June 2006

Dear Professor:

This newsletter summarizes article abstracts for case discussions for the following topics:

2006 Retail Trends and Counter Trends
An Internet with your name on it: Clothes to fit you and your body
Using relaxing atmospheres, malls hope to keep consumers longer to spend more money
America’s obese stimulate McDonald’s growth
Internet fraud used to be a high cost of business. Not any more.
Nantucket, playground for the rich, bans chain stores
Avon updated: Door to door sales are hard when people aren’t home
China’s home improvement market abounds. Why is Home Depot stalling?
Dunkin Donuts brightens and expands its menu and store
Avoiding India’s potholes to reach its retail potential

The articles in this and past newsletters are sorted by chapters in Retailing Management, sixth edition. If you are interested in the text book please visit www.mhhe.com/levy6e. Simple registration is required to gain access to the newsletters and other instructor materials. If you would like to see this newsletter and the previous editions, go to http://www.cba.ufl.edu/mkt/crer/research/publications.asp
ABSTRACTS OF RECENT RETAIL ARTICLES

2006 RETAIL TRENDS AND COUNTER TRENDS

Use with Chapter 4 “Customer Buying Behavior”


According to author Wesely-Clough “A social trend becomes a part of a culture when it lasts five to eight years or more,” and understanding the consumers and the trends is relevant in creating successful products. Below are trends for 2006 and some countertrends. Countertrends can strengthen over time and eventually replace the very trend that brought it about.

- Dissonance- With so many problems out of people’s control and diverging viewpoints on world affairs, focusing on personal matters will bring greater self-fulfillment.
- Countertrend- People will look long and hard at the meaning of life. The very items that are easily taken advantage of, friends, family and stories, will become more valuable and better life.
- Triumph of “Truthiness”- Truthiness is neither fact of fiction, but a depiction of what people care to hear about. News stories describe what may have happened, highlight the most interesting pieces, and leave pure fact for the boring reports.
- Information/Opinionation- The world has access to instant media via TV, radio and the Internet. Not all of it is truth; in fact much of it is opinion. The distinction between perception and reality is becoming blurred.
- Killer Blame- Competition will become even fiercer and it will be a cut throat game of survival. Accusation of fault will be detrimental to career and, sadly, it will be a common occurrence because someone must be blamed.
- Luxury 3- The third stage of luxury surpasses individualized vacations. It will be for the elite few that hire people to create space and time for them. These hires will juggle the nuisances of the real world and its ever-mounting technology for their employer so they can tend to more pleasurable activities.
- Induced Attention Deficit- Multi–tasking is a contributing factor to induced attention deficit The myriad of portable electronics the general population carries around for convenience have caused a de-ability to concentrate.
- New and Novel… Now!- Anything new people must have, even if it is impractical. It’s the rush that accompanies finding the newest, shiniest object and showing it off.
- The Grand Bazaar- Eastern influences will move even more prominently into our mainstream culture including their brighter color palate and decorative motifs.
- East Meet West- China and India’s population will be utilized for their intelligence and industrious nature.
- Counter trend- West Meets East- The global middle class will increase in size, while simultaneously the economic classes will grow in income discrepancy. This is as a result of intellectual and industrial powers located in Eastern countries.
- Second-Use Shopper- EBay and Amazon.com are a sample of the websites allowing people to buy items that are up for sale for a “second use” at a good value. Why buy at full retail?
- Technological Convergence- There will be a fine line, if any, between biotechnology, nanotechnology, robots and many other computer sciences as they become interdependent of each other.
- Point of No Return- Realizing water and oil are scarce, people will develop an attitude to protect what is “ours”
- Counter trend- Realizing water and oil are scarce; people will be forced to do their part to conserve precious resources.
- Its All About Me- Baby Boomers are putting off retirement and aging and will use all available supplements and surgeries in their pursuit of eternal youth.
- Countertrend- Baby boomers begin to remember their idealistic beliefs from the 60’s and will become philanthropists to give back to the community.

Discussion Questions

Which two of these trends do you believe will have the most impact on your life?

Sample Answer: 1) Countertrend of point of no return will have a large impact because it will begin to guide more prominently than it already has. There will be legislation concerning cars and industries with high levels of pollutant byproducts. It will affect the type of food (organic and non-processed) that consumers buy and companies that are financed.

2) Technological Convergence will have a large impact because it will effect and create new business opportunities, available jobs, available technologies for products, innovations to help ‘save the earth’ and national security and warfare.

AN INTERNET WITH YOUR NAME ON IT: CLOTHES TO FIT YOU AND YOUR BODY

Use with chapter 5 “Retail Market Strategy” and chapter 12 “Planning Merchandise Assortments”


Any woman will tell you that a size 6 is not a size 6. A size 6 in one brand is a size 4 in another or a size 8 in yet a third. Shopping for women’s clothes can be a struggle. Women complain about taking too much time locating clothes that fit and flatter their body type. MyShape.com is a new online store scheduled to open this summer that has created a system that will pair women with clothes.

After serving as an executive at Gemstart Development Corp, Louis Wannier decided to return to school at the Fashion Institute of Design and Merchandising in Los Angeles. It was there that she developed the idea. She quickly realized that the same clothes she was supposed to be buying, but didn’t fit, were being fitted on models that looked nothing like her or her friends. At MyShape, women can open an account by answering a series of questions concerning their measurements, style preference, color choice, and favorite materials. This information is then matched up with a database that has participating brands’ information. A personal e-store will be created for the customer to shop in.

Initially, MyShape will target professional women who spend over $1,000 a year on clothes. As the company grows, Wannier plans to expand into children and men’s clothing. Eventually, the site would like to offer its own private label. Wannier feels that with the information provided to them they will quickly learn which sizes and shapes are underserved. Convincing brands to relinquish its information is proving to be a challenge, but MyShape expects to have 50 brands when it launches this summer.

A challenge is warehouse space. MyShape warehouses the clothes it sells and ships it to its customers, sometimes with alterations to fit the individual. Housing all available clothes can become cumbersome and expensive. However, Wannier and her team members are confident that they will be successful because their patent pending system ShapeMatch will make accurate matches for its customers. MyShape is going to make it easier women to shop and find clothes they like and that fit.

Discussion Questions

Describe MyShape.com’s business strategy?
MyShape is an Internet store that matches a female customer’s preferences and body type to clothes that will fit and flatter her figure. They store the clothes in a warehouse and then ship the clothes from there.

Would you patronize this Internet retailer (men, please assume they also have men’s clothing)? Why or Why not?

Sample Answer: I would take the time to fill out the necessary information to create a personal store. Then, depending on how well they were able to pinpoint my style, I would proceed to make a purchase and return again.

Do you believe that MyShape.com will be successful? Explain your answer.

Sample Answer: The technology and the market are there for this Internet business to succeed. Its success will be tightly correlated to how well the ShapeMatch system is able to create a personal store for customers with items they want. This ties in to brands also. They will need to negotiate with more brands to have a broader choice array for its customers. One of the largest issues may be warehouse space. Logistically they could become too big to operate and may need to reconsider their supply chain.

**USING RELAXING ATMOSPHERES, MALLS HOPE TO KEEP CONSUMERS LONGER TO SPEND MORE MONEY**

Use with chapter 7 “Retail Locations”

*Frank Green, “More malls cozying up to customers,” San Diego Union-Tribune, April 26, 2006.*

Typically, when a mall shopper begins to tire they leave. This then means they stop spending money. Many malls are now adding comfortable seating areas so people can reenergize between store visits and shop longer. Westfield America’s malls have living-room style zones and separated family space for peace and relaxation. People will find magazines and newspapers provided for their reading pleasure.

There is a direct correlation between the length of a shopping trip and the amount of money shoppers spend. For a 30 minute excursion, a shopper spends on average $53.10. However if, they stay up to 30 minutes longer they will spend on average $67.30. Taking the cue, Nordstrom’s has built in-store spas and McDonald’s, international “fast” food chain, has installed big screen televisions and couches to “slow down” their customers.

Ted Taft, managing director at Meridian Consulting in Connecticut says “Everyone is competing with everyone else. [It] is imperative to make mall visits comfortable and memorable.” Malls are no longer only competing with other malls, but stand alone department stores that have large selections, discount stores that offer photo processing and pharmacies, supermarkets that have restaurant seating, banks and dry cleaners and Internet retailers that are only a click away. Malls are using attractive seating areas where customers can relax, enjoy, read or wait in to keep them longer so they can spend more money. It seems that it may be working. In 2004 the average amount spent per visit increased by 14.9 percent since 2000 to $86.30.

**Discussion Questions**

What are malls doing to get customers to spend more while in their centers?

*Malls are creating seating areas for customers to lounge in. These areas are comfortable with couches and reading material. The idea is that if customers can take a break while shopping they will stay longer and, therefore, they will spend more.*

So do you think it is worth the cost?
There is a definite upfront cost of creating these lounge areas, but it is worth it. Malls are competing with so many different retailers that they need to remain competitive. These lounge areas are helping them do that by making the shopping trip more enjoyable. They also encourage the shoppers to stay longer, which means they will spend more money. The long term benefit both in the bottom line and their customer satisfaction is well worth the upfront cost and upkeep of these lounge areas.

**AMERICA’S OBESE STIMULATES MCDONALD’S GROWTH**

Use with chapter 5 “Retail Market Strategy” and chapter 12 “Managing Retail Assortments”


Just under 4 years ago McDonald’s stock was declining rapidly and was reporting its first quarterly loss. Since then, McDonald’s Dollar Menu has helped the company rebound, but at the cost of the American public’s health. In recent years, McDonald’s has received a lot of pressure and negative publicity from books such as “Fast Food Nation” so they introduced healthier options. They introduced various salads at a higher ticket price then other menu items. However, despite the demand for healthy options, the average McDonald’s sells only 50 salads a day versus 200-300 double cheeseburgers from the Dollar Menu.

The Dollar Menu is full of low priced options that appear to be a good bargain for the quantity of food that is served. However, those who choose to buy the Dollar Menu are getting the short end of the stick when it comes to nutrition. The processed carbohydrates, high trans-fat and added sugars make the food unhealthy. The Dollar Menu attracts younger, lower-income, ethnic consumers, the majority of whom already have weight related problems. African Americans and Hispanics are more likely to suffer from obesity-related diseases such as Type 2 diabetes and cardiovascular disease then whites.

McDonald’s Dollar Menu ads target African Americans and Hispanics using stylish and hip advertising campaigns. The fast food chain has increased its advertising budget on Spanish-language television by 60 percent. Both these ethnic groups are McDonald’s core demographic that each makes up 18 percent of their sales. However, African-Americans only represent 12 percent of the population and Hispanics 14 percent.

Obesity creates not only personal health problems, but national health care issues. Each year an extra $93 billion is spent as a result of obesity and related diseases. Is promoting the $1 double cheeseburger to obese people good business or bad ethics?

**Discussion Questions**

Although McDonald’s offers a variety of healthy options, their Dollar Menu, which appeals to young and low income customers, is full of fat and calories. Should McDonald's adjust their assortment to be healthier?

Sample Answer: If McDonald’s wants to respond to its critics and create a better brand image, then they should offer healthy alternatives at the same price point as the unhealthy alternatives. Yes, they already have salads, but they don’t have $1 salads for those who are on a budget.

**INTERNET FRAUD USED TO BE A HIGH COST OF BUSINESS. NOT ANY MORE.**

Use with chapter 3 “Multichannel Retailing”

_Michael Rubinkam, “Internet merchants fight as costs of fraud mount,” Seattle Times, April 17, 2006._
Internet merchants once considered bearing the cost of chargebacks a high cost of doing business. Chargebacks occur when a credit card charges a company in order to refund a disputed charge. In the world of brick and mortar stores, the liability is carried by the credit card company, but not with Internet retailers. This discrepancy occurs because online transactions do not have a customer’s signature as proof of purchase.

The lack of proof an Internet company has that a customer did in fact purchase an item, makes it a vulnerable candidate for fraud. In the past Internet companies would just pay the chargeback. Now, they are fighting back. The Nilson Report estimates that credit card fraud costs between 18 and 24 cents per $100 of online sales. This is nearly 4 times higher then the overall rate of fraud.

One customer tried to dispute his entire Mexican vacation because the lounge chairs around his pool were filled. To prevent these frivolous costs, companies are employing extra levels of security such as payer-authentication services that request a registered password. However, some merchants are slow to adopt the technology in fear that it will scare some customers away from completing the purchase. Increasingly, Internet retailers are being forced to weigh the benefit between chargebacks and increasing security.

**Discussion Questions**

**Why are chargebacks a problem for Internet retailers?**

Chargebacks are a problem because it is adding a large cost and decreasing their revenue. It is also a problem because the Internet retailer must pay the charge back because of their lack of proof of purchase instead of the credit card company. The credit card companies pay for chargebacks in brick in mortar stores.

**Should Internet retailers accept chargebacks? Why or why not?**

*Sample Answer: An Internet retailer should accept some chargebacks because there are some very viable cases that exist. However, they need to provide the necessary security during the purchase to ward off the fraudulent chargebacks. Not accepting any chargeback can deter customers away and accepting all of them can be too high a cost to the company.***

**NANTUCKET, PLAYGROUND FOR THE RICH, BANS CHAIN STORES**

*Use with chapter 8 “Retail Site Locations”*

*Stacy Stowe, “Nantucket votes to ban chain stores from downtown,” Seattle Times, April 17, 2006.*

On April 4, residents at the Nantucket town meeting voted to maintain downtown’s allure and integrity. They voted to ban the entrance of any new chain stores. Already the area has ordinances forbidding neon lights and vinyl siding to help maintain its integrity. The author of the proposal argues that since it is a challenge to get to and expensive to visit Nantucket, then why would people come here for the same stores and restaurants they can find on the main land?

The arrival of a Ralph Lauren store instigated the proposal. The company paid $6.5 million for the store front. In Nantucket this is not unreasonable. A starter building on 1/8 an acre prices out at nearly $50,000. However, the ban does not have wide arms. Chains are still welcome to settle on the outskirts of town. Yet, with a winter population of only 10,000 people, compared the summer boom of 40,000, coupled with the cost of land, it may not be profitable for many retailers.

Critics of the ban argue that chains would allow for more competition and better prices. The working class needs affordable underwear. One house painter calls Nantucket a “theme park for the rich”. The executive director for Sustainable Nantucket, an organization that helps to maintain the character of the island while fueling economic growth, is worried that it will become more like the Caribbean where the rich fly private.
planes and the workers live in corrugated tin shacks.

Others that supported the band admit that affordable food and drink would be great on a personal level, but it would cut into their business dealings. A plumbing contractor is worried that if a Home Depot were to open he would lose all his profits from his fixture mark ups and services. Mr. Karp, a real estate developer who spent $75 million on cottages, retail shops and the like last year is landlord to about 100 stores. He would stand to make even more money if chains came to downtown Nantucket, but he supported the ban. He urges his shop owners to stay open later in order to spur economic development. Additionally, other chains that have opened in the past are no longer there. Chains don’t seem to thrive in this location.

Nantucket has not paved a new path banning chain stores. Other towns have also passed similar laws. However, Nantucket is an island and the effect of the ban may be felt more prominently, good or bad.

**Discussion Questions**

Is Nantucket’s ban on chain stores good for the island? Justify your position.

*Sample Answer: From the historical anecdotes that prior chain stores have not been successful, it does not appear that this ban will effect the population or competition too much. The cost of land is too high for low cost chains to run a store profitably. Therefore, those that want low priced staples will probably not be able to get them, with or without the ban. The problem is the cost of real estate, not the banning of chain stores.*

**AVON UPDATED: DOOR TO DOOR SALES ARE HARD WHEN PEOPLE AREN’T HOME**

Use with chapter 2 “Types of Retailers”


The Avon lady is now a sales representative. Avon is updating its traditional sales methods and business structure to keep up with the current cosmetics market. In a country of time-crunch consumers, waiting for the Avon sales representative to appear on their doorsteps is not an option. Instead, they can go to a store or order online. However, with everything that Avon changes and updates, their old direct sales model still holds some ground and works for many.

The company is teaching its representatives to place their orders online. They also support individual representative’s pages so their customers can order online at their leisure. Sephora’s online store provides a broad array of choices for its consumers. Avon will also spend $500 million to restructure their company. The designated money will increase advertising, representative support and product research and development. Something that is not changing is the Avon sales representatives’ sense of being their own employer. Avon still does not pay benefits, salaries or day to day operating expenses. Successful representatives sell cosmetics, but more importantly recruit their own sales team.

The majority of representatives are females looking to earn some extra income and start off selling to their friends and family. Hosting home parties are now popular for Avon sales representatives. Despite the hectic lives of many females, they still make time for women bonding and customers buy more when they are face-to-face with someone. They also enjoy getting expert advice, especially from a trusted friend who happens to be an Avon sales representative. Other more traditional brick and mortar stores are looking into this direct sales method. The Body Shop invites girls to host a “girls’ nite out” to sell their products in their home to friends. Mac cosmetics allows site users to “e-mail an artist” with questions regarding their makeup and its application. Both The Body Shop and Mac are pinpointing direct sales techniques that will increase their sales; techniques that are embodied in the Avon sales representatives.
There are so many brands and cosmetic outlets that it is becoming a commodity. Avon sells a service and a trust between consumers and representatives. Consumers and sellers are realizing the importance of the personal touch and word of mouth buzz that promote products.

**Discussion Questions**

**What is the future of the Avon Lady and other Direct Sales retailing organizations?**

Direct sales organizations will continue to thrive within their niche if they continually are able to provide what the customer wants. The customer wants choice between convenience (internet shopping) and the personal touch (home parties). If direct sale organizations are able to convince their customers that they need and want the advice and personal interaction with sales representative (and that representative is competent in providing it), then they will be able to sell more products and create loyalty with the customer.

**CHINA’S HOME IMPROVEMENT MARKET ABOUNDS. WHY IS HOME DEPOT STALLING?**

Use with chapter 5 “Retail Market Strategy”


China’s homeownership has grown from near zero 20 years ago to 70% today. In 2005, the Chinese spent $50 billion in home improvement sales and it is expected to continue to grow at 12% a year. The most recognizable home improvement store in the US, Home Depot, however, has not yet cashed in on this market.

Stores that are operating in China are homegrown competitors such as Homemart, Homeway, Orient Home and UK based B&Q. B&Q entered the market in 1999 and after a few stumbles they earned $542 million in sales in 2005 with over 49 stores. Home Depot has been studying reports and traveling around mainland China preparing for a decision. The home improvement market is nothing like the do-it-yourself market of the US, which it knows well and dominates. In China new homes are cement shells that homeowners must then complete all the finish work. This includes not only paint and furniture, but wiring, plumbing and appliances and walls.

B&Q learned the need to offer discount items in the front of the store to encourage shoppers to enter. They keep all their items handy for customers to touch and feel and they sell expensive fish tanks next to power tools. They also create floor plans for customers and complete the installation from floor up. These are services which Home Depot and its staff are unfamiliar with and will need to overhaul its current operations if they are to succeed in China.

In the past Home Depot attempted, and failed, to expand in Chile and Argentina. Now it must make another expansion decision about China quickly. Some critics believe it may already be too late for Home Depot to develop the relationships needed with local governments to secure prime locations spots and relationships with suppliers. There are rumors that Home Depot may buy a 49% stake in Orient Home. While Home Depot has not confirmed this, they have confirmed they will make a prudent decision.

**Discussion Questions**

**Do you think Home Depot should open stores in China? Why or Why not?**

Sample Answer: Home Depot should open stores in China because of the potential market that exists there. Some worry that all the good locations and markets are becoming saturated, but there are many other sizeable cities that Home Depot can move into in a land with over a billion people. It would probably be best to partner with a domestic company in order to learn how to succeed and to avoid the bumps that B&G
encountered. Home Depot already offers many services in the US and it would not be a large stretch to others that would be necessary for success in China.

DUNKIN DONUTS BRIGHTENS AND EXPANDS ITS MENU AND STORE

Use with chapter 5 “Retail Market Strategy”


Don’t ever give directions to a Starbucks to a Dunkin Donuts aficionado. This is what Dunkin Donuts learned in a recent study where loyal Dunkin Donut customers were paid $100 to buy their coffee at a Starbucks for one week and vise versa. The Dunkin tribe saw Starbucks as expensive and pretentious and the Starbucks tribe viewed Dunkin’s as unoriginal. Starbucks’ customers want to feel special, while Dunkin customers want to feel that they belong to a group. The information Dunkin Donuts gathered went to creating a prototype for a new Dunkin store in Euclid, Ohio.

After two buyouts, Allied Domecq in 1990 and Pernod Ricard in 2005, the Dunkin franchise decided it needed a facelift to successfully compete with other breakfast options such as McDonald’s, Krispy Kreme and, yes, Starbucks. Dunkin Donuts took small stumbles in the past by locating restaurants with Baskin-Robbins and Togo’s, which confused the customers, and clinging too long to its donut focus. However, they found success in pushing coffee. Coffee now makes up 62% of its sales.

Several years ago other chains, such as McDonald’s began redesigning its interiors and upgrading its menu to attract more customers. Dunkin Donut’s remained the same and slowly become grungy and stale. McDonald’s has subdued its interior with softer beiges and individual table lamps in restaurants near business districts. In addition, it has added espresso beverages and a stronger coffee blend, produced by Starbucks.

The research revealed that customers did want nicer stores, but didn’t want a duplicate Starbucks. The prototype store eventually emerged with imitation granite round tabletops and sleek chairs replacing the old square laminate tables. They still rush to get customers in and out in 2 minutes, which is one minute faster then Starbucks’. The store now has piped-in upbeat music and larger windows for light. The new Dunkin Donuts has added heartier snacks for meal skipping customer including fruit cups, smoothies and “bites” which are pastries filled with pork and other hearty ingredients. Many of these items are now displayed in a glass display case.

The company’s new Ads “America Runs on Dunkins” demonstrate the vital role a Dunkin donuts coffee plays in the life of the typical blue collar worker. All in all, Dunkin Donuts has received positive feedback and the company plans to remake all its stores, nearly 5,000 of them. However, the franchises will foot the bill at $150,000 per store. One big question remains for the top executives. Will they drop the word “Donuts” from its signature sign to illustrate the now larger menu and improved restaurant?

Discussion Questions

How is Dunkin Donut’s changing its retailing mix?

Dunkin Donuts is revitalizing its atmosphere with upbeat music, slightly trendier furnishings, such as faux granite tables, and subdued colors. They are also adding hearty snack items to the menu such as bites and fruit cups. Advertising campaigns are now featuring the slogan “America runs on Dunkins” and they show blue collar workers drinking Dunkin’s coffee to make it through the day.

Do you believe this is a good strategy? Why or Why not?
Sample Answer: This is a good strategy as along as they don’t go too far into the trendy arena which will alienate its loyal customers. I believe that the change was needed because it was becoming too comfortable with its old way of business and innovation is important to be able to compete successfully.

AVOIDING INDIA’S POTHHOLES TO REACH ITS RETAIL POTENTIAL

Use with chapter 5 “Strategy”

“Coming to market,” The Economist, April 12, 2006.

Foreign retailers are anxiously waiting their turn to enter the Indian market. Wal-Mart, Tesco and Carrefour are all keenly waiting on the side lines preparing to make their move. Even with some recent relaxation of policy, India’s retail sector, which accounts for 6-7% of employment and 10% of GDP, is protected from foreign direct investment (FDI) and, therefore, foreign competition. India is home to 15 million retail outlets, most of them family run businesses.

Organized retailing only comprises 2-3% of the total number and 96% of those are in the ten biggest cities. Organized retailing is growing at 18-20 % a year which is igniting a the property development industry. Currently there are 450 malls in construction. Pantaloon bills itself as “India’s first trouser store” and employs 12,000 people in 100 stores. Aside from a few other retailers such as Reliance Industries, India’s largest private sector firm selling oil, petrochemicals and textiles, this is quite uncommon in India, at least for the moment. The obstacles that face organized retailers are large and plentiful.

India’s infrastructure badly needs repair and upgrades. Roads, ports and electrical supply need investment, but the government does not have the funds. Up to 40% of fruit and vegetables grown in India rot before it makes it to market. Land in the major cities is at a premium and nearly impossible to buy. Many shops are opened illegally in residentially zoned properties, which run the risk of government retaliation.

Also, local and federal governments and agencies require many licenses. On average, a new shop needs 15 new licenses covering pollution, products and general trading, costing about 500,000 rupees and six months of waiting time. In addition, the current tax system, which is in transition to a nationwide state-level value added tax, is supremely complicated and increasingly expensive. Furthermore, working in the retail industry is not viewed as a glamorous job and is not a sought after opportunity by many.

However, Panatloon’s boss Mr. Biyani argues that he recruits 500-600 people every month and 1/3 of them are college educated. There is a job for all education levels in organized retail. In addition, Mr. Biyani reminds people that there is affordable and useful land in second tier cities and small towns. The Indian economy is made up of 64% private consumption, more then even Europe and Japan. Conservative estimates number India’s middle class at 58 million, however with the GDP growth rate estimated at 6%, this is also expected to grow. All is not lost for the organized retailer, and with the so much to gain, they will continue to push their way into India.

Discussion Questions

What are the advantages and disadvantages of doing business in India?

The disadvantages are the lack of infrastructure including roads, ports ad electricity and the lack of funds to improve them. Also, the laws make it difficult and time consuming to open a new shop because of licenses and zoning. Land in some areas is hard to acquire. The advantages are there are few organized large retailers, so the first movers will have a strategic competitive advantage. There is available labor to open new stores and a growing middle class with money to spend.

Why has India become a more attractive market for global retailers?
The sheer size and potential profit ability of operating a business in India is attracting global retailers.