



# International Journal of Marketing and Technology

(ISSN: 2249-1058)

## CONTENTS

Sr. No.	TITLE & NAME OF THE AUTHOR (S)	Page No.
<u>1</u>	<b>Current status and strategies of Electronic waste management in Bangladesh.</b> Md. Ziaul Haque, Mohammad Rezaul Karim and Mohammad Sarwar Hossain Islam	<u>1-24</u>
<u>2</u>	<b>Obstacles To Information System Adoption In Higher Learning Institutions (HLIS) In Dar Es Salaam-Tanzania.</b> Dr. George Kanire and Dr. Richard Nyangosi	<u>25-43</u>
<u>3</u>	<b>An Empirical Investigation Of The Determinants Of Deposit Money Bank's Investment In Treasury Bills In Nigeria (1970-2009).</b> Chris O Udoka and Roland Anyingang A.	<u>44-61</u>
<u>4</u>	<b>Self Consciousness Among The Atm Users Of E-Banking Service.</b> Armin Mahmoudi	<u>62-75</u>
<u>5</u>	<b>Role Of Banks In Financial Inclusion Process In India.</b> T. Ravikumar	<u>76-102</u>
<u>6</u>	<b>A Study Of Organisational Development: Exploring The Impact Of High Performing Employees Through Job Satisfaction.</b> Dr. Syed Khalid Perwez and S. Mohamed Saleem	<u>103-127</u>
<u>7</u>	<b>Community Participation In Minimizing Leakage: A Case Study In Manas National Park.</b> Birinchi Choudhury and Chandan Goswami	<u>128-147</u>
<u>8</u>	<b>Effect of After Sales Services of Cars in Building Customer Loyalty.</b> Mr. Nikhil Monga and Dr. Bhuvnender Chaudhary	<u>148-171</u>
<u>9</u>	<b>Foreign Direct Investment On India's Automobile Sector.</b> K. Rajalakshmi and Dr. T. Ramachandran	<u>172-207</u>
<u>10</u>	<b>Store Image Dimensions: Customers' Perception.</b> Ms. Sangeeta Mohanty	<u>208-225</u>
<u>11</u>	<b>Globalisation: Impact Of Fii's Investment On Stock Indices, Equity And Debt Markets, Market Capitalisation Of Bse And Nse And Exchange Rates Of India – (1999-2009).</b> Dr. Hala Raman	<u>226-254</u>
<u>12</u>	<b>Measuring The Women's Involvement In Purchase Making Decisions.</b> Atul Kumar	<u>255-276</u>
<u>13</u>	<b>Challenges, Methodologies and Management Issues in the Usability Testing of Mobile Applications.</b> Shashiraj Teotia, Shashi and Raviraj Teotia	<u>277-292</u>
<u>14</u>	<b>E Commerce In India – The Way To Shop.</b> Raj Kumar Sharma and Dr. Sambit Kumar Mishra	<u>293-313</u>
<u>15</u>	<b>M-Commerce Challenge Model for Quality control.</b> AMIT YADAV, SUMIT BHATNAGAR and SANJEEV PANWAR	<u>314-331</u>
<u>16</u>	<b>FDI and Indian Retail Sector – The Path Ahead.</b> Dr Surender Kumar Gupta	<u>332-347</u>

## Chief Patron

**Dr. JOSE G. VARGAS-HERNANDEZ**

Member of the National System of Researchers, Mexico

Research professor at University Center of Economic and Managerial Sciences,

University of Guadalajara

Director of Mass Media at Ayuntamiento de Cd. Guzman

Ex. director of Centro de Capacitacion y Adiestramiento

## Patron

**Dr. Mohammad Reza Noruzi**

PhD: Public Administration, Public Sector Policy Making Management,

Tarbiat Modarres University, Tehran, Iran

Faculty of Economics and Management, Tarbiat Modarres University, Tehran, Iran

Young Researchers' Club Member, Islamic Azad University, Bonab, Iran

## Chief Advisors

**Dr. NAGENDRA. S.**

Senior Asst. Professor,

Department of MBA, Mangalore Institute of Technology and Engineering, Moodabidri

**Dr. SUNIL KUMAR MISHRA**

Associate Professor,

Dronacharya College of Engineering, Gurgaon, INDIA

**Mr. GARRY TAN WEI HAN**

Lecturer and Chairperson (Centre for Business and Management),

Department of Marketing, University Tunku Abdul Rahman, MALAYSIA

**MS. R. KAVITHA**

Assistant Professor,

Aloysius Institute of Management and Information, Mangalore, INDIA

**Dr. A. JUSTIN DIRAVIAM**

Assistant Professor,

Dept. of Computer Science and Engineering, Sardar Raja College of Engineering,

Alangulam Tirunelveli, TAMIL NADU, INDIA

## Editorial Board

**Dr. CRAIG E. REESE**

Professor, School of Business, St. Thomas University, Miami Gardens

**Dr. S. N. TAKALIKAR**

Principal, St. Johns Institute of Engineering, PALGHAR (M.S.)

**Dr. RAMPRATAP SINGH**

Professor, Bangalore Institute of International Management, KARNATAKA

**Dr. P. MALYADRI**

Principal, Government Degree College, Osmania University, TANDUR

**Dr. Y. LOKESWARA CHOUDARY**

Asst. Professor Cum, SRM B-School, SRM University, CHENNAI

**Prof. Dr. TEKI SURAYYA**

Professor, Adikavi Nannaya University, ANDHRA PRADESH, INDIA

**Dr. T. DULABABU**

Principal, The Oxford College of Business Management, BANGALORE

**Dr. A. ARUL LAWRENCE SELVAKUMAR**

Professor, Adhiparasakthi Engineering College, MELMARAVATHUR, TN

**Dr. S. D. SURYAWANSHI**

Lecturer, College of Engineering Pune, SHIVAJINAGAR

**Dr. S. KALIYAMOORTHY**

Professor & Director, Alagappa Institute of Management, KARAIKUDI

**Prof S. R. BADRINARAYAN**

Sinhgad Institute for Management & Computer Applications, PUNE

**Mr. GURSEL ILIPINAR**

ESADE Business School, Department of Marketing, SPAIN

**Mr. ZEESHAN AHMED**

Software Research Eng, Department of Bioinformatics, GERMANY



**Mr. SANJAY ASATI**

Dept of ME, M. Patel Institute of Engg. & Tech., GONDIA(M.S.)

**Mr. G. Y. KUDALE**

N.M.D. College of Management and Research, GONDIA(M.S.)

## **Editorial Advisory Board**

**Dr. MANJIT DAS**

Assistant Professor, Deptt. of Economics, M.C.College, ASSAM

**Dr. ROLI PRADHAN**

Maulana Azad National Institute of Technology, BHOPAL

**Dr. N. KAVITHA**

Assistant Professor, Department of Management, Mekelle University, ETHIOPIA

**Prof C. M. MARAN**

Assistant Professor (Senior), VIT Business School, TAMIL NADU

**Dr. RAJIV KHOSLA**

Associate Professor and Head, Chandigarh Business School, MOHALI

**Dr. S. K. SINGH**

Asst. Professor, R. D. Foundation Group of Institutions, MODINAGAR

**Dr. (Mrs.) MANISHA N. PALIWAL**

Associate Professor, Sinhgad Institute of Management, PUNE

**Dr. (Mrs.) ARCHANA ARJUN GHATULE**

Director, SPSPM, SKN Sinhgad Business School, MAHARASHTRA

**Dr. NEELAM RANI DHANDA**

Associate Professor, Department of Commerce, kuk, HARYANA

**Dr. FARAH NAAZ GAURI**

Associate Professor, Department of Commerce, Dr. Babasaheb Ambedkar Marathwada University, AURANGABAD

**Prof. Dr. BADAR ALAM IQBAL**

Associate Professor, Department of Commerce, Aligarh Muslim University, UP

**Dr. CH. JAYASANKARAPRASAD**

Assistant Professor, Dept. of Business Management, Krishna University, A. P., INDIA

## **Technical Advisors**

**Mr. Vishal Verma**

Lecturer, Department of Computer Science, Ambala, INDIA

**Mr. Ankit Jain**

Department of Chemical Engineering, NIT Karnataka, Mangalore, INDIA

## **Associate Editors**

**Dr. SANJAY J. BHAYANI**

Associate Professor, Department of Business Management, RAJKOT, INDIA

**MOID UDDIN AHMAD**

Assistant Professor, Jaipuria Institute of Management, NOIDA

**Dr. SUNEEL ARORA**

Assistant Professor, G D Goenka World Institute, Lancaster University, NEW DELHI

**Mr. P. PRABHU**

Assistant Professor, Alagappa University, KARAIKUDI

**Mr. MANISH KUMAR**

Assistant Professor, DBIT, Deptt. Of MBA, DEHRADUN

**Mrs. BABITA VERMA**

Assistant Professor, Bhilai Institute Of Technology, DURG

**Ms. MONIKA BHATNAGAR**

Assistant Professor, Technocrat Institute of Technology, BHOPAL

**Ms. SUPRIYA RAHEJA**

Assistant Professor, CSE Department of ITM University, GURGAON

**Title**

**FDI AND INDIAN RETAIL SECTOR – THE PATH  
AHEAD**

**Author(s)**

**Dr Surender Kumar Gupta**

*Associate Professor,*

*Maharaja Agrasen Institute of Management and Technology*

*Jagadhri-135003, Haryana, India*



**ABSTRACT:**

Indian economy is growing by 8% a year, its stock market rose by nearly 40% in 2005 and foreign investors are flooding in. There are about nine million small grocery shops in India whichever way you measure it, business in India is booming and as the economy grows so does India's middle class. It is estimated that 70 million Indians in a population of about 1 billion now earn a salary of \$18,000 a year, a figure that is set to rise to 140 million by 2011. Many of these people are looking for more choice in where to spend their new-found wealth. The Indian retail sector is now worth about \$250bn (£140bn) a year, but it is heavily underdeveloped. Over 94% of the market is made up of small, un-computerized family-run stores.

**Keywords:** Retailing in India, Indian Economy, Retail Market, Retail Sector, FDI in Retail

**Introduction:**

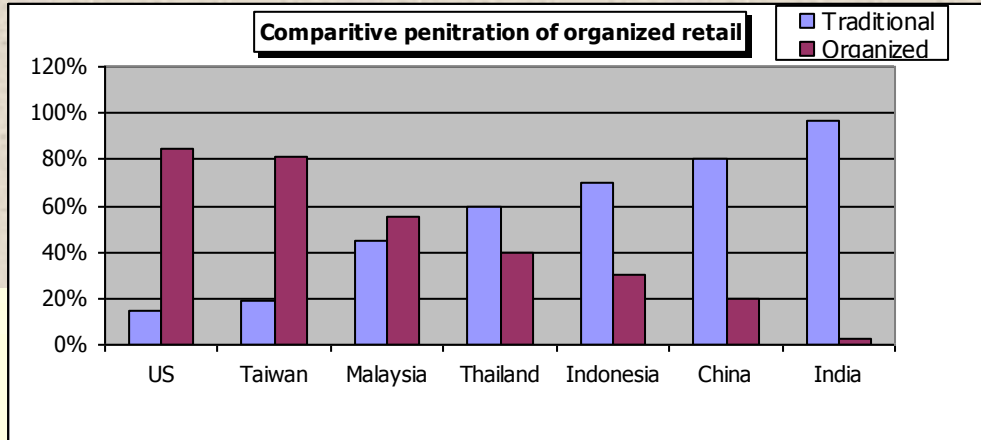
A retailer is one who stocks the producer's goods and is involved in the act of selling it to the individual consumer, at a margin of profit. As such, retailing is the last link that connects the individual consumer with the manufacturing and distribution chain. Retailing is the interface between the producer and the individual consumer buying for personal consumption. This excludes direct interface between the manufacturer and institutional buyers such as the government and other bulk customers.

Indian economy is growing by 8% a year, its stock market rose by nearly 40% in 2005 and foreign investors are flooding in. There are about nine million small grocery shops in India whichever way you measure it, business in India is booming and as the economy grows so does India's middle class. It is estimated that 70 million Indians in a population of about 1 billion now earn a salary of \$18,000 a year, a figure that is set to rise to 140 million by 2011. Many of these people are looking for more choice in where to spend their new-found wealth. The Indian retail sector is now worth about \$250bn (£140bn) a year, but it is heavily underdeveloped. Over 94% of the market is made up of small, un-computerized family-run stores.

Well, the retail industry is divided into organised and unorganized sectors. Organised retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses. Unorganised retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, the local kirana shops, owner manned general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors, etc. Trade or retailing is the single largest component of the services sector in terms of contribution to GDP. Its massive share of 14% is double the figure of the next largest broad economic activity in the sector. India is the 'second most attractive retail destination' globally from among thirty emergent markets. It has made India the cause of a good deal of excitement and the cynosure of many foreign eyes. With a contribution of 14% to the national GDP and employing 7% of the total workforce (only agriculture employs more) in the country, the retail industry is definitely one of the pillars of the Indian economy.

Growing in tandem with the economy is the Indian retail sector. The sector is on a high growth trajectory and is expected to grow by more than 27 per cent over the next 5 to 6 years. Retail is one of India's largest industries, contributing to about 10 per cent of the GDP and providing employment to 8 per cent of the nation's workforce. Indian retail business promises to be one of the core sectors of the Indian economy, with organised retail sector estimated to grow by 400 per cent of its current size by 2007-08. Income, technology and life styles of consumers are changing, even from whom they buy are changing. The location or the place where they buy is changing; the shops are opened closed according to the convenience of the buyers. The buying process has changed due to Internet buying, which brings new and better deals and also saves time. Population growth rate, increasing literacy rate and increasing family income has an effect on consumer spending. Changing social attitudes towards work, home and leisure affect the retail strategies. Political decisions relating to the environment, shopping locations and fair trade affect, where and how retailers can trade. Changes in technology bring new attitudes to buying products and services and to better organization of the supply chain. India has the highest shop density in the world and the present retail market in India. We are ranked second in the global retail development index out of 30 by AT Kearney. This figure shows the comparative penetration of organized retail in India.





### Retail Market in India:

In the beginning there were only kirana stores called Mom and Pop Stores, the friendly neighborhood stores selling every day needs. In the 1980s manufacturer's retail chains like DCM, Gwalior Suitings, Bombay Dying, Calico, Titan etc started making its appearance in Metros and small towns. Multi brand retailers came into the picture in the 1990s. In the food and FMCG sectors retailers like Food world, Subhiksha, Nilgris are some of the examples. In music Segment Planet M, Music world and in books Crossword and Fountainhead are some others.

Shopping Centers began to be established from 1995 onwards. A unique example was the Establishment of margin free markets in Kerala. The millennium year saw the emergence of super markets and hypermarkets. Now big players like Reliance, Bharti, Tatas, HLL, and ITC are entering into the organized retail segment. The big international retail bigwigs are waiting in the wings, as the present FDI guidelines do not allow them to own retail outlets in the country. Walmart is testing the waters by agreeing to provide back end and logistic support to Bharti for establishment of retail chains with a view to study the market for future entry when the FDI guidelines change and to establish a backbone supply chain. Table 1 shows the different phases in the growth of organized retailing in India.

**Table: 1. Journey of Organized Retail in India**

Year	Growth	Function
2000	First Phase	Entry, Growth, Expansion, Top line focus
2005	Second Phase	Range, Portfolio, Former options
2008	Third Phase	End to end supply chain management, Backend operation, Technology, Process
2011	Fourth Phase	M&A, Shakeout, Consolidation, High investment

**Source: A Report by Ernst & Young for IBEF, [www.ibef.org/download%5cRetail\\_220708.pdf](http://www.ibef.org/download%5cRetail_220708.pdf)**

Clearly India has started emerging as a new market for all the global players because of changing demand and growing economy. The economy is one of the biggest magnetic factors which is pilling every major retail player outside this economy to enter and get the biggest possible bite of the cake as the cake called Indian market is the most tempting one today. The booming economy itself is not just an invitation but also is creating a necessity for the country to get some major players in the country to serve the demand. The economy of India is a growing economy in every aspect so even the demands are growing.

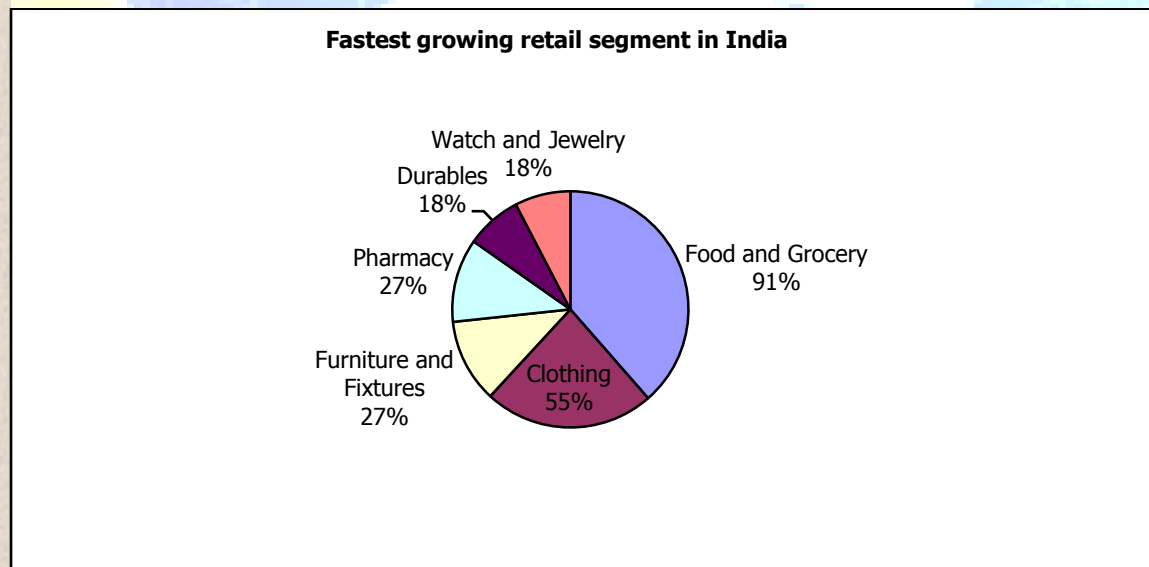
Year	Per capita in `(Per capita net national product) on Constant prices 1999-00
2002-03	17,101
2003-04	18,317
2004-05	19,325
2005-06	20,858
2006-07	22,553
2007-08	24,256
2008-09	30,804
2009-10	44,345

**Source: [www.mospi.gov.in](http://www.mospi.gov.in)**

And in particular because of the growing economy and income of people the standard of living is growing at a fast pace too. Which means that the demand of for the organized retail is growing as

the consumer is demanding standards which the unorganized retail sector of India is not capable of providing. The increasing influence of the western media has led to a considerable change in the life style of the Indian consumer. The economic well being of Indian Middle class and their growing aspirations for material comforts has also been responsible for consumerism slowly gaining momentum in India. Today the Indian consumer are more inclined towards buying goods like cars, washing machine, audio systems, designers dresses, cosmetics and others. There are three categories of Indian Middle class.

Categories	Levels of Income	Spending/Category need and want
New Customer market	1 lac -2 lac per annum	Dress, perfumes, watches
Seekers	2-5 lac per annum	TV, Refrigerator, mobile, scooter or car
Strivers	5-10 lac per annum	Foreign made car, electronic gadgets, air conditioning, vacation,



Graph shows the retail segments ratio in Indian. The major spending in the upper graph is suggesting the fact that the main expenses done by Indians are on cloths and food consumption which are falling under the main operations category of retail sector as today the organized retail sector is trying to get in the market in the above shown major areas and India has got a huge business opportunity lying in the open for such companies.



Consumerism and increased brand conscientiousness has led to increased number of brands today. Today every product is branded. Sold, oils, flour which was earlier sold as commodities is now branded. There is presence of almost all kinds of global brands in the present market situation. India has also shared of strong brands like Titans, McDonald, Asian paints, ITC, Thumbs-up, Whisky, Kingfisher. The launches of more and more brands into the market increased the demand of shelf space and hence demand for retail outlets.

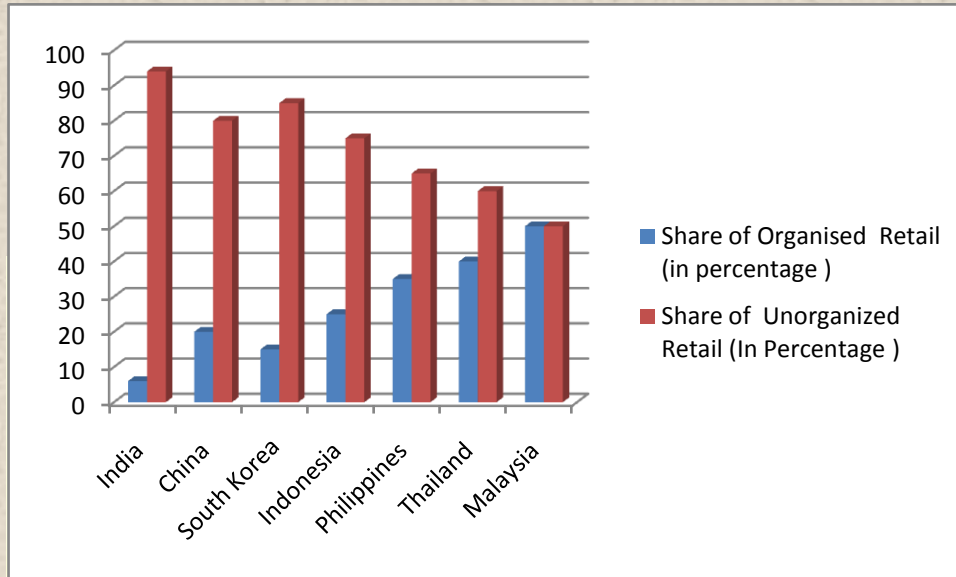
There are various reason for changing customer needs and preferences

1. Single family concepts
2. Dual Income Concepts
3. Limited to One children concepts
4. Willing to spend concepts
5. Brand Preference concepts
6. Personal and Health Care concepts

Major contributor to these variables is Indian Middle Class. They are investing a greater portion of their income on upgrading and diversifying their life styles, eating out, and percentage of young population who are more ostentatious in their purchasing habits, as this brand savvy urban population is likely to drive demand for lifestyle products – such as perfumes, jewellery and watches.

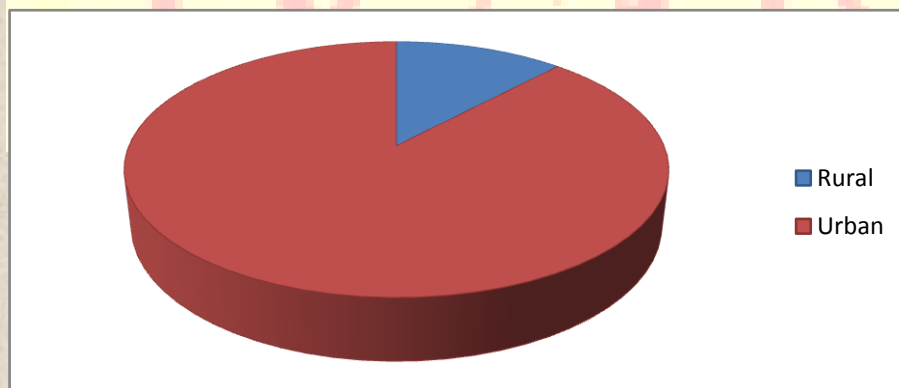
There is increased sophistication in the shopping pattern of customers, which has resulted to the emergence of big retail chains in most metros; mini metros and towns being the next target. Customer taste and preferences are changing leading to radical transformation in lifestyles and spending patterns which in turn is giving rise to new business opportunities. The generic growth is likely to be driven by changing lifestyles and by strong surge in income, which in turn will be supported by favorable demographic patterns. Development of mega malls in India is adding new dimensions to the booming retail sector. There is significant development in retail landscape not only in the metros but also in the smaller cities but in spite of so many changes there is still a long way ahead of us, which means that there is a lot of potential in the market and a lot of scope for all the companies in retailing sector as the potential is yet to be explored.

**Global Scenario of Organized Retail**



**Source: Articles on Retailing in Business line, [www.thehindubusinessline.com](http://www.thehindubusinessline.com)**

As we can see the that the share of organized retail in India in comparison to many of the countries is very less which suggest that if we want to reach to the level of countries like Thailand and Malaysia we have a lot to be done in the sector in coming future. This means that there is a big scope in Indian economy as well if we talk of retail sector there is yet a lot more to be covered as the difference in the rural and urban market area is huge although the urban market is still not developed there is a big no. to be snatched but in rural market there is almost nothing preset on the name of organized retailing.



**Source: ASSOCHAM study on Retailing in India 2008**

As the graph suggest the market area to be covered in order to establish organized retailing in the rural area of the country the companies has a lot of work to do because development in retail sector in India is in a state of beginning.

### **Future of retailing in India:**

The BMI India Retail Report for the third-quarter of 2010, forecasts that the total retail sales will grow from US\$ 353 billion in 2010 to US\$ 543.2 billion by 2014. With the expanding middle and upper class consumer base, there will also be opportunities in India's tier II and III cities. The greater availability of personal credit and a growing vehicle population to improve mobility also contribute to a trend towards annual retail sales growth of 11.4 per cent. Mass grocery retail (MGR) sales in India are forecast to undergo enormous growth over the forecast period. BMI further predicts that sales through MGR outlets will increase by 154 per cent to reach US\$ 15.29 billion by 2014. This is a consequence of India's dramatic, rapid shift from small independent retailers to large, modern outlets. BMI forecasts consumer electronic sales at US\$ 29.86 billion in 2010, with over the counter (OTC) pharmaceutical sales at US\$ 3.28 billion. The latter is predicted to be the fastest growing retail sub-sector and BMI forecasts that sales will reach US\$ 6.18 billion by 2014, an increase of 88.5 per cent.

China and India are predicted to account for almost 91 per cent of regional retail sales in 2010 and by 2014 their share of the regional market is expected to be more than 92 per cent. Growth in regional retail sales for 2010-2014 is estimated by BMI at 72.2 per cent, an annual average of 14 per cent. India should experience the most rapid rate of growth in the region, followed by China. For India, its forecast market share of 13.9 per cent in 2010 is expected to increase to 14.3 per cent by 2014.

Moreover, for the 4th time in five years, India has been ranked as the most attractive nation for retail investment among 30 emerging markets by the US-based global management consulting firm, A T Kearney in its 8th annual Global Retail Development Index (GRDI) 2009. India remains among the leaders in the 2010 GRDI and presents major retail opportunities. India's retail market is expected to be worth about US\$ 410 billion, with 5 per cent of sales through organized retail, meaning that the opportunity in India remains immense. Retail should continue to grow rapidly—up to US\$ 535 billion in 2013, with 10 per cent coming from organized retail,



reflecting a fast-growing middle class, demanding higher quality shopping environments and stronger brands, the report added. Bharti Retail strengthened its position in northern India by opening 59 stores, Bharti Wal-Mart is expected to open 10 to 15 wholesale locations in the next three years, and Marks & Spencer is considering plans to open additional outlets in the next few years.

Corporate bigwigs such as Reliance, AV Birla, Tata, Godrej, Bharti, Mahindra, ITC, RPG, Pantaloon, Raheja and Wadia Group are expected to invest close to Rs.1 trillion in the business of retail over the next five years. Reliance Retail is investing Rs.30,000 crore in setting up multiple retail formats backed by a 68-strong distribution network, with expected sales of over Rs.100,000 crore by 2010. The Future Group's Pantaloon Retail and RPG's Spencer's are also going all out to maintain their dominant position on India's retail horizon. Subhiksha has earned global accolades for its fast-track growth. The Lifestyle India, Indiabulls, Wadhawan Group, Vishal Retail, petroleum majors IOCL, BPCL & HPCL, and others are firming up more and more ambitious retail expansion plans by the day. While global retailers Metro AG and Shoprite Holdings increase their presence on the Indian retail landscape, the Bharti – Wal-mart combine is scouting locations for their joint retail venture. The recent tie-up between Tata and Tesco further adds to the action in retail.

### **FDI in Retail:**

A 'Vibrant Economy', India topped A T Kearney's list of emerging markets for retail investments for three consecutive years and stood 2nd only behind Vietnam this year. The 2nd fastest growing economy in the world, the 3rd largest economy in terms of GDP in the next 5 years and the 4th largest economy in PPP terms after USA, China & Japan, India is rated among the top 10 FDI destinations.

On 24<sup>th</sup> November, 2011 UPA government had taken a decision to allow 51% FDI holding in multi-brand retail trade (MBRT) and raise the FDI ceiling from 51% to 100% in single brand retail trade (SBRT). The central government claims that allowing FDI into India's retail sector will benefit small farmers, expand employment and lower food inflation. It was an executive decision taken by the union cabinet on 24<sup>th</sup> November without any discussion in Parliament or consultation with various stakeholders. After being under relentless attacks for a week, the UPA

government was forced to “put on hold” its decision. But keeping in view the size of retailing sector in India, the entry of FDI in retailing can not be postponed for long because government is encouraged by the outcome of economic policy of 1991 in India.

### **Conclusion:**

The paper paints a verbal picture of the impending retail boom likely to happen sooner. The signs are all over the place. For few years foreign retailers will have the role of facilitator for to standardize the agribusiness and to unify customer’s preference across the country. The competition will help to increase the quality of service of the existing local retailers and greater customer satisfaction in Indian society. Concept of self-employment will vanish and sustainable small industries will be roped with the big chains. Paper gives a glimpse of the slow evolution of retail market over the years. A concise description of the drivers of this phenomenon was discussed. The likely positive and negative impact of this revolution is enumerated.

### **References:**

- Andrew Collins, “Competitive Retail Marketing Dynamic Strategies for Winning and Keeping Customers”, McGraw-Hill, 1992
- Arjun Swarup, ”India`s Retail Revolution”, Blog Globaleconomydoesmatter, March, 2007.
- CRISIL Research-Retailing Annual Review 2009.
- HSBC Global Research referred in ASSOCHAM report on Retailing in India 2008.
- Tata Strategic Management Group-Organized Retailing in India: The next growth frontier, 2006.
- The McKinney Quarterly-Tracking the growth of Indian Middle class, November 2007.
- Various Press Sources, the Economic Times, The Hindu Business Line, The Indian Express, The Hindu, The Business Standard.
- India Retail Report 2009, IMAGES F&R Research.