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## *Critical Success Factors for the Growth of Organised Retail in Future*

**Dr. Mehal Pandya**

Deputy Director,  
Knowledge Management and Research Organisation at Dr. BAOU,  
Ahmedabad, Gujarat, – India

*Abstract: Focus of the paper is on the major players in the organized retail industry by taking interviews of their managers and employees and has found out various success factors important for growth of organized retail for the future. Factors are Location of the store, Penetration across verticals and geographies, Managing scale, Growth of private labels, Dynamism, innovations and flexibility, Psyche of the urban Indian consumer.*

*Keywords: Organised Retail, Growth, Success factors.*

### I. INTRODUCTION

#### Origin of the research problem

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. Moreover, because of the following reasons the study of the Critical success factors for the growth of Organized Retail is very important to be analyzed:

- The Indian retail market, which is the fifth largest retail destination globally, has been ranked as the most attractive emerging market for investment in the retail sector by AT Kearney's eighth annual Global Retail Development Index (GRDI), in 2010.
- Retail industry is the second largest employer (agriculture being the first) and is the source of livelihood for some 27.6 million people who constitute 7.3 percent of the total labour force.
- Indian retail is dominated by small unorganised entities (controlling around 96 percent of the share in this USD 600 billion industry) that are perceived to have inadequate financial and infrastructural capacities, it accounts for roughly 10 percent of the Gross Domestic Product (GDP) of the country.
- India has the highest in retail density in the world, with 15 million retail outlets. Most of these units are small owner based. Only 4% of Indian retail outlets are larger than 500 sq feet.
- At 6 percent, it has the highest retail density with 12 million small shops catering to 209 million households (Ernst and Young 2006).
- India is being touted as the next big retail destination with an average CAGR of 40% to 45%.
- The sheer size of the population demands attention from retailers worldwide and the potential for growth in this nascent industry is tremendous.

- As per AT Kearney's GRDI for 2008, India ranks second to Vietnam. It topped the list in 2007.
- India is the world's 4th largest economy in terms of Purchasing Power Parity, after USA, China and Japan; it is expected to move to the third position by 2010.
- India is rated ahead of China on the Foreign Direct Investment Confidence Index (FDICI) making it an attractive retail market among other emerging economies in the world.
- According to a study conducted by the Associated Chambers of Commerce and Industry (ASSOCHAM), the annual retail sale that was close to US\$ 6 billion in 2007, is expected to reach USD 17 billion by 2010.
- The ICRIER study found that total Indian retail business would grow at 13%, from US\$ 322 billion in 2006-07 to US\$ 790 billion in 2011-12. The unorganized retail will grow 10% from US\$ 309 billion 2006-07 to US\$ 496 billion in 2011-12.
- According to NCAER, only 14% Indian households will have annual household incomes less than US\$ 921.66 by 2012.

## II. SIGNIFICANCE OF THE STUDY

- Already established retail chains are facing tough competition from new upcoming retail chains and unorganized retail shops. What factors are going to be critical for growth of organized retail chains in future is to be found out from this study which would be helpful for the established and new upcoming retail chains?
- This research paper aims to generate information on various factors influencing customer decision to continue with unorganized sector and customer going to organized sector.

## III. SCOPE OF THE STUDY

This paper is based on the survey of the organized retailers, their managers and employees, customers conducted by us as well as the facts and findings available on the internet, newspapers and other sources of information. The scope of this paper is limited to finding the critical success factors for growth of organized retail in future and to study the impact of customer preference on unorganized and organized retailing.

The geographic scope of our project is limited to the city of Ahmedabad in Gujarat state.

## IV. RESEARCH METHODOLOGY

**4.1 Research Design:** The research design to be used is conclusive, descriptive research. Primarily, the exploratory research is done with the help of questionnaire so as to obtain relevant and important data.

### 4.2 Data Collection Sources:

#### (1) SECONDRY DATA COLLECTION SOURCES

- Secondary data will be collected from Internet, Periodicals, Journals, Magazines, Newspaper and the official websites of prominent retail chains in India and abroad.

#### (2) PRIMARY DATA COLLECTION SOURCES

- Managers, Employees of retail chains would be interviewed.
- Customers are going to be interviewed at different places such as Malls, supermarkets, unorganized retail stores etc. in Ahmedabad city.
- Structured questionnaire will be administered to the respondents.

**4.3 Data Collection Methods**

- (1) Questioners
- (2) Interviews

**4.4 Sampling Plan**

SAMPLING METHOD – Random Sampling

SAMPLE UNIT – (1) Managers and Employees of retail chains

(2) Customer city wide

SAMPLE SIZE – (1) 250 Customers

(2) 6 Managers

(3) 30 Employees

**4.5 Limitations**

They are as listed below:

- The geographical scope of is limited to Ahmedabad city only.
- The conclusions derived are totally based on the answers provided by the respondents through the survey.

**V. DEFINITION OF RETAILING**

Retailing is derived from the old French word ‘retailier’, meaning ‘to cut into small pieces’. Retailing is defined as the business activity of selling goods and services to the final consumer. In simple terms, it implies a first-hand transaction with the customer.

Retailing involves:

- Interpreting needs of customers.
- Developing good assortment of merchandise.
- Presenting them in an effective manner so that consumers find it easy, convenient and attractive to buy

According to Philip Kotler, Retailing includes all the activities involved in selling goods and services directly to final consumer for personal, non-business use. A ‘retailer’ or ‘retail store’ is any business enterprise whose sales volume comes primarily from retailing.

Retailing involves a direct interface with the customer and the coordination of business activities from end to end-right from the concept or design stage of a product or offering, to its delivery and post-delivery service to the customer.

**VI. GLOBALIZATION OF RETAIL**

There has been a creeping internationalization of retailing over the recent period. As home markets have become crowded and with opportunities in emerging markets rising, modern retailers from developed countries have been turning to new markets. On an average each of the top 250 retailers in the world has operated on an average in 5.9 countries in 2005-06 (July-June) against five countries in 2000-01 (Deloitte- Stores Report, 2007).

Foreign business accounted for 14.4 per cent of retail sales of these companies in 2005-06 up from 12.6 per cent in 2000-01. The retail sales growth of companies which have ventured into foreign markets has been faster than those that have confined

themselves to home markets. As far as the international expansion is concerned, West European and South African retail companies are the most outward looking.

## VII. INDIAN RETAIL SECTOR

The retail sector in India is highly fragmented and mostly owner-run “Mom and Pop” outlets. The entire sector is dominated by small retailers consisting of local Kirana shops, general stores, footwear and apparel shops, hand-cart hawkers and pavement vendors. These together form the “unorganised retail” or “traditional retail”.

The Indian retail industry is estimated to be worth Rs 13-14 lakh crore in FY 2008-2009. The Indian retail sector is highly fragmented in nature. The penetration of Organised Retail in the Indian market is much below the levels in other countries. Organised/Modern retailing refers to trading activities undertaken by licensed retailers and includes formats such as hypermarkets and supermarkets, and retail chains. Organised Retail, valued at Rs 96,500 crore in 2008, accounts for around 5% of the total retail market.

Organised Retail has been growing at an impressive rate of 35% to 40% Y-O-Y in the last few years compared to 9-10% growth in the overall retail industry.

Traditional/unorganised retailing contributes to about 95% of total retail revenues. Traditional/unorganised retailing which involves the local kirana shops, paan /beedi shops, hand cart and pavement vendors, etc. continues to be the backbone of the Indian retail industry.

India has one of the highest densities of shops per population with 1.5 crore for small retail outlets in India (14 shops per 1,000 people).

In line with India's economic growth, the retail sector in this country is not only expanding but also modernizing. This new trend began during late 1990s and early 2000s. In the midst of the unorganised retail sector's strong dominance, some of the major industrial houses have entered into this sector and have announced ambitious future expansion plans. Transnational corporations have also joined hands with big Indian companies to set up retail chains. India's Bharti group joined hands with Walmart, the world's largest retailer and Tata group tied up with the UK based Tesco, the world's third largest retail group.

A perceptible structural change towards an organised format is foreseeable in the retail sector. These organised and modern retail formats generally consist of supermarkets/convenience stores, hypermarkets, discount stores, speciality stores and departmental stores. These outlets are usually chain stores, all owned or franchised by a central entity or a single store large enough to form a part of the modern retail segment. The existence of these modern retail outlets are generally found in malls and prominent high streets across various cities.

## VIII. GROWTH FACTORS FOR RETAIL INDUSTRY IN INDIA

- Increase in per capita income which in turn increases the household consumption
- Demographical changes and improvements in the standard of living
- Change in patterns of consumption and availability of low-cost consumer credit
- Improvements in infrastructure and enhanced availability of retail space

Entry to various sources of financing.

**IX. ANALYSIS OF PRIMARY DATA****Analysis of Retail Houses – Managers (Part-1)*****Pantaloons Retail Pvt. Ltd.*****Functions**

1. Information Technology
2. Human Resources
3. Retail Information System
4. Internal Controls
5. Measurement of Customer Satisfaction

MBA (Retail) are recruited as MT (Management Trainees) and in the second level of above hierarchy. After the training they are designated as department managers where they manage a particular department of a store. Then after getting experience and on the basis of good performance they are promoted as floor manager of a store and eventually as store manager. After the store manager comes the location manager. If someone is a manager of big bazaar, Ahmedabad, then one manages all the stores located in Ahmedabad.

**Performance Management: Appraisal, Rewards and Recognition**

The organization's Compensation philosophy is 'Pay for Performance, promote for potential' and is designed to meet the following key objectives:

1. Attract and Retain Qualified Employees
2. Externally Competitive
3. Performance based pay
4. Internally Equitable
5. Legal Compliance

The compensation policy is performance based and we believe it is competitive with industry standards in India. The compensation packages are adjusted annually based on industry salary correction, compensation surveys and individual performance. From time to time employees who have met or exceeded performance standards are awarded bonuses.

The employees post-retirement benefits include a provident fund and a gratuity. Both the provident fund and the Gratuity have been approved by the relevant statutory authorities. They have set up a "Pantaloons Foundation"-an employee welfare fund with effect from August 2004. The fund provides financial assistance in all cases wherein the employee seeks the Company's financial support in medical emergency for him/herself or their families. The contribution to the fund is voluntary.

**Employee Insurance:**The company provides all its employees with group life insurance. They also provide medical insurance coverage for employees who are not covered under ESIC (Employee State Insurance Corporation) benefit which includes hospitalization benefits.

**Recruitment and Selection:**Recruitment takes place through any of the following option or combination of these options:

1. In-house data bank
2. Walk-in advertisement

3. Internal Referrals
4. NGO's
5. Campus Placements

The selection processes are defined to evaluate the skill sets required for each job and also to evaluate the fitment to our various formats of retailing.

**Training:** Pantaloon Retail Pvt. Ltd. place special emphasis on the training of our employees to enable them to develop their skills to meet changing retail technology and to provide efficient and effective customer services. The Company has a well-defined Learning & Development (L &D) team that is responsible for training at all the levels across the country. The L & D team focuses on primary and secondary research into various aspects of retail and assessment of training needs across Knowledge, Skills & Attitude areas at all levels.

'Prarambh' for Induction and 'Guru-School' for Trainer Development are a couple of programs created and disseminated by the L & D Team this year. They are also in the process of establishing a training centre at each zone that will be equipped with extensive and up-to-date facilities and which offers relevant training programmes.

**Retention Strategy:** The company strives to foster a feeling of well-being in our employees through care and respect, they have several structured processes including employee mentoring and grievance management programmes which are intended to facilitate a friendly and cohesive organization culture. Off-site activities are encouraged to improve inter-personal relationship. They also acknowledge the efforts exerted by our employees by organization an annual celebration called 'Pantaloon Day' where they recognize employees who have shown exceptional talent, sincerity and dedication. We have implemented an employee suggestion programme called 'Prerna' wherein the employee can give their suggestions. Every quarter the best suggestion received per zone per format is awarded prize called "Golden Cap". The industry attrition rate is around 21% while at this company it is 7-9% which is the result of good retention policies.

**Recession:** According to the company person there is not much effect on the company of current slowdown in India or recession in western nations. The company has target of opening 100 more stores and they have achieved it 90-95%. It is interesting to note that there hasn't been any layoffs in the company due to current economic position or any macro-economic factors.

**Outsourcing:** The company uses the services of Ernst & Young for process audit and risk management and the scope of their work covers all the company's formats i.e. Pantaloons, Big Bazaar, Food Bazaar and Factory Outlet.

The objectives are to:

1. Gain an understanding of the various Business Processes
2. Identify the strengths and weaknesses in the existing systems and procedures
3. Review use of technology in the function
4. Identify key business process risks and review the adequacy of the controls and mitigate them
5. Test the effectiveness of controls the most significant risks and provide recommendations to improve controls
6. Identify potential areas for improving process efficiency
7. Broadly develop on improvement portfolio and raise the level of awareness of how business is impacted by inadequately controlled risks inherent in the business process.

**Infiniti Retail Limited**

Infiniti Retail Limited is a 100% subsidiary of Tata Sons. The company has launched Croma, a national chain of mega stores of consumer electronics and durables. Infiniti Retail Ltd. owns and runs Croma's retail operations in India, while Woolworths provides technical support and strategic sourcing facilities from its global network. The first Croma store was launched in Juhu, Mumbai on October 9, 2006. Infiniti Retail Ltd plans to launch 100 stores across India in the coming months

**Functions**

1. Store Operations
2. Merchandising
3. Marketing
4. HR
5. Finance
6. Technology

Croma has tie up with DHL for logistics and delivering products to customers.

Recruitment procedure is flexible. The extensive training of the products is provided. Modes of recruitment are as under.

1. Campus Placement
2. Placement Agency
3. Walk in
4. Reference

Promotion is done as per performance and requirement. Reporting relationship is as per hierarchy.

Future plan is to open more than 100 stores across India which includes stores at airports. So, there are opportunities for enthusiastic and energetic youth.

Recession has some effects on luxury products though it is very minor.

White Goods	Brown Goods/ Kitchen Appliances	Consumer Electronics
Refrigerators	Mixers and Grinders	Mobile Phones
Washing Machines	Microwave Ovens, Cooking Range	Television
Air Conditioners	Iron	MP3 Players
Speakers and Audio Equipments	Electric Fans	DVD Players

**Westside****Functions**

1. Store Operations
2. Customer Service
3. Merchandising
4. HRM
5. Logistics

MBA (Retail) can join this organization as MT (Management Trainee). After orientation and product trainee they are designated as department manager

or asst. department manager. The position varies according to the responsibilities. In many cases a department manager has more responsibility and span of work than a store manager.

The promotion and salary varies as per the performance basis.

**Recruitment:** The recruitment procedure is very flexible. It depends on location. The company prefers employee from the location where the store is. If a new store at Ahmedabad is opened then the good MBA colleges of Ahmedabad would be approached and needed human resource would be occupied. The other ways like approaching a professional agency or advertisement in local media are also practiced. Westside has some loyalty programs for employee retention. The turnover ratio is 12-14% which is good compared to industry 21%.

The recession has not much effect on the operations of the stores. There are no layoffs due to any macroeconomic factor.

**Vijay Sales:** Vijay Sales is one of the prominent players in consumer appliance retail sector.

### Functions

1. Merchandising
2. After Sales Services
3. Store Management
4. HR & Training
5. Operations (Logistics)

### 3 Levels

1. Owners
2. Managers
3. Executives & Support Staff

Recruitment is done by consulting placement agencies. The company is now consolidating its early success and has no further growth plans but making the base strong. The company is not still listed and is not that professional. The policies are very flexible and there is no clear strategy.

### Reliance Retail

#### Organizational Structure

The organization is divided in two different ways, functionally as well as geographically. It is divided into different zones right, they have a major presence in western zone.

#### Major functional Areas

1. Information Technology
2. Human Resources
3. Retail Information System
4. Internal Controls
5. Customer feed back



**The Levels exists in the company:** The hierarchy has five levels. It is pyramid in structure.

**Starting position for management students:** At the position of Asst. Manager But if we get students with some experience, we are open to giving them better positions.

**The promotion cycle:** The company has its own appraisal system. As per the performance of the employees they get promoted. But in the beginning they all have to go through a probation period of 6 to 12 months. The appraisal system is very transparent.

**How does the organization help in their career development?**

The organization has programs for employees' career development. They are given training for handling different functions. We have a dedicated team of HR personnel who look after the various aspects of development of the employees. Certain more systems for employees are being designed.

**Graduate Student Intake:** They are absorbed at assistant buyer levels. Then they are subsequently promoted to billing clerks etc.

**Employee Welfare:** All the company employees are insured. There are plans to enroll them under Employees State Insurance Company (ESIC)

**Any shortage of qualified manpower?** At the higher level it is easier to find good people. But the real problem lies at the lower level. At the customer contact points due to the laziness of some of the assistant buyers they do not guide the customer to the product. Or they say that the product is not in stock. The attrition levels are also high at this level

**Critical positions in the organization:** Floor in-charge or store manager are at times difficult to find, we generally opt for people who have 4-5 years of experience. All the customer contact points are of utmost importance.

**Recruitment and Selection techniques:** At the top most levels we have recruited directly, we have taken people who have experience in retailing. But at levels ranging from assistant manager to above we recruit people through adds in the newspapers. The lower level employees are recruited at the discretion of the store manager.

**Outsourcing:** Technology related queries, developing softwares etc, IT functions are basically outsourced.

**Effects of the slowdown or recession:**No effects, the organization is still growing and expanding. A lot of region has to be covered. New store was just opened in Delhi about a month ago.

**Layoffs or retrenchment:**No, we are still growing, the recession has affected the companies which are very big in size and have recruited people they do not need. We have not had a single lay off.

### ***V-Mart Retail***

#### **Organization structure**

They have divided their organization functionally which involves following main functions.

- Finance
- Advertising
- Human Resources
- Purchasing
- Internal controls

**They have 6 organizational levels at V-Mart retail**

**Recruitment of fresh management graduates:** Usually the fresh management graduates are recruited at assistant manager or store manager level, but if the candidate has good work experience then he may also be appointed as manager. They provide necessary training to their employees if needed and they also provide them with challenging jobs so that they can have satisfied career.

**Recruitment and promotion policies:** The promotion cycle of the company is totally based on the employee performance and achievement of targets. The functional Vice Presidents are recruited through internal promotions only, but for lower level positions they do opt for other recruitment efforts like advertisements, campus placements and walk-ins. The vice president positions are particularly critical to fill. The lower level positions like sales executives and customer care executives are recruited as per the discretion of the store manager.

**Outsourcing:** At V-Mart they have outsourced the IT solutions of the firm and the software development. Sometimes they also outsource the recruitment of sales executives to professional recruitment agencies.

**Employee loyalty:** They expect high loyalty from their employees at V-Mart because they treat them like our partners in growth rather than simply as employees and they do have the practice of getting works contracts signed for a period of 1-2 years. Over and above this, they also give special loyalty bonus to their employees after every 5 years of successful job performance.

**Expansion:** Yes, the company has a multi-dimensional expansion plans in pipeline. There is plenty of scope for growth because still majority of the retail business in India is unorganized and we do have the necessary funds.

**Compensation policy:** The compensation policy is performance based and they believe that it is competitive with industry standards in India. Almost 40% of their annual package is variable. The compensation packages are adjusted annually based on industry salary correction, compensation surveys and individual performance. From time to time employees who have met or exceeded performance standards are awarded bonuses. The employees post-retirement benefits include a provident fund and a gratuity. Both the provident fund and the Gratuity have been approved by the relevant statutory authorities.

**Recession and its impact :** At V-Mart, there is no impact on recession. To the contrary they are on an expansion spree and are planning to open several stores across India. The main thing is that they deal in FMCG products and there is hardly any chance of a change in its demand because of either boom or recession.

**Analysis of Retail Houses – Managers (Part-2)**

1. The firm's business activity over the past 3 months not including the normal seasonal variations has improved. The reason being the changing buying patterns and increase in disposable income.
2. The orders of the firms to be placed with suppliers would increase over the next 3 months not including the normal seasonal variations.
3. The business activity of the firm is expected to improve over the next 3 months, not including the normal seasonal variations.
4. The promotional strategies of the firms include TV advertisement, newspaper ad, radio ad, discount offers, reward points. Pantaloons go for TV ads, newspaper ads, discount offers and reward points. Westside gives discount offers.
5. The companies generally give monthly Ads but during festivals seasons they prefer to give it on weekly basis.
6. Most of companies are planning to have an online presence in coming 1 to 2 years.
7. The companies are considering following points as most important.

- Satisfying our customers is our most important business objective.
  - Our strategy for competitive advantage is based on our understanding of customers' needs.
  - Data on customer satisfaction are disseminated at all levels in our organization on a regular basis.
8. The companies are considering following points as not important.
- Our competitors are more customers focused than we are.
  - We measure customer satisfaction infrequently.
9. The companies are agreeing on following points.
- Customers' preferences change frequently.
  - Customer loyalty is decreasing.
10. The companies are disagreeing on following points.
- Our customers rarely request new products.
  - Customer needs are becoming more predictable.
11. The companies consider their store to have following characteristics.
- Good Selection
  - High Quality
  - High Fashion
  - Good Service
  - Good sales and promotions
  - Sophisticated
  - Easy to shop in
  - Creative
  - Different
  - Stands out in the crowd
12. Yes, the supplier gets the real time sales data of the retail outlet because of which they are able to replenish the inventory on their own.
13. The companies are using various modern techniques for reducing inventory and operational costs like RFID, Just-in-time, VED method, softwares like CRM, Procurement and supply chain management softwares from various companies like SAP, Oracle.
14. The margins provided by the manufacturers keep on varying from to time to time but nowadays the margins have been reduced to very low level due to increased production and raw materials cost. The retail outlets are trying to cop up with this reduce margins by reducing inventory costs and going for private labels or in-house brands which provide them larger margins.
15. The companies are trying to come out with new products by tying up with innovation clubs like NIF.

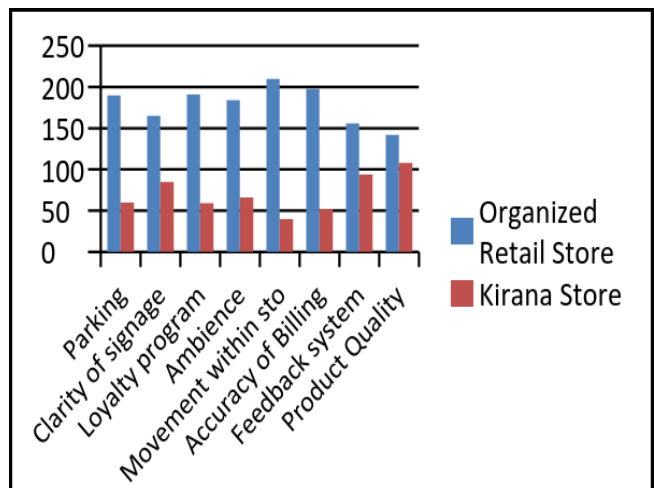
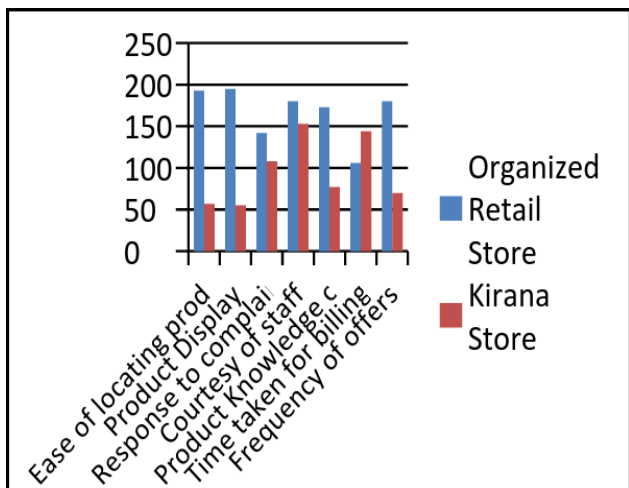
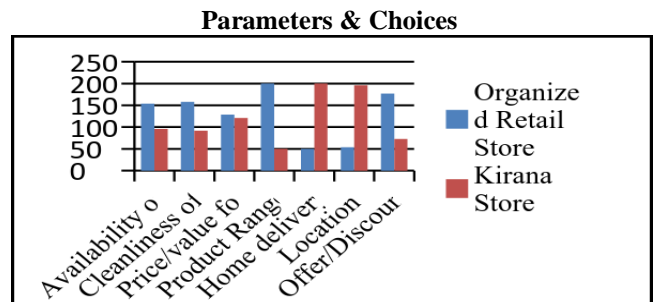
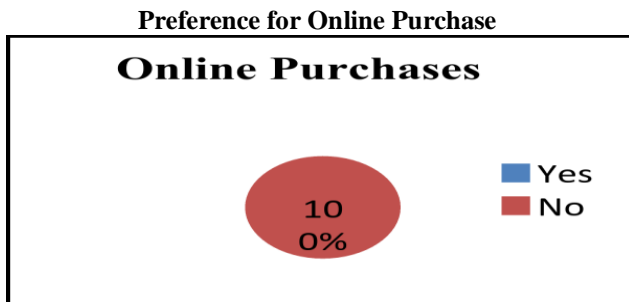
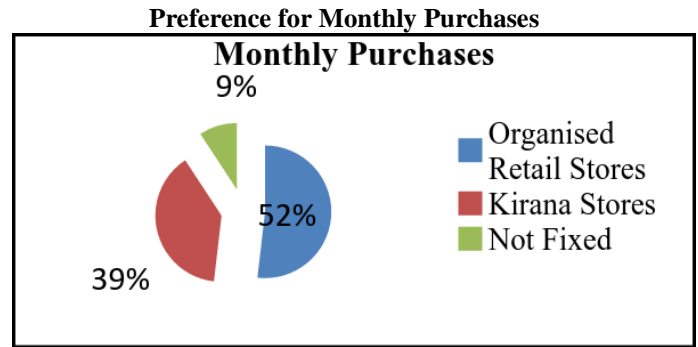
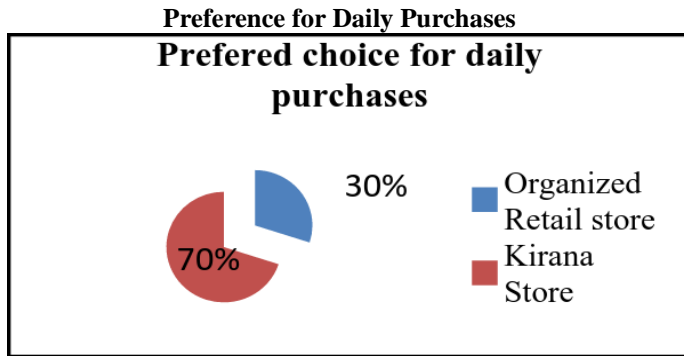
16. The new retail formats like group buying, organized specialty retail and member only site are catering to niche segments so right now they not a threat to us.
17. The companies are trying to train their employees to observe and note down the changing consumer buying patterns and demands. The use of technology like RFID and CCTV cameras is also helping in tracking the changing need of consumers.
18. All the companies are going for increasing the number of outlets to cater the untapped market except a few.
19. Generally the companies are going for leased properties for opening the retail stores.

#### **Analysis of Retail Houses – Employees**

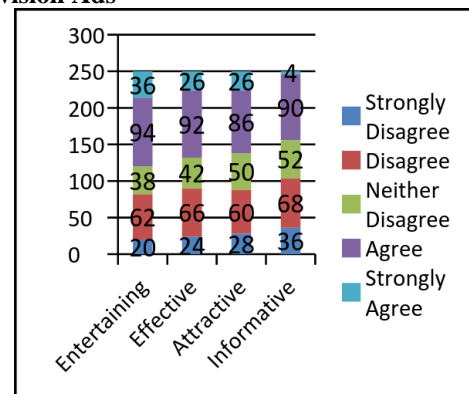
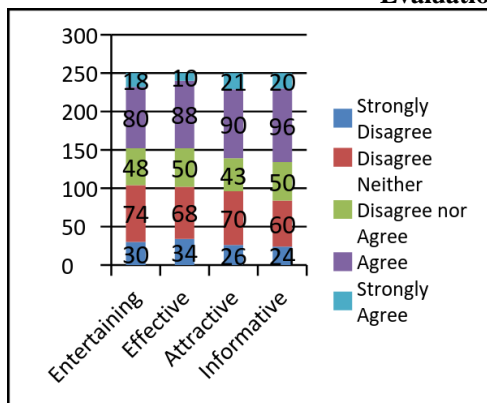
1. The employees of retail outlets are considering following points as most important.
  - Satisfying our customers is our most important business objective.
  - Data on customer satisfaction are disseminated at all levels in our organization on a regular basis.
2. The employees of retail outlets are considering following points as not important.
  - Our competitors are more customers focused than we are.
  - We measure customer satisfaction infrequently.
  - Our strategy for competitive advantage is based on our understanding of customers' needs.
  - We share information about our successful and unsuccessful experiences across all business functions.
3. The employees of retail outlets consider their store to have following characteristics.
  - Good Selection
  - High Quality
  - High Fashion
  - Good Service
  - Good sales and promotions
  - Sophisticated
  - Easy to shop in
4. Every three to four months employees undergo soft skill training as well as cover basic concepts of retailing and consumer behaviour.

Analysis of Consumer Data

Analysis & Conclusions of Consumer Preference



Evaluation of Print and Television Ads



**Parameters Ranked on Basis of Perceived Importance While Going to Organized Retail Store**

Rank	Parameters	Composite Score
1	Availability of Product	1461
2	Cleanliness of store	1458
3	Price/value for money	1443
4	Product Range	1428
5	Home delivery	1416
6	Location	1410
7	Offer/Discount at store	1365
8	Ease of locating product	1332
9	Product Display	1326
10	Response to complaints	1293
11	Courtesy of staff	1293
12	Product Knowledge of staff	1290
13	Time taken for billing	1257
14	Frequency of offers	1245
15	Parking	1218
16	Clarity of signage	1212
17	Loyalty program	1206
18	Ambience	1203
19	Movement within store	1152
20	Accuracy of Billing	1146
21	Feedback system	1092

**Parameters Ranked on Basis of Perceived Importance While Selecting a Supermarket**

Rank	Parameters	Composite Score
1	Fast checkout	1476
2	A gourmet food section	1469
3	Low priced advertised specials	1458
4	Close to where you live	1451
5	Offers coupons in newspaper ads	1434
6	Courteous, friendly employees	1426
7	Offers generic products	1389
8	Makes it easy to cash checks	1378
9	Offers several brands to choose from in a Category	1352
10	Convenience of parking	1322
11	High quality fruits and vegetables	1302
12	Wide selection of store private labels	1290
13	Wide selection of national brands	1257
14	Has bakery in the store	1245
15	Offers a variety of health & personal care Products	1218

**X. KEY FINDINGS**

- For Daily purchases majority of the consumers i.e. 70 percent rely on the local Kirana stores.
- Whereas for Yearly purchases the organized retailers have an upper hand with 52 percent market share because of the discounts offered and loyalty programmes offered by them on bulk purchases.
- Customers in Ahmedabad are not purchasing products online.
- The organized retailers appeal more to consumers because of the product range, comfort and the discounts offered by them on bulk purchases.
- The points of difference between the two forms of retailing are as follows:

Organized Retail Store	Kirana Store
Ambience, Cleanliness	Location
Quality, Availability	Credit
Product range and display	Home Delivery
Discounts offered	Time taken for billing
Ease of locating product	
Product Knowledge	
Frequency of offers	
Parking, clarity of signage	
Loyalty Programs	
Accuracy of billing, Movement within store, Feedback System	

- Customers perception about “Price value for money”, “Response to complaints” and “courtesy of staff” is same for both Organized retail store and Kirana store.
- 40 percent consumers find print Ads entertaining and effective, 45 percent consumers find print Ads attractive and 47 percent consumers find print Ads informative.
- 52 percent consumers find TV Ads entertaining, 47 percent consumers find it effective, 42 percent consumers find print Ads attractive and 36 percent consumers find print Ads informative.
- The parameters of utmost importance for consumers while selecting a supermarket are: Fast check out , a gourmet food section, low priced advertised specials, close to where you live, offers coupons in newspaper ads, courteous friendly employees, offers generic products.
- The parameters of utmost importance for customers while buying food and groceries from retailers are: Availability of Products, Cleanliness of Store, Price/Value for Money, Home Delivery, Product Range.
- As per our findings most organizations are divided functionally.
- Top and middle level managers are selected internally, and management trainees are selected through campus placements.
- Lower level employees are given training periodically after every 3 to 4 months on soft skill developments and consumer behaviour.
- Most of companies are giving discount offers and reward points in to the consumers as promotional strategies to attract customers they are giving regular Ads in news papers, Radio, TV and Hoardings.
- Most of companies are planning to have an online presence in coming 1 to 2 years.
- The companies are considering following points as most important.
  - Satisfying our customers is our most important business objective.
  - Our strategy for competitive advantage is based on our understanding of customers' needs.
- The companies consider their store to have following characteristics.
  - Good Selection
  - High Quality
  - High Fashion
  - Good Service
  - Good sales and promotions

## XI. SUGGESTIONS

### (1) To Government

- The retail sector in India is severely constrained **by limited availability of bank finance**. The Government and RBI need to evolve suitable lending policies that will enable retailers in the organised and unorganised sectors to expand and improve efficiencies. Policies that encourage unorganised sector retailers to migrate to the organised sector by investing in space and equipment should be encouraged.

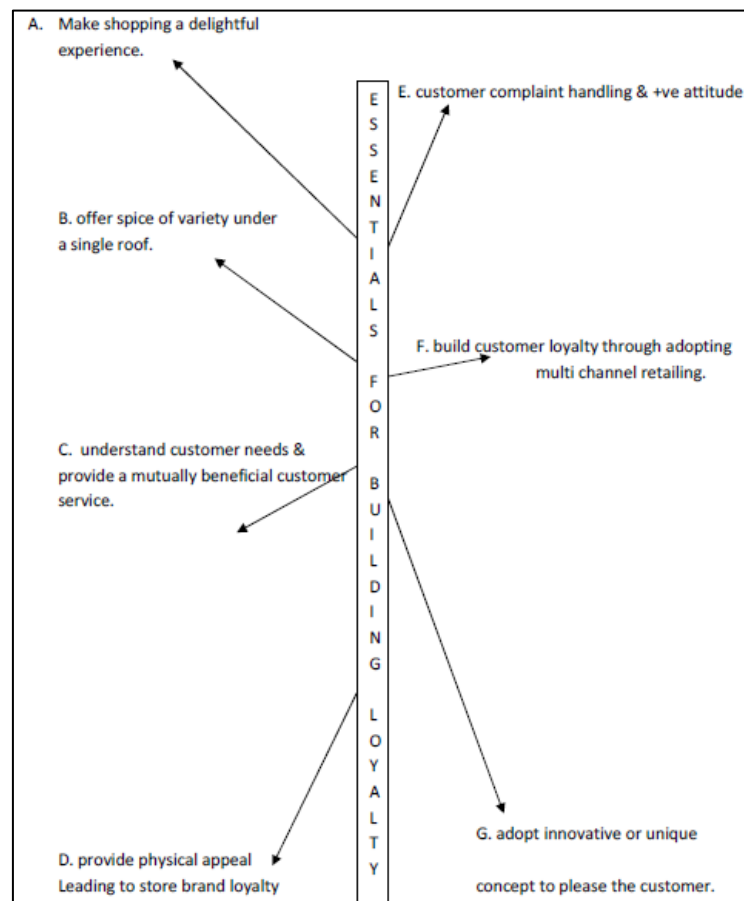
- A **National Commission** must be established to study the problems of the retail sector and to evolve policies that will enable it to cope with FDI – as and when it comes.
- Entry of foreign players must be **gradual and with social safeguards** so that the effects of the labour dislocation can be analysed & policy fine tuned. Initially allow them to set up supermarkets only in metros. Make the costs of entry high and according to specific norms and regulations so that the retailer cannot immediately indulge in ‘predatory’ pricing.
- In order to address the dislocation issue, it becomes imperative to develop and **improve the manufacturing sector** in India.
- Simplification of the licensing and permit regime for organized retail and move towards a nationwide uniform licensing regime in the states to facilitate modern retail.
- Modernization of wet markets through public-private partnerships.
- Facilitate the formation of farmers’ co-operatives to directly sell to organized retailers.
- Encourage formulation of “private codes of conduct” by organized retail for dealing with small suppliers. These may then be incorporated into enforceable legislation.
- Ensure proper rent laws.
- Make zoning laws more flexible.
- Simplify the tax structure.
- Ensure single window clearance for retail chains.

## (2) To Organized Retailers

- They should try to evolve as premium “experiential” chains emphasising natural foods, food service and the in-store experience.
- They should actively identify themselves with social causes such as environmental protection, AIDS, and child nutrition.
- They should come out new and flexible formats. Real estate opportunities for retailers are becoming increasingly heterogeneous because of urban redevelopment and the mixing and matching of “pure” shopping centre formats into more hybridised ones.
- They should go for vertical integration and collaboration in back-end resource sharing.
- They should Improve supply chains and operations which will enable retailers in India to enhance competitiveness and successfully deploy growth initiatives.
- Strategy and innovation is a holistic concept involving the launch of new products, the creation of unique marketing strategies, the development of new distribution channels, the customisation of products, etc.
- Private label offerings are a major catalyst for growth.
- Goods and Service Tax (GST) is likely to benefit retailers.
- Workforce management practices are in the nascent stages of being developed in the Indian retail sector.
- Sustainability and green marketing initiatives will need to be addressed as influences (e.g. government mandates, consumer awareness, competitor actions, etc.) converge and heighten in voice.



- Understanding, interpreting and catering to Indian consumer behaviour, taking into account the social diversity in the country will be crucial to the success of new players. According to a study carried out by A.C Nielson following types of consumers were identified
  - BRANDED EVERY DAY LOW PRICING (ELDP) SEEKERS
  - LOW- PRICE FIXTURES FERRETS
  - PROMOTION JUNKIES
  - STOCKPILERS
  - PROMOTIONALLY OBLIVIOUS
- **FACTORS ESSENTIAL FOR BUILDING STORE LOYALTY**



- These are the parameters which are to be followed and maintained by every organization. Stock, Staff, Customer Service, Sales, Visual-Merchandising, Marketing & Promotional Events
- **Habits of Indian Consumers:**
  - First, loyalty is not a virtue with the Indian shopper.
  - Indian consumers associate packaged food with lack of freshness.
  - Consumers place a lot of importance on convenience.
  - Women in India prefer ethnic apparel and jewellery.
  - They buy clothes mostly for special occasions.
  - Indian shoppers are willing to compromise a bit on food and grocery but for electronics goods they prefer reputed brands.

- Fresh food, ethnic apparel and mobile electronics will be key categories for organized retail.
- Poor quality of infrastructure, coupled with poor quality of the distribution sector, results in logistics costs that are very high as a proportion of GDP, and inventories, which have to be maintained at an unusually high level. Distribution and marketing is a huge cost in Indian consumer markets. It's a lot easier to cut manufacturing costs than it is to cut distribution and marketing costs.
- To compete in this sector one needs to have up-to-date market information for planning and decision making. The second most important requirement is to manage costs widely in order to earn at least normal profits in face of stiff competition.
- Indian companies know Indian markets better, but foreign players will come in and challenge the locals by sheer cash power, the power to drive down prices. That will be the coming struggle. Strategic course of action for the coming years is required to be taken by the major players to sustain and grow in this ever growing market.
- The Indian retailing sector is at an inflexion point where the growth of organized retailing and growth in the consumption by the Indian population is going to take a higher growth trajectory.
- Rural markets emerging as a huge opportunity for retailers reflected in the share of the rural market across most categories of consumption. It provides ample opportunities to the market players to capitalize on the same and take the first mover advantage.
- IT is a tool that has been used by retailers which has improved and eased the way with which modern operations are carried on efficiently and still with foreign players coming up the opportunities for IT implementation in retailing sector is very high.
- Retailers should look at long-term initiatives in order to trim costs and diversify risk. They should start exploring relatively untapped or growing segments in order to diversify their range of products. Consolidation of operations by reducing number of outlets is also another strategy that they should adopt to beat the adverse consequence of oversupply created during the boom time.
- They should concentrate on Food items and Tier-2, tier-3 cities due to lower rentals and operating costs and increase in population.
- In India retail space should be increased to get greater footfalls.
- Various entry options for foreign players into Indian retail market.
- **Leveraging Technology:** The Organised Retail layers have to leverage IT and technology to sustain business growth through innovation and differentiation. A numbers of retail players like DLF Retail, Khadims, diamexon Diamonds have expanded their SAP footprints to simplify business processes, reduce costs and adapt to the changing industry landscape. GPS and RFID technology can help in logistics and inventory management.
- **Customised solutions:** The Indian retail market is very heterogeneous in nature. The dynamics for various segments change with the geography and other cultural factors. The challenge for the retailer is to keep this heterogeneous nature of the target market in mind and to balance it with other issues like economies of scale.
- **Investing in retail brand (store brand):** A strong retail brand is a critical success factor. The retailers should invest in brand building activities which would help them in attracting new customers as well as retaining the existing ones. The strong retail brand will allow the retailers to push through “private labels “which would strengthen their bottom line.

- **Customer Relationship Management (CRM):** The retailers have to come up with innovative CRM activities to retain their customer base and to add on to their brand value. CRM activities like loyalty programs have been received well by the customers in the past.
- They should go for merchandise up scaling because it is where the money is.
- They should be Improving operational effectiveness and focusing on product development.
- They should try to achieve operational excellence through lean management.
- Benefits which can be achieved by improving the organized retail
- They should employ people with following qualifications for different profiles.
- The skill gaps should be fulfilled for Store operations.

Level	Skills Required	Skill Gaps
Store Manager/ Department Manager	<p><u>Functional Skill</u></p> <ul style="list-style-type: none"> <li>● Responsible for the day-to-day management of a department/store.</li> <li>● Proficient with spreadsheet and word processor tools to analyse sales and generate sales reports.</li> <li>● Ability to devise, suggests, as well as executes sales promotion programmes depending on the sales analysis.</li> <li>● Understanding of various aspects of customer behaviour. For e.g., the profile of customer as user/buyer will have impact on selection of merchandise. The person should be able to communicate these insights to the sales personnel in an effective manner.</li> <li>● Understanding of the local market to devise/alter/provide inputs for the CRM initiatives, sales promotion and in-store advertising, Awareness of local festivals and other important occasions.</li> <li>● Detailed product knowledge to train sales associates.</li> <li>● Knowledge of offerings of competing stores/brands.</li> <li>● Knowledge of product and ability to communicate the same to the customer.</li> <li>● Ensure optimum stock levels and avoid stock outs. Co-ordinating with logistics. Optimum inventory levels have a major impact on the store top-line and bottom-line.</li> <li>● Identify and finalize vendors(when small format/de-centralised.)</li> <li>● Ability to negotiate with vendors to resolve issues relating to the quality and price of products.</li> <li>● Ability to handle difficult/demanding customers.</li> </ul> <p><u>Soft Skills:</u></p> <ul style="list-style-type: none"> <li>● Strong communication skills to interact with the store employees and customers. Depending on the format, it is required to have proficient knowledge of English and/or the relevant vernacular language.</li> <li>● Written communication skills(English) for sales and other routine reports.</li> <li>● Man management skills to motivate the store employees in an ever-demanding work atmosphere.</li> <li>● Ability to maintain inventory, achieving targets and maintaining store margins.</li> </ul>	<ul style="list-style-type: none"> <li>● Inadequate understanding of cross functional activities such as logistics, in store marketing and merchandising is limited.</li> <li>● Man management skills to keep the employees motivated in the demanding work environment.</li> <li>● Ability to adapt quickly to the changing customer/market trends.</li> <li>● Insufficient knowledge of completion both in general and specifically local to the catchment area of the store.</li> </ul>
	<p><u>Functional Skills:</u></p> <ul style="list-style-type: none"> <li>● The ease of transaction is a key factor in ensuring customer convenience. Key responsibilities involve accurate and quick transaction processing.</li> <li>● Requisite computer skills, Understanding of transaction software/hardware such as bar code reading machines, etc.</li> <li>● Knowledge of handling credit/debit card payments.</li> <li>● Total cash &amp; credit-card transactions and compare with cash</li> </ul>	<ul style="list-style-type: none"> <li>● Inadequate knowledge of processing of transaction and managing cash</li> <li>● Inadequate knowledge of software related to transaction processing</li> </ul>

Transaction processing Associate/Billing associate	<p>register receipts and enter the results in financial records, reporting cash surpluses or shortfalls.</p> <ul style="list-style-type: none"> <li>● Solving minor transaction software problems</li> <li>● Knowledge of offers underway in the store and its implications on billing.</li> </ul> <p><u>Soft Skills</u></p> <ul style="list-style-type: none"> <li>● Good interpersonal skills to interact with the customers in a friendly manner. Ability to handle customers with patience when credit-card transaction is not approved, a requested item is out of stock or a refund cannot be issued.</li> <li>● Good oral communication skills to interact with the store employees and customers. The executive should be able to communicate and explain the billing amount to the customers.</li> <li>● A working knowledge of English and/or vernacular language(s).</li> </ul>	<ul style="list-style-type: none"> <li>● Inadequate soft skills ability to interact with customers in the presence of a long queue.</li> </ul>
Customer service representative/Sales Associates/Sales person	<p><u>Functional Skills</u></p> <ul style="list-style-type: none"> <li>● Knowledge of current sales promotion schemes of the company and ability to communicate the same to the customers.</li> <li>● Ability to sell- i.e., selling skills</li> <li>● Knowledge of policies regarding exchanges.</li> <li>● In depth knowledge of store offerings. The person should be aware of the offerings of competing stores/brands. For e.g., in case of sales person engaged in apparel retail, knowledge of type of fabrics, styles, etc. of competing brands would be important.</li> <li>● Knowledge of product features such as : <ul style="list-style-type: none"> <li>- Brand options</li> <li>- Warranties</li> <li>- Features and benefits</li> <li>- Use/application</li> <li>- Shelf life/use by dates</li> <li>- Care and handling</li> <li>- Storage requirements</li> <li>- Product/Ingredient/Material</li> <li>- Safety features</li> <li>- Price</li> <li>- This is specifically important for retailers offering</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>● Inadequate product specific knowledge, especially at the entry level.</li> <li>● Inadequate understanding of sales promotion, marketing and other schemes.</li> <li>● Inadequate communication skills and interpersonal skills is the major concern as it is relatively easier to bridge gaps in functional skills.</li> </ul>
Merchandising Manager/Sr. Merchandising Manager	<p><u>Functional Skills</u></p> <ul style="list-style-type: none"> <li>● Ability to conceptualise and execute window and in-store display</li> <li>● Ability to position signage at key locations</li> <li>● Responsible for the overall feel of the stores and for creating a pleasant shopping ambience. The look and feel has to be consistent across stores and need to be modified at suitable intervals to sustain customer interest.</li> <li>● Ability to understanding of visual merchandising concepts, designing store layouts, visual displays in store windows and on the sales floor. This is required as retail space in a store is limited and has to ensure that the 'Retail Brand' is communicated properly.</li> <li>● Understanding and knowledge of current market trends-ability to ensure that items in high demand get more share of the shelf space. For e.g., an apparel retail merchandiser should know the colours, designs which are doing well at the sale counters and give more focus to the same.</li> <li>● Knowledge of products and customer behaviour.</li> </ul> <p><u>Soft Skills</u></p> <ul style="list-style-type: none"> <li>● Good oral communication and interpersonal skills to liaison with marketing/purchase and other departments.</li> <li>● Adequate reporting skills</li> <li>● Knowledge of data analysis and the requisite tools such as spreadsheet to analyse sales trends.</li> </ul>	<ul style="list-style-type: none"> <li>● Shortage of people with knowledge of merchandising concepts. Also, the number of SKUs (Stock Keeping Units) handled in a retail store is very large and hence it necessitates prior experience.</li> <li>● Inadequate understanding of merchandising and its impact on the same- e.g., ease of access, relative position in the shelf, location in the trading area.</li> <li>● Soft skills required for co-ordinating with other departments.</li> </ul>
Marketing Manager/Sr.	<p><u>Functional Skills</u></p> <ul style="list-style-type: none"> <li>● Knowledge of data analysis and the requisite tools like</li> </ul>	<ul style="list-style-type: none"> <li>● Ability to translate marketing knowledge to</li> </ul>

Marketing Manager/Marketing Officer	<p>spreadsheets to formulate loyalty programmes and other CRM initiatives.</p> <ul style="list-style-type: none"> <li>• Ability to monitor the various CRM initiatives to gauge their effectiveness and make suitable modifications from time to time.</li> <li>• Understanding of customer profile to develop in store marketing campaigns and sales promotion activities.</li> <li>• Ability to understand customer behaviour. Should be aware of the seasonality factors to ensure proper timing of the sales promotion schemes.</li> <li>• Ability to coordinate with media agencies</li> <li>• Knowledge of CRM/sales promotion activities of competing retail outlet. Should be able to develop schemes which can break through the clutter.</li> </ul> <p><u>Soft Skills</u></p> <ul style="list-style-type: none"> <li>• Oral Communication skills are essential for coordinating with the various store managers and ensuring that the various campaigns are executed properly.</li> <li>• Good writing skills(English) to generate routine reports. Good knowledge of vernacular language is also desirable for better marketing communications</li> </ul>	<p>a retail perspective and increase footfalls as inadequate.</p> <ul style="list-style-type: none"> <li>• Insufficient ability to quickly adapt to changing market dynamics and modify the marketing campaigns. Creative approach to the various campaigns is also desirable.</li> <li>• Inadequate soft skills for co-ordinating with other departments.</li> </ul>
Marketing	<p><u>Functional Skills</u></p> <ul style="list-style-type: none"> <li>• Responsible for executing the marketing</li> </ul>	

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### Author(s) Profile



**Dr. Mehal Pandya**, received the MBA degree from U. P. Technical University, Lucknow in 2006-2008 with dual specialization of Marketing and Human Resource. Completed Ph.D. in 2016 from B. K. School of Management in Marketing. Having 8 years of an Academic experience. Currently working as Deputy Director, KMRO at Dr. BAOU.