



**Retail**

**Management**

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# Retail Management

(As per the Revised Syllabus 2016-17 of Mumbai University for  
T.Y. BMS, Semester – VI)

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## **Preface**

It gives us a great pleasure to present the first edition of the book on "*Retail Management*". This book is written as per the revised syllabus for the teachers and students of TYBMS.

We have covered all the topics under the syllabus giving practical insight into the subject. We sincerely request the teachers and students to give us your valuable feedback.

We thank our publisher M/S Himalaya Publishing House Pvt. Ltd. for giving us the opportunity for writing this book. We would also like to take this opportunity to specially thank Mr. S.K. Shrivastava of Himalaya Publishing House for constantly encouraging and supporting us. We would also like to thank Ms. Archana who has been in touch with us and extending all possible support to us.

**Prof. Booma V. Halpeth**

**Prof. Dr. Veena Prasad**

# Syllabus

S.No.	Modules	No. of Lectures
1.	Retail Management – An Overview	15
2.	Retail Consumer and Retail Strategy	15
3.	Merchandise Management and Pricing	15
4.	Managing and Sustaining Retail	15
	<b>Total</b>	<b>60</b>

## Objectives

S.No	Objectives
1.	To familiarize the students with retail management concepts and operations
2.	To provide understanding of retail management and types of retailers
3.	To develop an understanding of retail management terminology including merchandise management, store management and retail strategy
4.	To acquire the students with legal and ethical aspects of retail management
5.	To create awareness about emerging trends in retail management

SN	Modules/Units
1.	<p><b>Retail Management – An Overview</b></p> <p>(a) <b>Retail Management</b> Introduction and Meaning, Significance, Factors Influencing Retail Management, Scope of Retail Management.</p> <p>(b) <b>Retail Formats</b> Concept of Organized Retailing, Factors Responsible for the Growth of Organized Retail in India, Multichannel Retailing, Meaning and Types, E-tailing, Meaning, Advantages and Limitations.</p> <p>(c) <b>Emerging Trends in Retailing</b> Impact of Globalization on Retailing. IT in Retail: Importance, Advantages and Limitations, Applications, of IT in Retail, EDI, Bar Coding, RFID Tags, Electronic Surveillance, Electronic Shelf Labels. FDI in Retailing, Meaning, Need for FDI in Indian Retail Scenario. Franchising, Meaning, Types, Advantages and Limitations, Franchising in India. Green Retailing. Airport Retailing.</p>
2	<p><b>Retail Consumer and Retail Strategy</b></p> <p>(a) <b>Retail Consumer/Shopper</b> Meaning of Retail Shopper, Factors Influencing Retail Shoppers, Changing Profile of Retail Shoppers, Market Research as a Tool for Understanding Retail Markets and Shoppers.</p> <p>(b) <b>CRM in Retail</b> Meaning, Objectives, Customer Retention Approaches, Frequent Shopper Programme, Special Customer Services, Personalization, Community.</p> <p>(c) <b>Retail Strategy</b> Meaning, Steps in Developing Retail Strategy, Retail Value Chain.</p> <p>(d) <b>Store Location Selection</b> Meaning, Types of Retail Locations, Factors, Influencing Store Location.</p> <p>(e) <b>HRM in Retail</b> Meaning, Significance Functions. Organization Structure in Retail: Meaning, Factors Influencing Designing Organization. Structure, Organization Structure for Small Stores/Single Stores/Independent Retailers and Retail Store Chain/Department Store.</p>
3.	<p>Merchandise Management and Pricing</p> <p>(a) <b>Merchandise Management</b> Concept, Types of Merchandise, Principles of Merchandising, Merchandise Planning, Meaning and Process, Merchandise Category, Meaning, Importance, Components, Role of Category Captain, Merchandise Procurement/Sourcing, Meaning, Process, Sources for Merchandise.</p>

	<p><b>(b) Buying Function</b>  Meaning, Buying Cycle, Factors Affecting Buying Functions, Functions of Buying for Different Types of Organizations, Young and Rubicam's Brand Asset Valuator, Independent Store, Retail Chain, Non-store Retailer.</p> <p><b>(c) Concept of Lifestyle Merchandising</b></p> <p><b>(d) Private Label</b>  Meaning, Need and Importance, Private Labels in India.</p> <p><b>(e) Retail Pricing</b>  Meaning, Considerations in Setting Retail Pricing.  Pricing Strategies.  High/Low Pricing: Meaning, Benefits, Everyday Low Pricing, Meaning, Benefits, Market Skimming, Market Penetration, Leader Pricing, Odd Pricing, Single Pricing Multiple Pricing, Anchor Pricing.  Variable Pricing and Price Discrimination, Meaning.  <b>Types:</b> Individualized Variable Pricing/First Degree Price.  Self-selected Variable Pricing/Second Degree Price Discrimination, Clearance and Promotional Markdowns, Coupons, Pricing, Bundling, Multiple Unit Pricing.  Variable Pricing by Market Segment/Third Degree Price Discrimination.</p>
<b>4.</b>	<b>Managing and Sustaining Retail</b>
	<p><b>(a) Retail Store Operations</b>  Meaning, Responsibilities of Store Manager, The 5S's of Retail Operations (System Standards, Stock, Space Staff).</p> <p><b>(b) Store Design and Layout</b>  Store Design: Meaning, Objectives, Principles, Elements of Exterior and Interior Store Design, Store Atmospheric and Aesthetics.  Store Layout: Meaning, Types, Grid, Racetrack, Free Form.  Signage and Graphics: Meaning, Significance, Concept of Digital Signage.  Feature Areas: Meaning, Types, Windows, Entrances, Freestanding Displays, End Caps, Promotional Aisles, Walls, Dressing Rooms, Cash Wraps.</p> <p><b>(c) Visual Merchandising and Display</b>  Visual Merchandising: Meaning, Significance, Tools Used for Visual Merchandising.  The Concept of Planogram.  Display: Meaning, Methods of Methods of Display, Errors in Creating Display.</p> <p><b>(d) Mall Management</b>  Meaning and Components, Positioning, Zoning, Promotion and Marketing Facility Management, Finance Management.</p> <p><b>(e) Legal and Ethical Aspects of Retailing.</b>  Licenses/Permissions Required to Start Retail Store in India, Ethical Issues in Retailing.  Career Options in Retailing.</p>

# Paper Pattern

**Duration: 2.5 Hours**

**75 Marks**

**N.B:** 5 questions of 15 marks each.  
All questions are compulsory

**Q.1. Attempt any two:**

(a)

7.5 Marks

(b)

7.5 Marks

(c)

7.5 Marks

**Q.2. Attempt any two:**

(a)

7.5 Marks

(b)

7.5 Marks

(c)

7.5 Marks

**Q.3. Attempt any two:**

(a)

7.5 Marks

(b)

7.5 Marks

(c)

7.5 Marks

**Q.4. Attempt any two:**

(a)

7.5 Marks

(b)

7.5 Marks

(c)

7.5 Marks

**Q.5. Case Study**

15 Marks





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## Unit I : Retail Management – An Overview

# 1 Introduction to Retail Management

### Introduction

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We human beings have inherent need for things. It may be a toothpaste, shampoo, soap or apparel but we tend to shop for these things. Shopping generally refers to the act of buying products. Sometimes this is done to obtain final goods, including necessities such as food and clothing; sometimes it takes place as a recreational activity. Recreational shopping often involves window shopping and browsing. It does not always result in a purchase. Retailing is one of the oldest concept in the world and is the last stage of any economic activity. With the development of human civilization the interaction between the producers and the consumer improved. Retail management focuses on all the activities involved in selling the goods or services to the final consumer. People living in urban areas are familiar with retailing as there are number of different types of shops competing to sell their products. While retailing in rural areas is more unorganized and generally there are few shops that sell as per the requirement of the local consumer.

### Meaning of Retail

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Retail comes from the Old French word *tailleur*, which means “to cut off, clip, pare, divide” in terms of tailoring (1365). It was first recorded as a noun with the meaning of a “sale in small quantities” in 1433 (from the Middle French *retail*, “piece cut off, shred, scrap, paring”). Like in French, the word *retail* in both Dutch and German also refers to the sale of small quantities of items.

According to Philip Kotler, “Retailing includes all the activities involved in selling goods or services directly to the final consumer for personal or non-business use.”

Retailing involves more than just selling tangible products. Purchase of a train ticket, dry cleaning, home delivery of goods also involve retail transaction. The word final consumer is very important in retailing. The people who buy the product are the final players in the buying process. There may also be intermediate customers. For example a hotel buying masalas from a wholesaler, a car manufacturer buying parts from another manufacturer.

Retailing involves:

1. Identifying target markets (customers)
2. Interpreting needs of the targeted customers
3. Developing good assortments of merchandise
4. Presenting them in a manner that the consumer finds easy and attractive to buy.

According to David Gilbert “any business that directs its marketing efforts towards satisfying the final consumer based upon the organisation of selling goods and services as a means of distribution.”

The above definition highlights the key concept i.e., final consumer who is important element of distribution chain and the final consumer is presumed to be the final user of a purchase. Retail transaction is not merely selling products it also includes selling intangible services as well.

## Importance of Retailing

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The importance of retail sector to the economy is significant as it is the final link in the production chain forging a link between the manufacturers and the final consumers.

According to the Indian Brand Equity Foundation, the Indian retail industry has emerged as one of the most dynamic and fast-paced industries due to the entry of several new players. It accounts for over 10 per cent of the country's Gross Domestic Product (GDP) and around 8 per cent of the employment. India is the world's fifth-largest global destination in the retail space.

It is expected that by 2020 the retail market in India would double to US\$1 trillion from US \$ 600 billion in 2015 which is driven by income growth, urbanisation and attitudinal shifts. India's Business to Business (B2B) e-commerce market is expected to reach US\$ 700 billion by 2020 whereas the Business to Consumer (B2C) e-commerce market is expected to reach US\$ 102 billion by 2020. Online retail is expected to be at par with the physical stores in the next five years.

India would join the bandwagon of fastest growing e-commerce market which would be driven by vigorous investment which would be supported by the increase in the number of internet users. It is expected that Indian e-commerce sales is expected to reach US\$120 billion by 2020 from US\$30 billion in 2016. India's e-commerce market is expected to reach US\$ 220 billion in terms of gross merchandise value (GMV) and 530 million shoppers by 2025, led by faster speeds on reliable telecom networks, faster adoption of online services and better variety as well as convenience

In the United States the sales of retail sector is about US\$ 2 trillion. The annual sales of Wal-Mart, K-mart, and sears exceeds the annual sales of Procter and Gamble, PepsiCo and RJR Nabisco together. Organised retailing is still a newer concept in India, however, it is expected to grow in the coming years.

## Significance of Retail Management

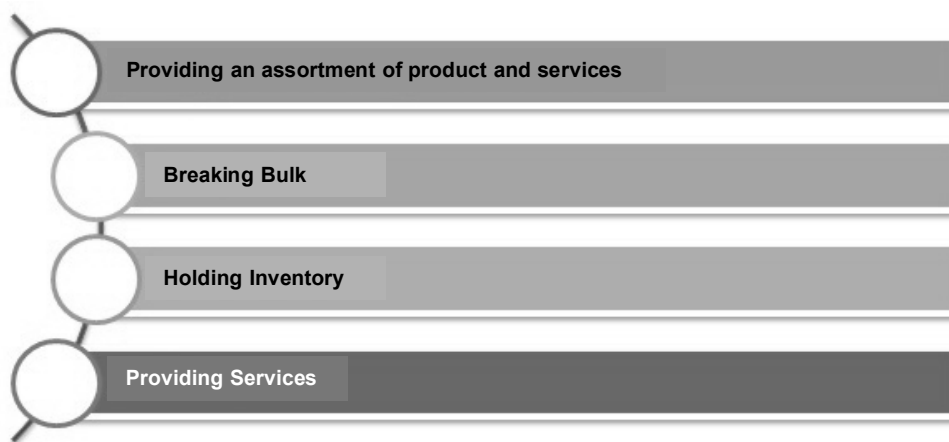
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The impact of retailing on the economy is quite significant. It generates high annual sales and also the employment. It offers a number of career opportunities to name a few are: store management, merchandising and owning a retail business.

It facilitates consumers' choice by offering wide variety of products and services. In addition, it creates place, time and possession utilities. It enhances the product's image. The retailers participate in the sorting process by offering wide variety of goods and services from different suppliers on sale. The retailer's strategy influences the width and depth of the assortment.

They provide information to consumers through advertising, displays and signs and sales personnel. Marketing research support is given to other channels, members. Retailers also store merchandise, mark prices on it, display them. The retailers pay for the merchandise before selling to the end consumers. They decide the location, timings, credit policies, delivery etc.

Retailers create value in below ways



### Providing Assortments

Supermarket offers wide assortment of goods and it offers almost 20,000 to 30,000 varieties. The wide assortment enables the consumers to choose different products, brands, prices at one location. In a hypothetical sense if we assume each of these retailers sell only their own products, consumers would have to go to different retailers to fulfill their requirement which may not be preferable.

### Breaking Bulk

The manufacturers and wholesalers in order to reduce the cost ship in bulk the goods to the retailers. Retailers in turn offer these goods in small quantities tailored to the requirement of the consumer according to his consumption patterns. This activity is called breaking bulk. This process is important to both manufacturers and consumers. It facilitates manufacturers to ship merchandise in larger quantities and consumers can purchase in smaller quantities.

### Holding Inventory

The retailers hold the inventory of the products so that whenever the consumers demand them the product is made available. The consumers too buy smaller quantities as they know the product is available as and when they need it.

## Providing Services

Retailers provide services that make it easier for customers to buy and use products. For example, retailers offer credit so that consumers can have a product now and pay for it later. They display products so that consumers can see and test them before buying. Some retailers employ salespeople in stores or maintain Web sites to answer questions and provide additional information about products.

## Factors Responsible for Growth of Retail Sector

The following are the factors that have played a key role in the development and growth of the retailing industry in India

- 1. Consumer Pull:** It is one of the largest factor that has contributed to the growth of the retail sector in India. The retailers are trying to offer a range of products and services to satisfy the needs of the middle and upper class customers. These customers are seeking products at affordable prices that not only offer value but also convenience. The modern retailers provide a range of products, attractive prices, ambience, value added services like credit and debit card payment, etc. thereby making themselves attractive to all the buyers. The growth of population in rural and urban markets are further affecting the retail industry. In addition increase in the number of double income families has also increased the demand. The retailers are also trying to offer a range of higher quality and better assortment of goods through their outlets. Hypercity in Thane offers everything under one roof. They provide the right ambience with wide assortment and attractive offers to attract the consumers.
- 2. Changes in Social structure and Consumer Behaviour:** Indian women especially in the urban areas are highly educated, professionally qualified and employed. Apart from maintaining balance between work and personal life she has to manage her household, as her family is nuclear. With an increase in the family income consumers are looking for a different lifestyle. They look for one-stop shopping and look for more information, assortment, quality, attractive ambience and good customer service. Customers are seeking value for money for the goods purchased and these needs are taken care by the supermarkets, departmental stores and so on. Nuclear families are common concept in the urban areas and it is common to see the family members going for shopping together and they look for places that not only offer shopping but also eating joints and entertainment. Today the malls offer a large variety in terms of categories, formats, movies and food courts which add convenience and fun to the shopping. The initiatives taken by the retailers not only help in creating differentiation but also provide different value propositions to the consumer.



- 3. Retailer proximity to Consumers:** The manufacturers produce the product as per the needs of the consumers and the goods will reach the consumers through the distributors. The retailers provide a vital link between the manufacturers and the consumers. Retailers are able to understand the market and the needs of the consumers and communicate the same to the manufacturers. Food retailing in India is still in its early stages. It was influenced by the west. But based on the feedback from the customers the manufacturers are changing. Indian consumers prefer to touch and feel the products before they buy. They also prefer to buy fresh vegetables and fruits and consume less of processed and packaged food. Food retailers such as Reliance, Nilgiris has captured this trend and stock more of fresh food in their outlets.



Image of a Nilgiri outlet selling fresh fruits and vegetables

4. **Evolution of family owned establishments:** Indian consumers used to make their purchases from local family run businesses. These stores offer customers not only wide range of products but also convenience of payment and competitive prices. However, with the exposure and increase in the income many households prefer to have a different lifestyle and a good shopping experience. This emerging need of the consumer is catered to by the retail stores like Reliance retail and Vijay Sales. They know that they can create an overall retail experience and thereby enhance the customer brand interaction. Vijay Sales outlet namely VS digi caters to the needs of the consumers with a wide range of specialised electronic products.



VS digi is an outlet of Vijay Sales offering specialised products.

- 5. Emerging Rural Markets:** Indian rural markets are emerging as retail consumption units. The rural consumers are willing to shed their inhibitions in order to try different product categories. The middle class population among the rural areas is increasing and amount to 17 percent of the total rural population. Hence the marketers are trying to identify rural retail formats and innovative marketing strategies to reach out to these rural customers.



Kurunji Max Supermarket in Kumbakonam

- 6. Changes Occurring in the Retail Scenario:** Retailers are trying to incorporate a number of innovations with maximum focus on customer, minimum price interventions, maximum value for money and minimum problems. Some of the techniques used by the retailers include introducing design labels, revenue sharing formulae, new return on investment models, enhancing the sales staff quality and increasing overall operation efficiencies. Departmental stores such as Shopper's stop, Westside, etc. have started their own labels and have helped in creating a store image. The malls are trying to attract their customers through the display of brands both old and new. The Forum mall adopts revenue sharing model where there is an agreement with the tenants regarding revenue sharing and minimum guarantee. This is beneficial for both the retailers and the mall promoters. Tie up with foreign partners is also another trend. Stores like Crossroads are in talks with Pyramyd for strategic tie-ups with Australian and Far East retail players. Retailers also hire retail specialists who are process integrators who have specialised domain knowledge.

Franchising is an emerging format in retailing. Retail sectors dealing with apparel and fashion retailing were the ones to adapt. Bata, Liberty, Nike, Raymond, Reebok, Wills sport, etc. are examples of retailing. Retailers like Foodworld, Viveks, etc. are using innovative methods to attract the consumers.





Viveks outlet in G.N.Chetty Road, Tnagar, Chennai

7. **Foreign Direct Investment:** Foreign direct investment has helped organised retail grow significantly in several countries. However, the Indian government does not have a clear-cut policy regarding FDI due to the fear of harming small traders. Global consultants are of the view that the organised players occupy only 10 per cent of the retail space hence it shouldn't harm the small traders. Thus, FDI would facilitate the development of ancillary industries as well as the required infrastructure.

UK designer label FCUK has introduced its watch collection in India as part of the first phase of its entry into the country. The collection, being marketed by Timex etches is said to offer a mix of super cool, trendy, funky, vintage and contemporary classics. The range is available in 27 designs of which 12 are of men, 14 for women and one is unisex. The watches are priced between INR 6000 and INR 11000.

US' largest selling apparel brand Tommy Hilfiger will be launched in India through Arvind Murjani Brands, as a joint venture of the Murjani and Lalbjai groups, for marketing and distribution of the brand in India.

Funskool has entered into an agreement with Japan's Tomy toys to sell the latter's range of toys in India for infants and pre-school children. The license agreement is for an initial period of two years.

8. **Corporate Interest in Retailing:** A number of corporates are showing keen interest in setting up retail stores. Reliance industries has set up Reliance fresh a convenience store format across the country in the lines of 7\*11 stores where fresh farm produce fruits, vegetables, milk and other day to day requirement is met. In addition, in line with the supermarket format, Reliance Mart has been set up across the country.

Tata group has set up its chain of stores under the brand name Star bazaar which follows the hyper market format. Aditya Birla group has set up its More outlets which offers a range of merchandise including food, apparels, electronics, household utilities and so on.



Star Bazaar Outlet offering wide assortment of goods

## Scope of Retail Management

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The Indian retail sector is currently estimated to be at USD 396 billion and is expected to grow at 12% according to the study done by Deloitte. The Indian retail industry has over 12 million outlets, which is the largest number of retail outlets in the world. Indian retail sector contributes 22% to the GDP of the country and provides 8% employment according to the research and markets. Organised

retail according to Deloitte accounted only for 15% of the total market and is likely to have a share of 21%. Food and grocery segment is the highest contributor in the retail sector. India offers a very attractive market for retail investment and has moved to the 4<sup>th</sup> position from its 1<sup>st</sup> position as per the AT Kearney's annual Global Retail Development index (GRDI) for three consecutive years. India is at 44<sup>th</sup> position among the world's top retailers in the list of preferred destinations. Today the concept of shopping has undergone a dramatic change in terms of the format and consumer buying behaviour is bringing in a major revolution. Modern retail in India consists of shopping centers; multi-storeyed malls and huge complexes offer shopping, entertainment and food all under one roof. The demography of India has also undergone a sea of change with a large number of the population being young work ers in the age group of 24 years and nuclear families in urban areas along with increasing working women population. There is a significant surge in the employment opportunities in the services sector as it is going to be the key growth driver of the organised retail sector in India.

As per the survey done by Deloitte the total retail spending in India is going to double in the next five years and among them the organised retail, which is currently growing at the rate of 22% is estimated to be 21 of the retail expenditure. The food and grocery segment is the highest contributor of retail sector with major contribution from the traditional retailers and the modern retail will contribute primarily in the clothing and fashion segment.

So all of the above indicates the vast scope for retail management.

### Case Study

The scope of the Indian retail market is immense for this sector is poised for the highest growth in the next 5 years. The **India retail industry** contributes 10% of the country's GDP and its current growth rate is 8.5%. In the Indian retail market the scope for growth can be seen from the fact that it is expected to rise to US\$ 608.9 billion in 2009 from US\$ 394 billion in 2005.

The organized **retailing sector in India** is only 3% and is expected to rise to 25-30% by the year 2010. At present around 325 departmental stores, 300 new malls, and 1500 supermarkets are under construction. This proves that there is a tremendous scope for growth in the Indian retail market.

The growth of scope in the Indian retail market is mainly due to the change in the consumer's behaviour. For the new generation have preference towards luxury commodities which have been due to the strong increase in income, changing lifestyle, and demographic patterns which are favourable.

The scopes of the Indian retail market have been seen by many retail giants and that's the reason that many new players are entering the India retail industry. The major **Indian retailers** are: Pantaloons Retail India Ltd, Shoppers Stop, Bata India Ltd, Music World Entertainment Ltd, Tesco, etc.

Judging the scope for growth in the Indian retail industry, many global retail giants are also entering the Indian retail market.

The **scope for growth in the Indian retail market** is seen mainly in the following cities: Mumbai, Delhi, Pune, Ahmedabad, Bangalore, Hyderabad, Kolkata, and Chennai.

The scope of the Indian retail market is very vast. And for it to reach its full potential, the government and the Indian retailers will have to make a determined effort.

### Questions

1. Analyse the case.
2. How do you think the growth of retail sector would have an impact on the economy?

### Answer the following:

1. Define Retail Management. State its importance.
2. Explain the significance of retail management.
3. Enumerate the factors that contribute to the growth of retail management.
4. Discuss in detail the scope of retail management.

