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- Sharma T., Kwatra, G. (2008) Effectiveness of Social Advertising: A Study of Selected Campaigns, Corporate Social Responsibility, Edited by David Crowther & Nicholas Capaldi, Ashgate Research Companion to Corporate Social Responsibility, Chapter 15, pp 287-303.

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- Schemenner, R.W., Huber, J.C. and Cook, R.L. (1987), "Geographic Differences and the Location of New Manufacturing Facilities," Journal of Urban Economics, Vol. 21, No. 1, pp. 83-104.

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**BIG-BOX RETAIL STORE IN INDIA – A CASE STUDY APPROACH WITH WALMART**

**M. P. SUGANYA**  
**PROJECT RESEARCH FELLOW**  
**DEPARTMENT OF COMMERCE**  
**UNIVERSITY OF MADRAS**  
**CHENNAI**

**DR. R. SHANTHI**  
**ASST. PROFESSOR**  
**DEPARTMENT OF COMMERCE**  
**UNIVERSITY OF MADRAS**  
**CHENNAI**

**ABSTRACT**

*The retail industry in India is one of the sunrise sectors in the economy. AT Kearney (2011) has ranked India fourth indicating that the country is one of the most attractive markets for global retailers to enter. It has made India the cause of a good deal of excitement and the cynosure of many foreign eyes. A big-box store is a physically large retail establishment, usually part of a chain. This is also referred to as supercenter, superstore, or megastore. Examples contain large department stores such as Wal-Mart. The purpose of the paper is to study the impact and trends of big-box retail, and to explore strategies used to regulate big-box retailers. This paper also discussed a case study of WalMart. The study is purely based literature reviews. Through the study of the overall research works, concludes "WalMart is always bad for business, if there is no government stringent regulation".*

**KEYWORDS**

Big-box retailing, WalMart, retailing.

**INTRODUCTION**

The retail industry in India is of late often being hailed as one of the sunrise sectors in the economy. AT Kearney (2011) has ranked India fourth indicating that the country is one of the most attractive markets for global retailers to enter. A **big box store** is a physically large retail establishment, usually part of a chain. The term sometimes also refers, by extension, to the company that operates the store. This is also referred to as **supercenter, superstore, or megastore**. Examples include large department stores such as Wal-Mart. A big-box retail chain's success depends heavily on cost efficiency and that includes the cost that consumers incur in reaching a big-box store from their house or workplace.

**BIG BOX RETAIL STORE**

Big box retail is generally defined as a store that is several times the size of a traditional outlet in its category. The list of qualities and characters of big box retail stores have been identified by the Columbia university researchers. The characteristic of big box retail store includes:

- Usually occupy substantially more than 50,000 square feet, with typical ranges between 90,000 and 200,000 square feet;
- Derive their profits from high sales volume rather than price mark-up;
- Large, windowless, rectangular single-story buildings;
- Standardized facades;
- Reliance on auto-borne shoppers;
- Acres of parking;
- No-frills site development that eschews any community or pedestrian amenities;
- Seem to be everywhere and unique to no place, be it a rural town or urban neighborhood.

**CATEGORIES OF BIG BOX RETAIL**

There are numerous ways to categorize big box retail formats, with the following four of the most common:

- Discount department stores: Range in size from approximately 80,000 square feet to 150,000 square feet and offer a wide variety of merchandise including, house wares, home furnishings, apparel, and beauty aids.
- Superstores: These are discount department stores that sell groceries in 25% to 33% of their store area. The largest of the big box stores, they can occupy as much as 200,000 square feet and up.
- Warehouse clubs: Offer a variety of groceries and discount general merchandise in bulk at wholesale prices. There are a more limited number of product items than offered at general discount stores or supermarkets, and annual membership dues are usually charged. Store sizes range from 100,000 to 170,000 square feet.
- Category killers: Offer a large selection of merchandise and low prices in a particular type of product category. Store sizes are typically smaller, ranging from 20,000 to 80,000 square feet.

In light of all of the above, the following criteria are used to define big boxes for purposes of this study:

- Freestanding stores (i.e., not part of a mall) that average at least 100,000 sq. ft.;
- Stores that sell a relatively wide variety of merchandise, including products that fit into at least several of the industries within retail trade;
- Firms that do business nationally.

Analyzing the above criteria's, a big-box retail chain's success depends heavily on cost efficiency and that includes the cost that consumers incur in reaching a big-box store from their house or workplace. The technical paper of Thomas J. Holmes, identified the average distance to a Wal-Mart store is approximately 6.9 miles (~11 Kilometers) for census block groups (US) with a population of 500,000 people in a 5 mile (~ 8 Kilometer) radius.

**NEED OF THE STUDY**

This study critically analysis the impact of big box retail outlets and its impact in the country. The study helps to policy maker to concentrate on the discussed issue, to frame rules and regulation on Big box retail stores.

**OBJECTIVE OF THE STUDY**

The primary objective of the study focused on

1. To identify the impact of big box retail stores and its trends in India.
2. To suggest the strategies to regulate big box retail store.

**IMPACT OF BIG BOX RETAIL STORES IN THE ECONOMY**

Many studies that examine the impact of Wal-Mart and Other large retail chains and, in some cases, the benefits of locally owned businesses.

With respect to the impact of entry by big-box stores such as Wal-Mart on retail employment and earnings, evidence from the United States is mixed. Using county-level data, a recent study finds that Wal-Mart entry increases retail employment in the year of entry while contrasting evidence indicates that each Wal-Mart worker replaces approximately 1.4 retail workers representing a 2.7 percent reduction in average retail employment (Neumark, Zhang and Ciccarella, 2008). Yet other work on Wal-Mart expansion suggests that store openings reduced both average earnings of retail workers (Dube, William and Eidlin, 2007). Recent evidence also suggests that having a chain store in a market makes roughly 50% of the discount stores unprofitable and that WalMart's expansion over the 1990s explains about 40–50% of the net reduction in the number of small discount stores (Jia, 2008).

According to AT Kearney's 2011 edition of Global Retail Development Index (GRDI), Organized retail accounts for 7 percent of India's roughly US\$ 435 billion retail market and is expected to reach 20 percent by 2020. Big-box retail, in the form of hypermarkets, has gained prominence a refocus from the burgeoning supermarkets and small formats of several years ago. Food accounts for 70 percent of Indian retail, but it remains under-penetrated by organized retail. Organized retail has a 31 percent share in clothing and apparel and continues to see growth in this sector. The home segment shows promise, growing 20 to 30 percent per year. India's more urban consumer mindset means this sector is poised for growth.

The following are the important aspect of big box retail stores:

**1. Economic impact of local businesses vs. Chains:**

These study have found that locally owned stores generate much greater benefits for the local economy than national chains. Pankaj Ghemawat and Ken A. Mark (2007) studied about the real WalMart effect, the finding of the study is Wal-Mart's treatment of workers and host of other alleged knocks against society. But its overall impact benefits the economy and lower-income consumers. The real conflict is not between the capital and labour. It is a battle involving consumers and cost-efficient producers against traditional retailers, organized labour and community activists.

**2. Retail employment:**

This study examined whether the arrival of a superstore increases or decreases the number of retail jobs in the region. The upstream of a big-box store creates very few jobs for the local economy (i.e., Made in China), and the downstream ripple effects are terrible because retail jobs are overwhelmingly part-time and poverty-wage, with no health care. That means most retail workers have very small disposable incomes: after paying for bare necessities, they have little left with which to stimulate the local economy. Building new retail space just moves sales and lousy jobs around. It doesn't grow the economy. At present 40 million people are employed in Indian retail sector but with the entry of big retail giants we will witness heavy cuts on employment level. The government proposes to open FDI in multi-brand retail in cities with population of more than a million people. But even if that happens 4 lakh people will lose their jobs.

**3. Wages & benefits:**

The study has found that big-box retailers, particularly wal-mart, are depressing wages and benefits for retail employees. Retailing is infamous for its low wages, part-time hours, and lack of health insurance and pension benefits. The only exception are those grocery chains that are unionized, but big-box behemoth Walmart, by entering the grocery business with its Supercenters and aggressively fighting union organizing efforts, is now the top seller of food and a major source of downward pressure on grocery wages. The same pattern is true even in retail segments where there are no unions (Stacy Mitchell). As studies by the Austin, Texas-based consulting firm have found, national retail (including restaurant) chains in general pay lower wages and benefits than do locally owned businesses. By that measure and others, it has found that the chains generate fewer ripple effects in local economies: they procure less, bank less, contribute less, and participate less.

**4. Existing businesses:**

The arrival of a big-box retailer displaces sales at existing businesses, which must then downsize or close. This result in job losses and declining tax revenue, which some of these studies quantify.

Kenneth E. Stone et al (2001) study examines several Iowa communities where big box building supply stores, such as Menards and Home Depot, have opened in the last decade. Sales of hardware and building supplies in the host community and surrounding counties are tracked over several years to test what the authors call the "zero-sum-game theory," namely that the retail sales gains generated by big box stores are offset by sales losses at existing, often locally owned, retail stores. The results confirm the theory, finding that sales of hardware and building supplies grow in the host communities, but at the expense of sales in smaller towns nearby. Moreover, after a few years, many of the host communities experienced a reversal of fortune: sales of hardware and building supplies declined sharply, often dropping below their initial levels, as bigger box stores opened in the surrounding region and saturated the market.

**5. Consumers & prices:**

The survey found that, by "an eye-popping margin," independent drugstores outranked all other pharmacies-- including drugstore chains, supermarkets, mass merchandisers (e.g., wal-mart), and internet companies--in terms of providing personal attention, offering health services such as in-store screenings, filling prescriptions quickly, supplying hard-to-find drugs, and obtaining out-of-stock medications within 24 hours. Prices at independent pharmacies were lower than at chain pharmacies, but higher than at mass merchandisers and internet companies. (Time to switch drugstores? - *consumer reports*, october 2003)

**6. Traffic:**

This study indicates that the manual significantly underestimates the traffic generated by large supercenters (stores that combine general merchandise and a full grocery department) and that traffic analyses based on it are unreliable indicators of the actual traffic impact of a supercenter development.

As big-box stores multiplied in the 1990s, the road miles logged by the average household for shopping increased by more than 40 percent—a total of 95 billion additional miles a year for the country as a whole. (U.S. Dept. of Transportation, National Household Travel Survey). A 2005 study of 3,200 households in King County (greater Seattle), Washington, found that, compared to residents of low density subdivisions that lack neighborhood stores, people who live in traditional neighborhoods with a variety of small scale retail services, schools, parks, and other uses nearby:

- log 26 percent fewer vehicle miles per day;
- generate lower emissions of pollutants such as nitrous oxide, volatile organic compounds, and carbon dioxide, a leading cause of global warming;

**7. Charitable contributions:**

Companies with fewer than 100 employees gave an average of \$789 per employee, compared to \$334 per employee at firms with more than 500 employees. A study of businesses in the mid-coast region of Maine. Funded by the Minneapolis-based Institute for Local Self-Reliance, found that for every \$1 million in sales, big-box stores gave approximately \$1,000 to local charities. Conversely, locally owned businesses gave more than \$4,000 per \$1 million in sales—a fourfold increase. For communities strapped by the current slump, charitable giving is an important component of the local economy.

**8. Other Issues**

- Poverty rates:** Some studies found that WalMart store in certain Counties have fared worse in terms of family poverty rates.
- City costs:** some studies compare the municipal tax benefits of big-box development with the cost of providing these stores with city services, such as road maintenance, police and fire—finding that cities do not always come out ahead.
- State costs:** some studies proved that the big box retailers such as wal mart, the employees in the country no earning enough money to meet their own expenses. The states of the countries are reported that high costs associated with providing healthcare (Medicaid) and other public assistance to big-box employees.



d. **Subsidies:** The expansion of big-box retailers has been financed in part by massive development subsidies and tax advantages provided by local and state governments.

## THE TRENDS OF BIG BOX RETAIL STORES

The trend of big box retailing has expanded to a global level, increasing sales figures and store numbers has fuelled this movement. It revolves around WalMart developing a solid strategy for success. Though expanded sales, employment, and percentage share of the grocery market, WalMart has focused on practices and information sharing in addition to supply chain innovation. They followed alternative formats in capturing significant share of markets, shopping at traditional supermarkets less frequently than in the past has provided opportunities for alternative outlets, where leaders are increasingly extending their reach with new store formats and offerings, including community involvement and innovative promotions. Retailers are also moving towards becoming more sophisticated marketers by fulfilling needs of consumers; strategies revolve around catering to top shoppers through loyalty, signature items, and brand recognition. The retailers are organizing around the need state, this focuses on programs designed to meet consumer lifestyles and needs based on time, family, money, and personal obligations. The retailers are also focused on optimizing the box, including efficiency and allocation through space, packaging, and handling. As a major contributor in consumer decision-making, pricing strategies apply price optimization and management to effectively strengthen a given product's price image. These trends are rounded off by the evolution of developed market and opening up of FDI through new laws allows greater market access. The trends in global retailing explain directional changes of retail on the world market and provide insight to future focuses of retail marketing.

## BIG BOX RETAILING IN INDIA

India has its own 'Big Box Retailers. Currently all major business groups in India have a retail presence – Tata, Aditya Birla, Reliance, RPG, Future. Besides cooperative organizations have been active for quite a while – Sahakari Bhandar, Chintamani etc. While these have made some impact on the retail environment, they are nowhere near the scales operating in other countries.

Delhi-based Indian Council for Research on International Economic Relations looks at the effect organized retailing has on the unorganized retail sector. It shows that, on average, when an organized retailer opens, the kirana stores nearby generally lose about 23% of their sales in the first year, but are back at their original sales figures within five years. About 1.7% close down every year, but, even in the medium to long run, traditional retailers will still control 85% of the market

The factors that are in play influencing role in development of Retailing in India are:

**1. Product diversity:** Consumer market in India, despite its overall size is rather limited in width. The number of Stock Keeping Units available for stocking is simply not sufficient to fill a 15000 sq ft space with adequate diversity. Imported products can help to widen, but despite FMCG imports being permitted now for many years, nationally this has not yet taken off. Food habits of the population at large are also quite conservative. While people may be ready for experimentation, habits are difficult to form. And it will be habits that drive product demand at retail level.

**2. High Real Estate Costs:** Relative to income levels rentals in urban India are very high. Compounding this is the fact that sheer availability of large, well connected spaces in residential areas is poor. Further, many landlords take an advance or deposit to let out space owned by them. All these cumulatively push up the overheads and constrain a big box retailer to operate within the city. Many Shopping Malls especially those that started up early followed the Real Estate model rather than a Facilities model. This has had an impact in maintenance of the common areas and facilities – lifts, escalators, and toilets, parking to name a few. If footfall in the malls is compromised as a result, it will impact those retailers who would have set up shop especially if it is set up on rental (rather than profit / turnover share) basis.

**3. Last Mile Logistics:** As of now this probably is the most important constraint impacting growth of big box retail in India. In Western countries reportedly bulk of the savings in logistics is realised in controlling the last mile i.e. supply from warehouse to the point of sale. In India this cost element is high. For instance traffic restrictions and difficulties result in practically little savings. If suppliers are required to effect deliveries to individual retail outlets, it becomes difficult to realise the benefit of scale. In such cases there may be no difference in logistics cost between servicing a provision shops and a Big Box Player. This dimension is also compounded by fiscal issues. Fiscally India is not one country, although this may change with GST implementation. ICRIER study suggests that those who sell directly to organized retailers get 60% more than they would receive from selling in the "mandi," the traditional Indian market system dominated by middlemen.

**4. Local Competition:** For most groceries in India, operation is not exactly on business principles such as healthy return on investment and opportunity costs. They are run more as a source of livelihood or occupation. The ability of these players to compete by accepting low margins will also affect scale-ups by the big box players. Besides the 'connect' these players have with their Shoppers say through provision of credit is also difficult to match by the big box players. The benefit to consumers is rather obvious: an efficient supply chain and the economies of scale reaped by big-box retailers will lead to lower prices for produce and other basic goods that urban middle class consumers currently purchase from local stores. Lower prices, in turn, mean more disposable income in the pockets of these consumers to spend on other things, to save, to invest in the education of their kids, or whatever else.

**5. Technology / Processes:** For a given system it can be contended that Technology or related processes have not been a constraint for existing players. An existing retail player can implement scanning, for instance. In other words relevance or applicability can be the question – availability is not. However this dimension has another side to it. Infusing technology and processes in this business has been happening at very high level of manpower costs. For instance a Provision Stores does not need a CEO, CFO or a Marketing Manager. The high costs incurred by the organised players need to be recovered from the margins generated.

The Big Players are unable to effect significant reductions in price only the other benefits remain – such as shopping experience and convenience.

It will be certainly possible for a global player to enter and register presence in many markets. But implementation of their traditional business model on a large scale so as to displace the local dynamics may take a while. They deploy an alternative business model it may help. But whether such an alternative model will replace the Provision Stores rapidly remains to be seen.

It must be remembered that the livelihood threat that is often referred to has been existing. India has had its share of Supermarkets for many years, though not as sophisticated as those abroad. The international players will have deeper pockets and the ability to offset losses from India with profits from elsewhere. Still they too will be ultimately accountable to their shareholders – their ability to sustain developmental losses in India may not be infinite, as a result the key business drives are as follows as

- Maintain margins despite tight economy; optimize supply chain
- Avoid stock outs on in demand goods, improve responsiveness to trends/opportunities
- Compete aggressively with volume, category and convenience competitors
- Cost effectively educates consumers (mobile, digital displays, wands....)
- Satisfy demanding consumers and integrate their buying experience across channels
- Deal with regulation and compliance
- Optimize costs including IT
- Seek profitable expansion opportunities
- Manage online reputation risk

## SUGGESTIONS AND CONCLUSION

The Trends Affecting Retail Businesses are mobile marketing and social media, the Flat panel displays are at an all time low cost, demise of some larger chains, economy driven changes in consumer buying power and behavior; slow recovery, reinvigoration of credit card purchasing, Stop'n'Shop are experimenting with shopping wands.

The government has to monitor the foreign investors regarding the transparency of the business. The regulators should frame strict rules and regulation on big-box retailers. They should consider the following points as well before policy making, they are as follows as

1. The big box store should create value to consumers by way of prices.
2. The local retail firm owners should create their own retail business model to win the developing economy.
3. The prices of big box retailers and local shop owners should be comparable in this they can avoid cut-throat competition.
4. The stage of modern approach stores are not identical, shifting of choice of retail outlets and preference of consumer may going forward, it take time to see drastic changes in which as mentioned earlier local owners should create their own model to attract consumers. All big boxes are not identical, as Austin study said.
5. The small shop retailers should create customer value to enhance the local economy.
6. There should be a healthy competition between small and big box retailers in which they country can maintain economic stability and protection towards the local business owners.
7. The local fiscal impact of retail is a function of maintaining a retail base to meet local demand.
8. The City should promote design standards that reflect community values; but those standards should not be so onerous or prescriptive that neither national nor local retailers can justify doing business in India.
9. Big boxes put downward pressure on wages.
10. Lower wages tend to create social costs that are not fully accounted for in the price of the goods that consumers purchase.
11. Local retailers may have stronger linkages, per dollar of revenue, to the local economy than the big boxes
12. The healthiest consumer market is the market that maximizes consumer choice on a sustainable basis, i.e., a market that is competitive.
13. New Urbanism offers the possibility of mitigating some of the concerns associated with the big boxes, as well as potentially creating an opportunity to leverage destination consumers for local businesses which entails pedestrian-friendly scale, mixing a variety of land uses, connectivity with adjacent neighborhoods, facilitation of transportation choice, and a range of retail formats.(Austin Report)

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