

GUJARAT TECHNOLOGICAL UNIVERSITY
MBA - IV SEMESTER- EXAMINATION – SUMMER 2014

Subject Code: 849901

Date: 30/05/2014

Subject Name: Retailing - II

Time: 10:30 am TO 13:30 pm

Total Marks: 70

Instructions:

1. Attempt all questions.
2. Make suitable assumptions wherever necessary.
3. Figures to the right indicate full marks.

Q.1 (a) Read the following case and answer the questions.

SHOPPING MALLS IN INDIA: SURVIVAL OF THE FITTEST?

India has witnessed a frenetic pace of retail development over the past five years. While local shopping centers have always existed in India, their structure, ambience and method of doing business served the needs of the local population. The pace of change in retail development has triggered a frantic pace in the development of malls. A number of factors such as income growth, changing demographic profile and socio-economic environment have driven this transformation in retail in India.

Goldman Sachs has estimated that the Indian economic growth could actually exceed that of China by the year 2015. It is believed that the country has the potential to deliver the fastest growth over the next 50 years. Keeping in mind the rates of growth predicted for India and China, the balance of economic power is poised to tip in favour of two of the world's largest populations over the next fifty years. The Global Retail Development Index developed by A.T. Kearney has ranked India first, among the top 30 emerging markets in the world.

Formats new to the Indian marketplace have emerged rapidly over the past five years. There is little doubt that retail in India is accelerating up for an exciting phase ahead. Developments in retail formats and patterns of shopping have always been influenced by mobility and the lifestyles of the consumer. Typically, the development of shopping centres has followed a pattern, which has always synchronized with the development of the retail sector in that economy and the needs and the wants of the consumers.

This case study examines the rapid growth of malls in India and the challenges faced by the mall developers. The primary aim is to examine the feasibility and sustainability of a mall.

Mall Development in India

It would be perhaps incorrect to say that shopping malls have come into existence in India in the recent past. While they have always existed in the local and regional markets, the manner in which they now present themselves to the end consumer has changed. Spencer Plaza in Chennai and Crossroads in Mumbai are considered to have pioneered the shopping mall and shoppertainment revolution in India. From three malls in the year 2000 to almost 300 malls by the year 2010 the pace of development is rapid. It is estimated that mall development would spread across 60 cities in the country by the end of the decade.

The West and North of India are estimated to witness the highest rate of mall development in India. While the NCR has witnessed rapid developments in retail development, all developments have not necessarily been successful.

In many cases, the supply of retail space has far exceeded the demand of retail space. The tenants in malls in India are also faced with high lease rentals and the payment of high costs towards Common Area Maintenance, which eventually affect the retailer's profitability.

The Characteristics of a Shopping Mall

The development of shopping centers has to synchronise with retail development in the country. In India, while the retail sector may have crossed the initial phase and moved into the second phase of development, mall development has moved faster. In most parts of the world, Entertainment as a key component of malls emerged after the decline of department stores. In India, department stores are still evolving. Players are still entering the market and the total numbers of players are limited. The key players are also experimenting with the products and services being provided by them. In such a scenario, mall developers need to focus on certain key elements of strategy and on where they aspire to be over a period of time.

For a country as diverse as India, one needs to consider various options for catering to a wide section of the audience. The type of goods and services that may be needed in an urban center may be totally different from the products and services needed in a semi urban and rural India. While an answer to this question may not be needed immediately, as development is still occurring in urban India, it will have to be looked at from a long term perspective.

Retail mall developers may need to evaluate the attractiveness of certain markets in India, and accordingly adapt their strategies to the same. The tenant and the facilities mix in a mall may also be evaluated as one evaluates a Product Portfolio. The evaluation of such a Tenant Portfolio Mix will help a retail developer determine the choice of strategy. The provision of services as a key element is still not considered to be important in the Indian scenario.

New and Emerging Concepts

Recent developments in the Indian mall development scenario include the coming up of the so called Gen X Malls and Central, which is a seamless mall. Gen X malls have been defined by Chesterton Meghraj as greater than 500,000 sq.ft. (this does not include malls in Tier II cities where 250,000 sq.ft is the size of an ideal mall) and incorporate a large entertainment area, with enough spaces for parking and excellent infrastructural benefits that shall be passed on to the retailer. The target audience for the Gen X Malls is the tourist/out of town visitor and the person from the city looking for entertainment options.

Pantaloons Retail (India) Limited has also launched Central, which houses over 300 brands across categories, such as apparels, footwear and accessories for women, men, children, infant basics, apart from a whole range of Music, Books, Coffee Shop, Food Court, Super Market (Food Bazaar), Fine Dining Restaurant, Pub and Discotheque. The mall also has a separate section for services such as Travel, Finance, Investment, Insurance, Concert/Cinema Ticket Booking, Bill Payments and other miscellaneous services. Bangalore Central also houses *Central Square*-a dedicated space for product launches, impromptu events, daring displays, exciting shows and art exhibitions.

Bangalore Central, conceptualized with a theme and tagline that says 'Shop, Eat and Celebrate' has several unique features. *Centralized billing, customer friendly environment and India's first live Radio Central* - an in-house radio station-are only some of the many things that the retail giant Pantaloons has in the offing for Bangalore Central's customers. Similarly, specialty malls are also emerging for gold, furniture, automobiles, complete home solutions, etc.

In some cases, even though the target audience may be clearly defined, the major question emerging is that of survival and feasibility. Mall developers need to consider what the mall of tomorrow will need. Interestingly, mall developers have not as yet looked at the option of developing a chain of malls, which can be developed as a national chain, with variations in terms of product and service offerings that can evolve to suit the sensibilities of the region. This perhaps, may become a reality as we move from being a nation of *dukandaars* to a nation that loves to shop.

Distribution of Mall Space Developments
across Zones: 2007

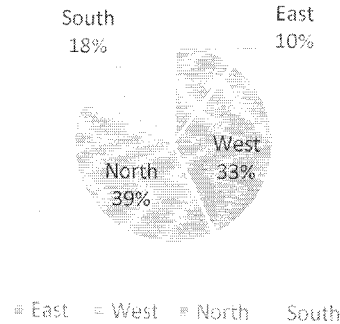


Fig.1

	Space in sq.ft	No. of Malls
Delhi	12021556	54
Gurgaon	6635000	34
Noida	6549000	15
Ghaziabad	2748374	13
Faridabad	1105000	6
Total NCR	29058930	122
North - Other Centres	5630830	47
Total North Zone	34689760	169
Mumbai, Navi Mumbai, Thane	17741000	72
Pune	6061000	23
Ahmedabad	3455085	8
West - Other Centres	1657070	11
Total West Zone	28914155	114
Kolkata	7489189	20
East - Other Centres	1311000	7
Total East Zone	8800189	27
Chennai	2405758	6
Bangalore	9462000	20
Hyderabad	2707000	16
South - OtherCenters	800000	6
Total South Zone	15374758	48
ALL INDIA	87778862	356

Given this scenario of retail and mall development in India, how should a mall developer handle the following issues:

1. Can a break-even analysis be done for a mall, and what are the factors that would go into analyzing the mall economics in a major metro in India and in tier two and three cities? **5 Marks**
2. What can be termed as critical success factors for a mall in India? **5 Marks**
3. What are the future challenges that would be faced by mall developers? **4 Marks**

- Q.2** (a) What is Merchandising? Explain the role and responsibilities of Merchandiser. 07
(b) Explain the components of the Retail Marketing Mix. 07
OR
(b) What do you understand by the term Retail Image? Does a good retail image necessarily mean a strong brand value? 07
- Q.3** (a) Explain the Role of Customer Relationship Management in the Retail Industry. 07
(b) Explain about the various customer loyalty programs which can be followed by different format of Retailers. 07
OR
- Q.3** (a) What are the different elements of store design? Discuss the role Circulation Plan in Store Design. 07
(b) How would you define a good layout? What are the advantages of a good layout? 07
- Q.4** (a) What are the different types of franchising? List out the advantages and disadvantages of franchising. 07
(b) Has franchising been successful in India? What are the factors that are critical for the success of franchise operations? 07
OR
- Q.4** (a) What do you mean by Franchising? Explain it with the examples. 07
(b) Explain about the Evolution of Franchise in India? 07
- Q.5** (a) Explain the various methods of measuring financial performance of Franchise. 07
(b) Explain the process of termination of franchise. 07
OR
- Q.5** (a) Discuss the law applicable to franchising in India. 07
(b) Explain how the cultural factors affect in developing and maintaining relationship between franchisor and franchisee. 07
