

An analytical study of role of shopping Malls on India's Retailing''

(A case study of Meerut district)

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Abstract

Introduction:

The globalization of the Indian Economy has brought forward a change in the Indian consumerism psyche with the consumer becoming more aware of his/her value of money strength and their economic purchasing power becoming more evident than in the previous generations. The concept of product quality and service delivery which were earlier not very engraved in the consumer psyche are now very much demanded and delivered for in the new age format of organized product retailing in the Indian consumer goods market.

The present scenario of the industry is focused on forward buying of retail real estate in order to reap balance sheet advantages later in the business cycle and also rapid ramping of operations in presently operating outlets in order that the loyalty purchase habits of consumers are built over a period of time before the world majors enter the market with deeper pockets and buying power. Increasingly becoming familiar in large cities. When it comes to development of retail space specially the malls, the Tier II cities are no longer behind in the race. If development plans till 2007 is studied it shows the projection of 220 shopping malls, with 139 malls in metros and the remaining 81 in the Tier II cities. The government of states like Delhi and National Capital Region (NCR) are very upbeat about permitting the use of land for commercial development thus increasing the availability of land for retail space; thus making NCR render to 50% of the malls in India.

An increasing number of people in India are turning to the services sector for employment due to the relative low compensation offered by the traditional agriculture and manufacturing sectors. The organized retail market is growing at 35 percent annually while growth of unorganized retail sector is pegged at 6 percent. The Retail Business in India is currently at the point of inflection. Rapid change with investments to the tune of US \$ 25 billion is being planned by several Indian and multinational companies in the next 5 years. It is a huge industry in terms of size and according to management consulting firm technopak Advisors Pvt. Ltd., it is valued at about US \$ 350 billion. Organized retail is expected to garner about 16-18 percent of the total retail market (US \$ 65-75 billion) in the next 5 years.

Indian apparel retailers are increasing their brand presence overseas, particularly in developed markets. While most have identified a gap in countries in West Asia and Africa, some majors are also looking at the US and Europe. Arvind Brands, Madura Garments, Spykar Lifestyle and Royal Classic Polo are busy chalking out foreign expansion plans through the distribution route and standalone stores as well. Another denim wear brand, Spykar, which is now moving towards becoming a casual wear lifestyle brand, has launched its store in Melbourne recently. It plans to open three stores in London by 2008-end.

The low-intensity entry of the diversified Mahindra Group into retail is unique because it plans to focus on lifestyle products. The Mahindra Group is the fourth largest Indian business group to enter the business of retail after Reliance Industries Ltd, the Aditya Birla Group, and Bharti Enterprises Ltd. The other three groups are focusing either on perishables and groceries, or a range of products, or both.

- Next retail India Ltd (Consumer Electronics) (www.next.co.in)
- Vivek Limited Retail Formats: Viveks, Jainsons, Viveks Service Centre, Viveks Safe Deposit Lockers
- PGC Retail -T-Mart India[2], Switcher , Respect India , Grand India Bazaar ,etc.,
- REI AGRO LTD Retail-Formats:6TEN Hyper & 6TEN Super
- RPG Retail-Formats: Music World, Books & Beyond, Spencer's Hyper, Spencer's Super, Daily & Fresh
- Pantaloon Retail-Formats: Big Bazaar, Food Bazaar, Pantaloons, Central, Fashion Station, Brand Factory, Depot, aLL, E-Zone etc.

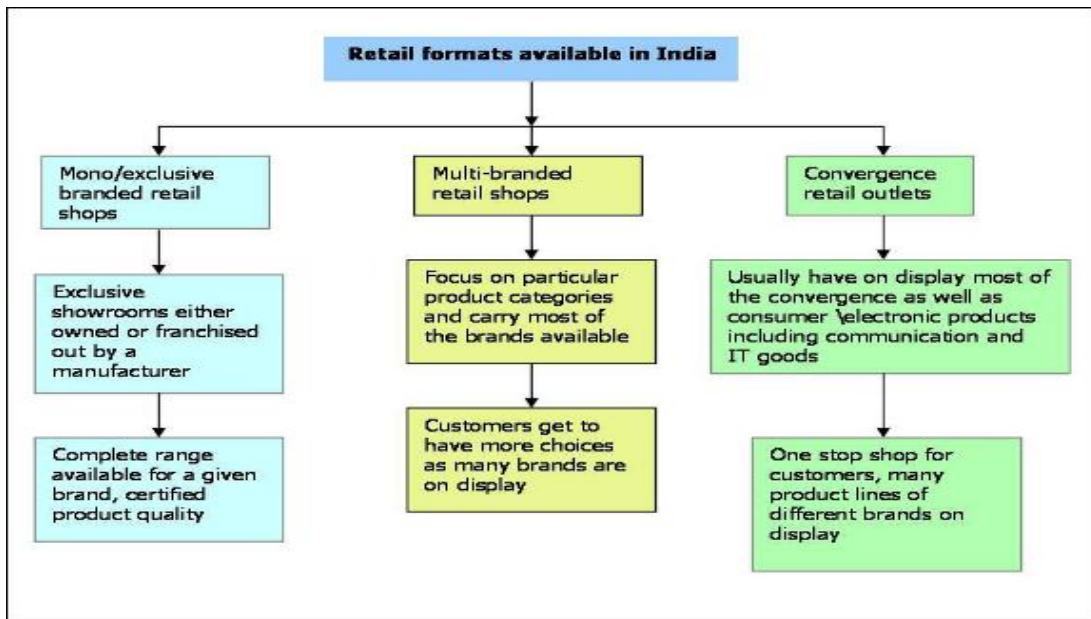
- The Tata Group-Formats: Westside, Star India Bazaar, Steeljunction, Landmark, Titan Industries with World of Titans showrooms, Tanishq outlets, Chroma.
- K Raheja Corp Group-Formats: Shoppers Stop, Crossword, Hyper City, Inorbit Mall
- Lifestyle International-Lifestyle, Home Centre,

Entry of MNCs :

The world's largest retailer by sales, Wal-Mart Stores Inc and Sunil Mittal's Bharti Enterprises have entered into a joint venture agreement and they are planning to open 10 to 15 cash-and-carry facilities over seven years. Carrefour, the world's second largest retailer by sales, is planning to setup two business entities in the country one for its cash-and-carry business and the other a master franchisee which will lend its banner, technical services and know how to an Indian company for direct-to-consumer retail. The world's fifth largest retailer by sales, Costco Wholesale Corp (Costco) known for its warehouse club model is also interested in coming to India and waiting for the right opportunity. Opposition to the retailers' plans have argued that livelihoods of small scale and rural vendors would be threatened. However, studies have found that only a limited number of small vendors will be affected and that the benefits of market expansion far outweigh the impact of the new stores.

Tesco Plc., plans to set up shop in India with a wholesale cash-and-carry business and will help Indian conglomerate Tata group to grow its hypermarket business.

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Fig. 1.1 Showing Retail formats in India.

With over 1,000 hypermarkets and 3,000 supermarkets projected to come up by 2011, India will need additional retail space of 700,000,000 sq ft as compared to today. Current projections on construction point to a supply of just 200,000,000 sq ft (19,000,000 m²), leaving a gap of 500,000,000 sq ft (46,000,000 m²) that needs to be filled, at a cost of US\$15–18 billion. According to the Icrier report, the retail business in India is estimated to grow at 13% from \$322 billion in 2006-07 to \$590 billion in 2011-12. The unorganized retail sector is expected to grow at about 10% per annum with sales expected to rise from \$ 309 billion in 2006-07 to \$ 496 billion in 2011-12.

Objectives of the Study:

1. To know the influence of profession, family monthly income and members in family on shoppers' perceptions of mall experiences.
2. To determine the challenges for the retailers in present day retailing.
3. To trace the problems faced by the rural consumers in shopping Malls.

Research Methodology:

Meerut district of Uttar Pradesh has been selected as the area of the present study. Ghaziabad district has been selected because the district has a better infra-structure facilities and a wide range of shopping centers, multiplex malls and Cineplex.

Sampling Technique: Consumer respondents entering in the shopping malls. Sampling unit is limited to the Meerut district of U.P. 400 consumer respondents from malls and other shopping centers (10-20 from each center) Simple random sampling is adopted on the ground

of availability, convenience to access and level of participation. Almost equal no. of respondents will be taken in the age group of 15-25, 25-35, 35-45 and above 45 years across the different income levels and education.

Data collection: Since the primary objective of this study is to know about the role of the shopping Malls in India's retailing. The present study is mainly based on the primary data to be collected with the help of structured questionnaire and interview. The necessary data for this study have been collected through an interview schedule by directly approaching the respondents and other relevant data will be collected from some secondary and tertiary sources also.

Challenges for the Retail Sector in India:

Retailing as an industry in India has still a long way to go. To become a truly flourishing industry, retailing needs to cross the following hurdles:

- Only 49 percent FDI was allowed under automatic route in single brand retail trading (SRBT).
- Regulations restricting real estate purchases, and cumbersome local laws.
- Taxation, which favors small retail businesses.
- Absence of developed supply chain and integrated IT management.
- Lack of trained work force.
- Lack of Adequate Infrastructure Facilities.
- Low Operational Size.
- Low skill level for retailing management.
- Intrinsic complexity of retailing – rapid price changes, constant threat of product obsolescence and low margins.

Problems Faced by the Consumers:

The industry is facing a severe shortage of talented professionals, especially at the middle-management level. Most Indian retail players are under serious pressure to make their supply chains more efficient in order to deliver the levels of quality and service that consumers are demanding. Long intermediation chains would increase the costs by 15 per cent. Lack of adequate infrastructure with respect to roads, electricity, cold chains and ports has further led to the impediment of a pan-India network of suppliers. Due to these constraints, retail chains have to resort to multiple vendors for their requirements, thereby, raising costs and prices. The available talent pool does not back retail sector as the sector has only recently emerged from its nascent phase. Further, retailing is yet to become a

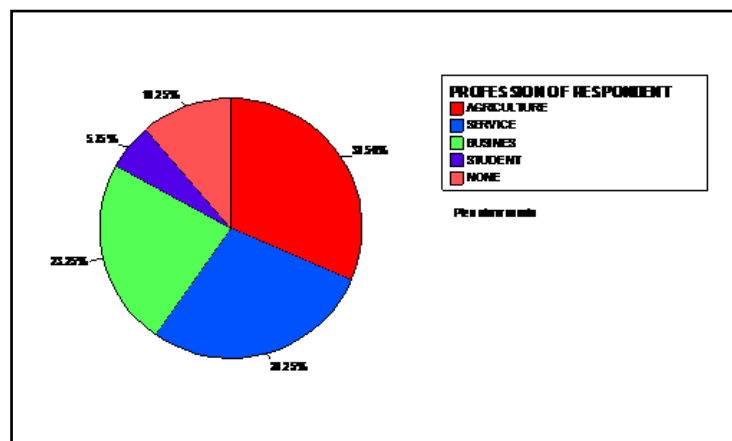
preferred career Option for most of India's educated class that has chosen sectors like IT, BPO and financial services. Even though the Government is attempting to implement a uniform value-added tax across states, the system is currently plagued with differential tax rates for various states leading to increased costs and complexities in establishing an effective distribution Network.

Results and Analysis:

The following tables and figures show the respondents profession, members in the family and monthly income level.

Table 1.1 Indicating **Profession of respondent**

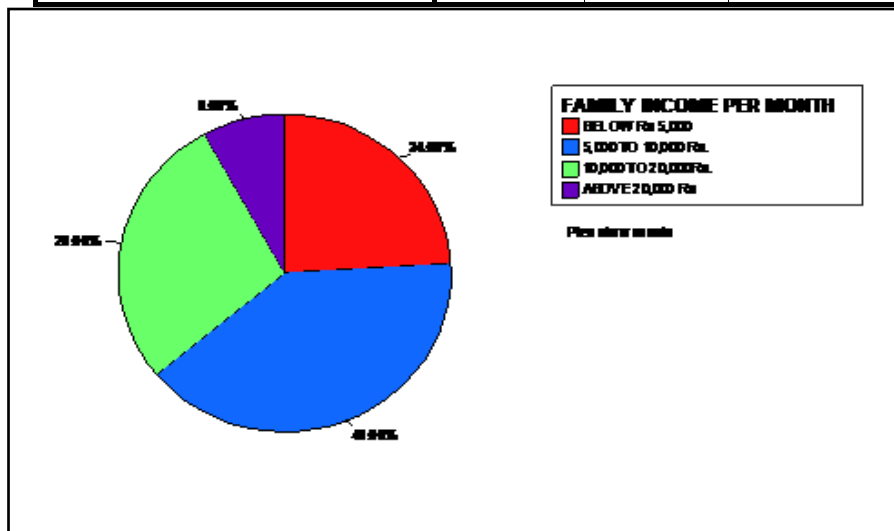
		Frequency	Percent	Valid Percent	Cumulative Percent
	AGRICULTURE	126	31.5	31.5	31.5
	SERVICE	113	28.3	28.3	59.8
	BUSINES	93	23.3	23.3	83.0
	STUDENT	23	5.8	5.8	88.8
	NONE	45	11.3	11.3	100.0
	Total	400	100.0	100.0	



INTERPRETATION : Table 1.1 showing the profession of the consumer respondents. It reveals from the above table and the figure that 31.5 % consumer respondents belongs to the agricultural profession, 28.25% consumer respondents are from the service class, 23.25 % consumer respondents are engaged in their own business, 5.75 % consumer respondents are students and rest 11.25 % consumer respondents have no professional status because in this category the researcher have included the children and the old age consumer respondents.

Table 1.2 Indicating **Family income per month**

	Frequency	Percent	Valid Percent	Cumulative Percent
BELOW Rs 5,000	96	24.0	24.0	24.0
5,000 TO 10,000 Rs.	160	40.0	40.0	64.0
10,000 TO 20,000 Rs.	112	28.0	28.0	92.0
ABOVE 20,000 Rs	32	8.0	8.0	100.0
Total	400	100.0	100.0	

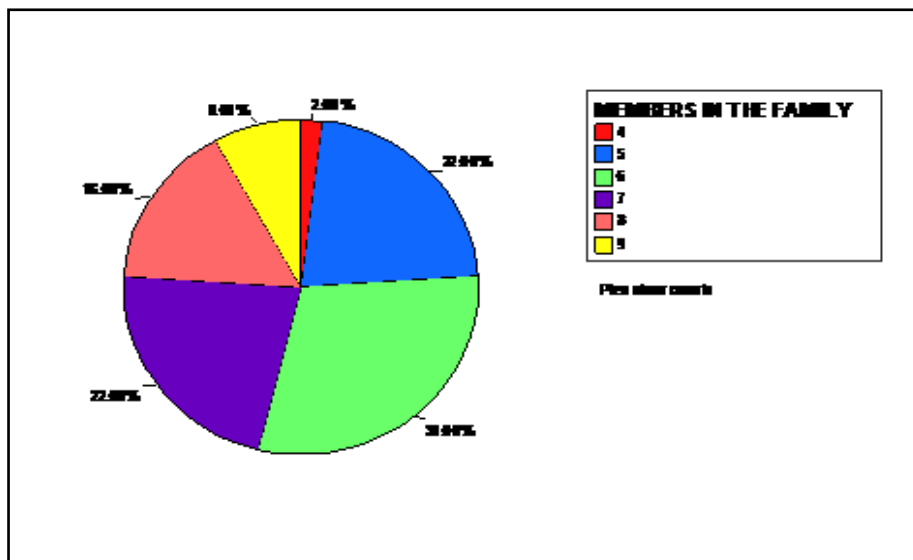


INTERPRETATION : Table 1.2 showing the family income of the consumer respondents. It reveals from the above table and the figure that 24 % families have income below Rs. 5000, 40 % consumer respondents have the family income upto Rs. 10,000, 28

% families have income around 20,000 Rs. And the rest 8 % consumer respondents belong to the category of the income above 20,000 Rs. Per month.

Table 1.3 Showing **Members in the family**

Members in the Family	Frequency	Percent	Valid Percent	Cumulative Percent
4	8	2.0	2.0	2.0
5	88	22.0	22.0	24.0
6	120	30.0	30.0	54.0
7	88	22.0	22.0	76.0
8	64	16.0	16.0	92.0
9	32	8.0	8.0	100.0
Total	400	100.0	100.0	



INTERPRETATION : Table 1.3 showing the members in the family. It reveals from the above table and the figure that only 2 % families have 4 members, 22 % families have 5 members, 30 % families have 6 members, 22 % families have 7 members, 16 % families have 8 members and the rest 8 % families have 9 members in a family.

SUGGESTIONS:

Indian retailers need to take the advantage of the growth and among to grow, diversify and introduce new formats has to pay more attention to the brand building process. The emphasis here is on retail as a brand rather than retailers selling brands. The

focus should be on branding the retail business itself. In their preparation to face fierce competitive pressure, Indian retailers must come to recognize the value of building their own stores as brands to reinforce their marketing positioning, to communicate quality as well as value for money. Sustainable competitive advantage will be dependent on translating core values combining products, images and reputation into a coherent retail brand strategy.

Due to the FDI restrictions the international players are looking for alternative avenues to enter the Indian markets. However FDI restrictions in retailing have not bettered prominent international players from setting up shops in India.

Conclusion:

In India the retail sector is the second largest employer after agriculture, although it is highly fragmented and predominantly consists of small independent, owner managed shops. There are over 12 million retail outlets in India, and organized retail trade is worth about Rs. 12, 90,000 crore (September, 2010). The country witnessing a period of boom in retail trade, mainly on account of a gradual increase in the disposable incomes of the middle and upper - middle class household. The retail revolution, apart from bringing in sweeping, positive changes in the quality of life in the metros and bigger towns, is also bringing in slow changes in lifestyle in the smaller towns of India. Increase in literacy, exposure to media, greater availability and penetration of a variety of consumer goods into the interiors of the country, have all resulted in narrowing down the spending differences between the consumers of larger metros and those of smaller towns.

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