum	KolKotta	100
City Center	KolKotta	55
Rave 3	Kanpur	45-55
Inox	Baroda	75
Forum	Bangalore	70-90
Spencers Plaza Phase III	Chennai	70
Indore, Nasik and Jaipur Malls	Indore, Nasik and Jaipur Malls	45-55
Hyatt	Mumbai & Leela,	175-300
Phoenix Malls	Lower Parel, Mumbai	100-125

**average rent for the metropolitan is Rs. 60 per sq. ft..*

Source: Chesterten Meghraj. Industry Reports

Till some time back, there were only few international style shopping malls in India --Spencer in Chennai, Crossroads in Mumbai, Ansals Plaza in New Delhi and Sriram's Arcade in Kolkata. By the end of 2014, that number jumped to many.

It looks like a virtual stampede; major players with a cumulative investment of Rs 375 crore are set to change cityscapes across India. In the next one year, close to 40 lakh square feet of retail space will be developed. In three years, this will rise to 70-lakh sq ft.

As the retail industry evolves, consumers want more variety before making their purchase decision. A study on consumer outlook suggests that over 80 percent of consumers want a wide range of products at hand while shopping. This signifies that people are finally ready for multi-option complexes.

Many old-time corporate are seriously considering using their idle assets. It makes sense for landowners to develop it and keep the returns rather than sell it outright or even lease it, especially when there is opportunity here. It is perhaps the best way to use an idle real estate asset.

The limited kitty of brands has yet another significant knock on effect on the typical size of Indian malls. In the US and South-East Asia, malls are as large as 50 lakh sq ft. Spencer is by far the largest mall in India - it occupies 7 lakh sq ft and even that is dwarfed by Asia's largest mall, the 4-million sq ft mega mall in Malaysia. Even the 26 malls that are being planned are likely to measure between 50,000 sq ft and 2 lakh sq ft. The Indian mall cannot offer too many choices in terms of brands. So, developing a very large mall can never be sustainable.

There's a flip side though -malls even as small as 80,000 sq ft, like Shopper's City in Kolkata or the Esplanade Mall at Kochi, can be sustained.

Emergence of Region-Specific Formats: For the first time in 10 years, the industry is witnessing the development of region-specific formats. With organized retail penetrating into 'B' class towns, retailers have started differentiating in the sizes and formats of stores. For example, in departmental store format, while most 'A' class cities and metros have larger stores of 50,000 plus sq. ft. sizes, stores in 'B' class towns have stabilized in the 25,000-35,000 sq. ft. range. Most players have started operating these two formats across various cities, which has helped them to standardize the merchandise offering across the chain.

Emergence of Discount Formats: Larger discount formats, popularly known as hypermarkets, are now emerging as major competitors to both unorganized and organized retailers. Penetration of organized retail into the lower strata of income groups and consumer demand for increased value-for-money has improved the prospects of these formats. These formats span across the entire range of merchandise categories. Big Bazaar, promoted by Pantaloon and Giant, promoted by the RPG Group, are examples of this format.

Entry of International Players: A large number of international retailers have evinced interest in India, despite the absence of favorable government policy for foreign players (see Table below). A number of the major brands have entered the country through licensing agreements with Indian players to capitalize on the opportunities available in the sector.

Table-7: International players

International Players	Retail Ventures In India
Landmarc Group, Dubai	Lifestyle Chain of Departmental Stores
Metro, Germany	Hypermarket
Shoprite, South Africa	Supermarket, Hypermarket
Nanz, Germany	Supermarket
Marks & Spencer, UK	Apparel Retailer
Mango, Spain	Apparel Retailer
McDonalds, USA	Food Retailer
Dominos USA	Food Retailer
Tricon Restaurant, USA	Food Retailer

Source: Industry Reports

6. INFORMATION TECHNOLOGY IN RETAIL

Over the years as the consumer demand increased and the retailers geared up to meet this increase, technology evolved rapidly to support this growth. The hardware and software tools that have now become almost essential for retailing can be divided into 3 broad categories:

6.1 Customer interfacing systems

6.1(a) Bar coding and scanners: Point of sale systems use scanners and bar coding to identify an item, use pre-stored data to calculate the cost and generate the total bill for a client. Tunnel Scanning is a new concept where the consumer pushes the full shopping cart through an electronic gate to the point of sale. In a matter of seconds, the items in the cart are hit with laser beams and scanned. All that the consumer has to do is to pay for the goods.

6.1(b) Payment: Payment through credit cards has become quite widespread and this enables a fast and easy payment process. Electronic cheque conversion, a recent development in this area, processes a cheque electronically by transmitting transaction information to the retailer and consumer's bank. Rather than manually process a cheque, the retailer voids it and hands it back to the consumer along with a receipt, having digitally captured and stored an image of the cheque, which makes the process very fast.

6.1(c) Internet: Internet is also rapidly evolving as a customer interface, removing the need of a consumer physically visiting the store.

6.2 Operation support systems

6.2(a) ERP System: Various ERP vendors have developed retail-specific systems which help in integrating all the functions from warehousing to distribution, front and back office store systems and merchandising. An integrated supply chain helps the retailer in maintaining his stocks, getting his supplies on time, preventing stock-outs and thus reducing his costs, while servicing the customer better.

6.2(b) CRM Systems: The rise of loyalty programs, mail order and the Internet has provided retailers with real access to consumer data. Data warehousing & mining technologies offers retailers the tools they need to make sense of their consumer data and apply it to business. This, along with the various available CRM (Customer Relationship Management) Systems, allows the retailers to study the purchase behavior of consumers in detail and grow the value of individual consumers to their businesses.

6.2(c) Advanced Planning and Scheduling Systems: APS systems can provide improved control across the supply chain, all the way from raw material suppliers right through to the retail shelf. These APS packages complement existing (but often limited) ERP packages. They enable consolidation of activities such as long-term budgeting, monthly forecasting, weekly factory scheduling and daily distribution scheduling into one overall planning process using a single set of data.

Leading manufacturers, distributors and retailers are considering APS packages such as those from i2, Manugistics, Bann, Mercial incs and Sterling-Douglas.

6.3 Strategic decision support systems

6.3(a) Store Site Location: Demographics and buying patterns of residents of an area can be used to compare various possible sites for opening new stores. Today, software packages are helping retailers not only in their vocational decisions but in decisions regarding store sizing and floor-spaces as well.

6.3(b) Visual Merchandising: The decision on how to place & stack items in a store is no more taken on the gut feel of the store manager. A large number of visual merchandising tools are available to him to evaluate the impact of his stacking options. The SPACEMAN Store Suit from AC Nielsen and Modacad are examples of products helping in modeling a retail store design.

7. FOREIGN TOUCH IN INDIAN RETAIL

The chief of Marks & Spencer has been making trips to India over the past year. Global investment bank Warburg Pincus is awaiting the Indian government's clearance to pick up a 25.1 per cent stake, worth \$13 million, in Shoppers Stop.

Dairy Farm International and *Jardine Matheson* are present here, through tie-ups with the *RPG Group*. Fast food major *McDonalds* have already made a dent in the marketplace and in Indian palates.

The Dubai-based *Landmark group* is making its presence felt in Chennai through its Lifestyle mega store of over 30,000 sq ft. Landmark is owned by Mukesh Jagtiani, a non-resident Indian. *Lifestyle International Private Limited*, formed in India recently, is a wholly-owned subsidiary of the Mauritius-based Lifestyle International which, in turn, is wholly-owned by the Landmark group. In India, according to Lifestyle International's marketing manager, Roshan Mathew, the target is to "have 12 to 16 stores by 2005." These stores will sell all lifestyle products, barring furniture, under one roof.

Immediate plans include opening a 46,000 sq ft store in Hyderabad, which Mathew terms "*The Millennium Store*". The Hyderabad store will have additional sections for books and music, unlike the Chennai store. Besides, as soon as Lifestyle gets a keenly awaited Foreign Investment Promotion Board clearance for a Rs 100 crore investment, it will create outlets in Bangalore, Pune, Mumbai, Delhi and Ahmedabad.

The Hong Kong-based *Dairy Farm International*, a 125 year old retail major with around 1,300 outlets across nine countries, recently converted its technical tie-up (since 1996) with the RPG group's Spencer & Company for Foodworld into a 49:51 joint venture. The new venture is called Foodworld Supermarkets Limited. DFI also has a 50:50 joint venture with the Indian group in RPG Guardian. DFI is the retail arm of Jardine Matheson.

In Western markets, a familiar sight is the *McDonalds* golden arch. In India too McDonalds has maintained its unique selling proposition i.e., providing the same quality of food and the same ambience as anywhere in the world. Its raw material requirements are totally out-sourced. But what it has taken care of is world class quality in all its raw material sourcing, with specifications ensured strictly. The chain has been smart enough to tailor its products to the Indian environment, adding fare for the large number of vegetarians who love fast food, and avoiding certain beef and pork in deference to social sensitivities. In a market place where Kentucky Fried Chicken failed to make an impact, McDonalds seems to be finding its place slowly but surely.

8. CONCLUSION:

There is a huge untapped opportunity in the retail sector, thus having immense scope for new entrants, driving large investments into the country. A good talent pool, huge markets and availability of raw materials at comparatively cheaper costs are expected to make India lead one of the world's best retail economies by 2042. The industry is also slated to be a major employment generator in future.

The total retail sales in India will grow from US\$ 395.9 billion in 2011 to US\$ 785.1 billion by 2015, according to the BMI India Retail report for the third quarter of 2011. The greater availability of personal credit and a growing vehicle population providing improved mobility also contribute to a trend towards annual retail sales growth of 12.2 percent.

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