HISTORY OF THE DEVELOPMENT OF MODERN INDIAN RETAILING

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ABSTRACT: India's modern-format food & grocery retail industry is examined in this article. The years 1971 through 2001 are the topic of this book. We're conducting mainly exploratory studies here. Interviews with key decision-makers and opinion leaders in the channel, fast-moving consumer products manufacturers and other primary research sources included in-depth discussions in focus groups as well as a questionnaire survey. Studying Indian retail at that time necessitated an examination of existing literature. Manufacturing and unorganised merchants play a significant part in the growth of modern retail in India and the increasing purchasing power of Indian consumers. When it comes to micro-level factors such as entrepreneurial and societal desire for better service to clients, social want for cheaper costs for the masses, desire to capitalise on developing business opportunities, etc. The research was exploratory in character and attempted to explore the role of various stakeholders in the development of modern retail in India as an early work in this field. It doesn't employ any statistical methods to support or disprove any theory. The company's main focus is on the retail food and grocery industry. Academics and practitioners alike will benefit from the paper's historical viewpoint.

KEYWORDS: Retailing, Food & drink products, Development, Modern history, India.

INTRODUCTION:

It's becoming increasingly commonplace for major Indian business houses to enter or develop their retail operations rapidly. Food and grocery retail, which had been a sluggish starter, is now the most talked about industry. Modern retail penetration in the food and grocery retail industry is the lowest at 0.8 per cent, according to a new report [1]. It's an appealing business opportunity for multinational corporations because of the low penetration rate and the 42.1 percent of the total consumer purchasing basket that food & grocery retail offers. It is thus that Indian business houses and corporations, such as those owned by the Reliance Group of Mukesh Ambani, Future Group of Kishore Biyani (Food Bazaar), RPG Group of Spencer's Retail, the Aditya Birla Group, Wadhawan Holdings (Spinach), the Godrej group (Nature's Basket & Godrej Aadhar), Subhiksha, J Raheja group (Hypercity), etc. are driving the forays into food and grocery retail through various models [2], such as single-format, mulit-format, etc. All of this culminates in our expectation for the first Bharti-Wal-Mart outlets to open in early 2008. In particular, food and grocer retail has taken a long time to get to this degree of development in India. Modern retail in India took off in the mid-1990s, according to common belief, as a result of India's economy liberalising and globalising in the early 1990s and increasing consumer purchasing power. According to studies, Nilgiris, Bangalore's first "supermarket," opened its doors in 1971, making it the country's first modern retail establishment. While many businesses have attempted to enter the (food or grocery) retail industry since, only a few have managed to become household names. Trinetra from Hyderabad, Margin Free from Kerala, Foodworld from Chennai, etc. TVS' Stop & Shop in South India and Nanz's collapse in northern India were two of the most notable examples of companies that went out of business [3].
Rather than being a single event, the rise of modern retail has been a 30-year process, starting with traditional brick-and-mortar stores and ending with self-service, self-contained stores at the turn of the twenty-first century. Many single-store retailers in India today have "traded-up" from traditional counter-format stores and are now partially or totally self-service. This article focuses on food and grocery retail, which is the world's largest retail business in any country and over the world. In early 2003, a brief summary of a study on the development and growth of organised retail in India was published. Specifically, it looked at the roles of producers, retailers, and consumers in the growth and the development of organised retail in India [4].

THE EVOLUTION OF TRADITIONAL RETAIL OVER TIME:

Before attaining independence in 1947, India was engulfed in an impoverishment-driven cycle marked by extremely low per capita spending and some of the world's lowest income [5]. The emphasis in retail was on basics rather than frills. Shops maintained by people and wet markets or bazaars made up the bulk of retail establishments. Public distribution shops (PDS) run by the government and a variety of co-operatives were also options. Having self-service was not an option in any of these stores. A single supermarket wasn't even believed to exist in the entire country of India till as early as the 1960s. By the turn of the century, there were almost 12 million counter-service type stores in the United States. Food and grocery items in the form of fast-moving consumer goods (FMCG) were the primary emphasis of the majority of these stores, which sold at or over the maximum retail price (MRP). Customers can get a credit card at many of the stores. While grocery kirana stores account for most retail sales volume, wet markets are estimated to account for around 70% of retail stores retail sales in terms of value [6]. It is common for wet markets to trade in a wide range of food items, low-end goods including clothing and footwear, and miscellaneous commerce. The typical convenience store and paan-bidi stores are two more popular retail styles. In India, street vendors and mobile sellers have played an essential role in retailing outside of brick-and-mortar stores. There has been modest growth in some market segments like fresh vegetables despite their numbers having decreased over time [7].

In India, you'll also find a variety of specialty stores. The atta chakki (flour mill) was a popular alternative to purchasing loose flour from the grocery store, as it allowed people to grind their own grains at home. In many sections of the country, mustard oil was the primary source of edible oil, and many households would purchase loose mustard oil from the oil mills rather than purchase bottled mustard oil from grocery stores. Individual milk-men used to deliver fresh milk to many families every morning, and the idea of buying packaged milk from grocery stores was not yet commonplace. Single hawkers once sold eggs in the wet market in many cities and towns, and few people would buy them from grocery shops. Even today, in many country regions, meat can be purchased in specialty stores, either inside or outside the wet market. Wet bazaars were the most common place to find fish, with specialty/standalone shops only appearing in a handful of instances. Bakery goods, confectionery, and milk-based food items also were sold mostly at specialty stores. Traditional specialty food stores have been steadily decreasing in number over the years as grocery stores have expanded their product variety and demand for branded products like edible oil, wheat, etc., has grown. India's food and grocery chain-store model is a relatively new one. Despite the fact that the government-operated PDS resembled a chain of stores, it was never run from the perspective of a retail firm that would evaluate performance and profitability at the store level.

EVOLUTION OF MODERN RETAIL:

When we discuss modern retail, the terms large-scale; modern-format and organized are used rather synonymously in India. However, the three terms need not necessarily mean the same thing. Large-scale refers to the scale of retail business operation, which in turn relates implicitly to a chain of stores [8]. Modern-format basically refers to self-service. However, many of the self-service stores which call themselves "Supermarkets", are in the range of 500 square feet or less in size and are nothing more than independent mom-and-pop stores. And organized retail typically means large-scale chain stores which are corporatized, apply modern-management techniques and are very likely to be self-service in nature. Most of the organized retail market size estimates refer to only large-scale retail. For us, modern retail in this paper means self-service in both large-scale as well as small-scale. Contrary to the popular view where-in all credit for growth of modern retail goes to the consumer and their increasing purchasing power, it is found that consumers manufacturers, and retailers – all three – have been impacting the evolution process.

- **Manufacturers play an important role:**

Since the late 1970s, there has been a significant increase in the number of FMCG brands in many product categories. This notion can be illustrated with data from AC Neilson ORG MARG, a leading market research firm. SKUs in various categories have also expanded dramatically throughout this period, showing that different pack sizes and variants of each brand below each product category have increased over time. Toilet soap was one of the first product sectors to see an overabundance of brand names. Since then, the number has steadily decreased during the following ten years. Over the years, the number of people using these products has constantly climbed. A hundred percent increase in sales occurred between 1979 and 1998 for each category. Each category's sku count has likewise skyrocketed in recent years. The fastest-growing categories are hand and body washes.

Growth in brand numbers was particularly significant between 1979 and 1988; nevertheless, sku growth outpaced brand growth following that time period. The producers raised the number of pack sizes and varieties in each brand to enter the market at various price points further, as it was becoming increasingly difficult to bring newer brands into a market that was already cluttered with many brands. As the number of skus (and brands) expanded, manufacturers' pressure on merchants to stock more and more goods increased considerably. As the number of brands and skus has grown, so has the number of retail locations. On the other hand, outlets had grown at a slower rate than skus. To keep up with demand, shops were under greater pressure to carry an ever-increasing quantity of products. According to industry insiders, the number of companies producing these products has also expanded over time. Because of this, the battle for shelf space has intensified. Retail shelf-space availability has grown far more slowly than the amount of products, brands, and skus available to consumers, and this dynamic appears to have had a significant impact on the rise of self-service stores [9].

According to a poll of unorganised retailers, producers have increased their pressure on merchants to offer more things as the number of products, brands, and sizes available on the market has increased. Pressure from manufacturers/distributors was exerted on many merchants to increase the number of skus they carry. Pressure from the manufacturers was mostly caused by the increased competition among manufacturers for shelf space, which resulted in each and every manufacturer wanting to block as much shelf-space for themselves. This is to be expected, given that the number of skus has grown faster than the average amount of shelf space. Because of a strong push from manufacturers, retail stores were exploring ways to maximize their existing shop space use, and one option was to switch to a self-service structure.

- **RETAILERS PLAY A MAJOR ROLE:**

During our primary research, it was found that most retailers agreed that it was becoming increasingly difficult to provide excellent cross-the-counter customer service due to an ever-expanding product line (as a result of the proliferation of product lines and brands within each line, as well as the growth in the number of variants and skus). More and more people are becoming impatient with having to wait in line while the store is filled with other customers. Even though the merchant is ready to serve you, you may not get the best service since the retailer is under pressure from other customers waiting to be served. The result is a decrease in consumer loyalty and, ultimately, a loss of sales, which is something that no shop can afford in today's competitive market. According to retailers, consumers are more likely to buy more when they can browse, choose, and decide for themselves, who feel that converting from an over-the-counter to a self-service structure will enhance sales. The same store may stock and show more things in the self-service format than it can in an over-the-counter format, generating more sales for the store, given the same floor area. Many merchants believe that, even though their typical gross margins have remained stable in percentage terms, the overall costs of conducting business have increased. Retailers must expand their operations in order to keep the same level of cash flow from their business, and given that the amount of space available remains constant, the only option appears to be to open up the store and move toward a self-service model of business. This results in a rise in consumer satisfaction and a greater sense of loyalty to the retailer.

- **THE CONSUMER'S ROLE:**

Everybody knows that life is getting more and more difficult in urban India. A decrease in disposable time accompanies a rise in disposable money. Increasingly, consumers are both rich and busy. Consumers' preferences for various retail models are shifting dramatically across the country. The wet market, which is India's largest food and grocery retail outlet, is losing its appeal. Wet markets are seeing a decline in the number of shoppers. Consumer spending at neighbourhood stores, whether counter-format or self-service, on the other hand, is rising steadily over time. Many sections of the country no longer seem to practise daily grocery shopping, particularly at the wet market, as they did in the past. The increased purchasing power and home storage capacity of today's consumers is reflected in their increased frequency of shopping trips. It's a sign that you're "time-poor" yet "money-rich". Another factor is the desire for greater convenience in terms of shopping time and ease. Consumers' mobility has increased in tandem with their desire to own a car, even if convenience is defined as proximity to one's home. Consequently, grocery shopping is splitting into two distinct types: one including merely shopping and maybe being done quickly, the other involving shopping but having enough time on their hands. When you have access to current retail formats that allow you to combine it with entertainment, grocery shopping is no more just a need. Today's customers want to be able to interact with a wide variety of products from a wide variety of brands/skus before making a purchase decision. Convenience is a major factor in why people choose to buy necessities like bread, eggs, and milk at their local grocery store. Modern retail formats have been given new dimensions by changing consumer buying behaviors. Self-service has evolved because of consumers' desire to interact with the product. Aesthetics are becoming increasingly important to supermarkets, in part because going to the supermarket is no longer just something you have to do, but rather something you want to do. To be sure, supermarkets must keep staples like bread and eggs on hand to cater to neighbourhood residents who prefer to shop there every day and those from further away who may visit to combine their shopping needs with amusement. At any given time, the same person can represent a variety of distinct types of customers. Consumers who are pressed for time will do anything and everything to get in and out of the store as quickly as possible. The same person may be able to combine shopping and amusement at the same time. Occasionally, he will require a large shopping cart in order to pick up all of the different products on the shelf. At the conclusion of the work week, he may prefer to buy veggies that have been trimmed and cleaned and pre-weighed, whereas at the weekend he may want to touch things the loose vegetables to decide which ones to purchase. As a result, even within a single market segment, there are multiple sub-segments. Such segmentation can only be done inside the store in organised retail, and retailers are increasingly doing this to cater to diverse customer segments and maintain their loyalty. As a result, the growth of large-scale modern-format retailing is being influenced by changing consumer buying behaviours.

THE FIRST TO ENTER THE INDIAN RETAIL MARKET:

These four case studies examine the formation of four large-scale shops between 1971 and 2001 and shed light on their birth and provide an idea about their business, while the discussion above sheds light on the progression of modern retail – from counter to self-service. Nilgiris Supermarket was founded in Bangalore, South India, in 1971. On the other side of the country, Margin Free Supermarket was founded in Kerala in 1993. In 1996, Foodworld Supermarket opened its doors in Chennai (another Indian city in the southern state of Tamil Nadu). Finally, there was Mumbai's Food Bazaar, which opened in 2001 and is located in the western Indian city of Mumbai. The four of them are claimed to have grasped the many triggers for building large-scale retail business operations.

- **SUPERMARKET IN NILGIRI:**

In South India, Nilgiris has a significant regional presence. In 1971, it became the first Indian supermarket. It all began in the 1890s when the founders of Nilgiris Dairy Farm Ltd (NDFL) at Vannerpet, near Conoor, acquired an existing dairy firm from an Englishman going to England. In the mid-1940s, NDFL extended its dairy business by opening a milk bar and an ice cream parlour. As a result, it also established its own bakeries and confectionery factories. Formed a massive dairy company in Erode in 1962, which is now the primary milk-processing centre of the corporation. In 1970, NDFL was changed from a family partnership firm to a private limited corporation. It opened India's first self-service supermarket in 1971 at its Bangalore location, which is thought to have been the company's inception. In 2002-2003, the supermarket business generated an estimated Rs. 850 million ($20.24 million) in revenue, with Rs. 550 million ($13.09 million) coming from the company's own outlets and about Rs. 300 million ($7.15 million) came from selling the company's various products to franchisee-outlets and royalty income. Originally, the Bangalore store sold all of these milk-based foods and other miscellaneous things and had a coffee shop. A thorough study of supermarkets in Europe led Mr Chenniappan, the present owner's grandfather, to decide to turn his store into a self-serve supermarket in 1971, when he was still in charge. His family, relatives, and well-wishers were outraged by his plan to open a self-service shop and allow customers to purchase inside, fearing that thievery and looting would render the business unprofitable. To his family's chagrin, he eventually overcame their objections by following the best practices in industrialised countries and delivering high-quality service to his consumers. After converting to a self-service model, the results were positive. Since 1971, sales have increased by 15-25 percent annually for nearly the next ten years. It was decided that Nilgiris' ideal consumer was someone who was looking for a high-quality product but was also willing to pay a small premium for it. Bangalore's medium and upper-middle class residents and a small group of foreigners who had remained in the city after the British left were the principal customers. They used to buy bread, milk, and butter virtually every day at the grocery. Guests might also enjoy the adjacent restaurant, which had previously operated as a milk shop. In addition to cosmetics and toiletries, groceries were added in a huge way in 1975, with particularly the quickly non-eatable category, such as pulses, grains, etc., appearing on the shelves. At the time, there were something in the neighbourhood of 6,000 to 8,000 skus on the market divided up into 22 different categories, including everything from beauty and personal care products to bakery goods, dried fruits, frozen foods, and sweets. Roughly 80 percent of the store's total revenue came from food-based items, while about 40 percent came from private-label products (owns products of NDFL). There was an average gross profit margin of between 12 and 15%.

No one wanted to turn the business into a chain of outlets. The first eleven years of the company's existence were devoted to consolidating its Bangalore location. In 1982, a new location was opened in Chennai, India. The family's friends and well-wishers in Chennai (who had already seen their Bangalore supermarket by this point) pushed the family to open a second supermarket in Chennai. It was a major choice for the family, especially in terms of operations, since they had been in Bangalore and were relying on specialists to run the business in Chennai. The family wasn't sure if it would work. After a bad start, Mr. C. Gopalakrishnan, the current Managing Director of Nilgiris Franchisees, relocated to Chennai and assumed responsibility for the company's operations. After stabilising operations in Chennai, the third store opened in Erode in 1990, an eight-year delay. 1991 saw the arrival of Erode's second Nilgiris Supermarket. A second Coimbatore supermarket and a second Bangalore supermarket were opened in 1994. NDFL's second phase of expansion began in 1994, when the company opted to expand via franchisees. There are currently eighteen Nilgiris franchise locations. For the most part, this is due to management's opinion that supermarket operations necessitate the owner's tight supervision, which he or she can perform to an almost flawless degree in terms of cost control, including shoplifting, and knowing and addressing consumer needs. As a result, after being run by family members at the outset, the franchisee model was quickly adopted. Through the franchisee network, Nilgiris is able to promote itself and provide a steady stream of revenue for the Nilgiris Development Finance Limited (NDFL). Private labels are the reason why NDFL has survived whereas many others who started after it have failed.

A desire to improve customer service was the driving force behind establishing the first Nilgiris Supermarket. It was developed to build client loyalty and customer satisfaction for future growth and cash flows. Instead of using retailing techniques, it was created by the application of marketing concepts to the business world.

- **SUPERMARKET WITH NO MARGIN CHARGES:**

Whenever the Consumer Protection, as well as Guidance Society (CPGS), was incorporated as a cooperative society in 1993, it had the goal of stabilising the price of food in India, and thus the Margin Free Supermarket was born. The chain of 370 outlets spread all over Kerala and parts of Chennai in the state of Tamil Nadu headquartered in Thiruvananthapuram. Onions, in particular, had their prices unfairly inflated, and consumers had become tired of dealing with the local wholesaler-retailer route. The primary goal of CPGS was to provide relief to the general public. Each Margin Free store is a franchisee of CGPS, which is how Margin Free operates. The CGPS guarantees that the products offered through margin-free outlets meet a minimal standard of quality, negotiate with suppliers on various things' prices, work to keep the outlets financially viable, and offer free consumer education to franchisees on various products and prices. CGPS earns 0.1 percent of each franchised store's top line revenue as a franchise income. All things offered are at a lower price than the MRP. Margin Free cardholders receive an additional discount in addition to the 7-10% off that the average consumer already receives on their purchases.

A year and a half after opening its initial location in 1994, a second one was opened in 1998. It has grown fast since then, with a total of 370 members in 2004. To differentiate themselves from the majority of modern retail formats, Margin Free focuses on households with monthly incomes between Rs7,000 ($166.67m) and Rs10,000 ($238m) per month in tier II towns and cities. Margin Free has determined that the average monthly grocery bill for households in this income bracket is Rs. 1,500 ($35.7m). About 1,500 to 2,000 square feet is the normal size of a Margin Free store, with about 2,500 square feet of goods. There is a lot of functionality in the atmosphere. As many as five checkout stations and up to ten employees are expected to work at this location. To save money, items are not bar-coded. However, shoplifting is strictly monitored by ten employees and a remote-control camera. Cardholders who spend a specific amount get free home delivery. Most people visit during the month's first week. Customers' purchase patterns are taken into account when stock levels are maintained. While the gross margin is only approximately 5-6%, the net margin is just about 1-1.5%. Branded groceries account for 40% of sales and dry unprocessed/unbranded grocery accounts for 60% of sales. Those interested in opening a Margin Free outlet in a major city would need to invest about Rs. 3m ($0.07m), while those in smaller towns will need to put up about Rs. 0.5m ($0.012m). Since it challenged many long-held beliefs about organised retail in India, Margin Free has demonstrated that retailing at the lower-middle class may be profitable with the correct business model, including store format, pricing, and product mix. Margin Free has broken many of these long-held beliefs. As a result, it arose in response to the general public's need for low-cost goods.

SUPERMARKET OF THE FOOD WORLD:

When it comes to food and grocery retail in India, Food World may have been the first to capitalise on the shifting environmental conditions. In May 1996, it was established by the RPG group as a joint venture with Dairy Farm International (DFI) of Hongkong. By 1999, it had become a Rs. 3,500 million ($83.3 million) grocery chain with 93 locations, predominantly in South India. Midway through 2005, the commercial partnership Food World collapsed due to the dissolution of both partners. A settlement was reached in which the RPG group received 48 stores, but the store brand Food World was retained by DFI, while the remaining stores were transferred to the RPG group. DFI is currently in charge of Food World's operations in India. On the other hand, this research focuses on the food industry prior to this separation. During the early to mid-1990s, the RPG group conducted market research in the form of nine focus groups and extensive interviews with around two thousand homes in six key cities in South India to better understand consumer attitudes on current grocery retail practises. It was interesting to see that consumers weren't particularly dissatisfied with their current shopping options, but shopping was still seen as a chore, with a limited selection of goods and brands, little use of credit, a focus on value rather than quality, and a preference for convenience over price in the face of a slew of new brand offerings.

In 1996, Foodworld was founded as a chain of stores that provides a convenient and comfortable shopping environment, for the consumable needs of a family's monthly requirements, which are always available and meet the expectations of the customer at such prices, range and quality without the need for a price penalty, thus making this the most preferred destination for grocery stores shopping. Located on residential high streets, the chain of supermarkets would be 3,000 to 5,000 square feet in size and feature 3,500 different skus of food and non-food products and a clean, bright, functional, self-service structure and a variety of promos based on the value shopping philosophy. With a family income of at least Rs. 10,000 ($238 million), the food industry is targeting SEC A and B clients. Many industry watchers believe that Foodworld's success may have been due to the fact that it was ahead of its time when consumers were not ready for it, as was the case with some of its predecessors. However, a thorough examination of the patient's medical history shows that this was not the case. The predecessors fell short in a few areas. In order to at least cover the costs of the additional services they provided, such as packaging and ambience, these early players tended to charge a premium. It was their rental/real estate costs that proved their undoing for some of them, including Nanz, in this low-margin industry. All of these players were historically involved in manufacturing, which had better profit margins than other sectors, and the promoters had sufficient strategic influence over them. retail is a low-margin sector that relies heavily on a hands-on approach from promoters in the early days, which many of them couldn't do in those days. As it is widely known, stealing and pilferage became a major problem at the TVS group-promoted Stop & Shop.

CONCLUSION:

It is thus fair to say that the advent of contemporary retail in India has been a two-pronged phenomenon. Another is the transformation of traditional counter-format retail into self-service modern-format retail. The other factor has been the effective emergence of large-format stores in recent years. On a macro-level, manufacturers, retailers, and consumers – the three key stakeholders in this process – have all had a role to play. Micro-level triggers included entrepreneurial desires to provide better service, lower prices for the general public, capitalising on developing business opportunities, and increasing footfalls in existing non-food formats, to name a few.

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