Organized Retailing in Malaysia and India: A Review of Earlier Studies

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Abstract

This article seeks to understand practices in retailing sector in two countries Malaysia and India and to identify further scope of research in organized retailing sector in India as compare to Malaysia.

Review of literature has been done. Research papers on retailing from both countries(India & Malaysia) has beenreviewed to understand;What is organized retailing and how it is gaining momentum in Asia, How organized retailing is operated in Malaysia and India, How can India take lessons from Malaysia as an example of success in Organized Retail?

On the basis of the literature reviewed, gap analysis has been made.

Introduction

The word retail means the sale of goods or commodities in small quantities directly to consumers. Retailing can be defined as a distribution channel function, where an organization, buying the products from supplying firms or manufacturing the products themselves, sells these directly to consumers. Retailing is beneficial to both consumers and sellers. On the one hand it enables the consumers to purchase small quantities of an assortment of products at a reasonably affordable price, on the other it offers an opportunity to suppliers to reach their target market. (Singh Kalpana, 2014). The retail industry is divided into organised and unorganised sectors. Organised retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc.These include the corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses (Ramakrishnan, 2010). 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 (Sengupta, 2008, p.691, as cited in Zameer& Mukherjee, 2011). Unorganised retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, the local kirana shops, owner manned general stores, convenience stores, hand cart and pavement vendors, etc. (Guruswammy, Sharma, Mohanty , Korah, www.eretailbiz.com). This sector essentially consists of kirana (mom-and-pop) stores that serve their neighbourhoods, are small in size (less than 500 square feet in area), are largely owner- managed with negligible hired help, and stock a very limited number of items.

World Scenario

In the 1980s, globalization of the world economy was largely confined to manufacturing firms. During the last two decades there has been a significant growth in the internationalization of the services sector due to tremendous progress made in the development of telecommunications and information technology, the deregulation of services industries and also the liberalization of foreign trade and investments regimes world-wide following the establishment of the World Trade Organization's General Agreement on Trade in Services in 1995 (Organization for Economic Cooperation and Development (OECD),2002,as cited in Kaliappan,Alavi,Abdullah,Zakaullah,2008). One of the services sectors that grew impressively was the retail sector. The intensified globalization of the retailing industry has brought retail multinationals – mostly food and general merchandise operators – such as Wal-Mart, IKEA, Courts Mammoth, Carrefour, Tesco, Ahold, etc. into various developed and emerging markets (The McKinsey Quarterly, 2004; Currah and Wrigley, 2004; AT Kearney, 2005; Wrigley et al., 2005,as cited inKaliappan, Alavi, Abdullah,Zakaullah,2008). These trends have been spurred by both push and pull factors. It is claimed that the mature character of the industry in developed countries characterized by high competition and low profitability (market saturation), as well as domestic regulation restricting large store development and low growth in the domestic market, has generally encouraged the expansion of major retailers into the market of developing and emerging markets (Dawson, 2003; Global Production Network (GPN), 2003; UNCTAD, 2005, as cited in Kaliappan, Alavi, Abdullah, Zakaullah, 2008). Meanwhile, the pull factors are related to growing business opportunities, rapid urbanization, high population growth rates, rising incomes or levels of affluence, westernization of lifestyles, increasing demand for fast food and the relaxation of investment rules and restrictive trade policies in other countries (Dawson, 2003; Reardon et al., 2003; Reardon and Berdegue´, 2006,as cited in Kaliappan,Alavi,Abdullah, Zakaullah, 2008).

One can broadly distinguish between three subgroups of retail markets: Mature markets such as in Western Europe and North America, Emerging markets such as in Asia, Central and South America and Eastern Europe, and less developed markets such as in Africa and some parts of Asia and South America. Emerging markets refer to countries and regions experiencing substantial and rapid economic growth and industrialization that are likely to emerge in the future as mature markets (Gielens and Dekimpe 2007). The BRIC (Brazil, Russia, India, and China) countries are widely viewed as the largest emerging markets (Reintarz, Dellaert, Krafft, Kumar, Varadarajan, 2011)

In the following table we can see various stages of retailing and countries can be divided according to the stages. In Pre institutional and emerging countries investments in these markets generally involve various risks, including illiquidity, lack of transparency, identification and vetting of local partners, unfriendly legal structures, and volatile fundamentals. But maturity is a constantly evolving concept. South East Asia currently lacks market that are recognized as advanced institutional, but fast pace economic development is definitely pushing the region up the maturity spectrum(Chin & Chow,2013). India has been nominated as emerging economy while Malaysia is mature market in retailing sector.

Stage	**Definition**	**Major Formats**	**Retailers**	**Countries**
Pre-Institutional	-Limited investment -Lack of organized shopping formats	Street Shops	Domestic retailers	Pakistan, Laos, Myanmar
Emerging	-Middleclass growing -Consumers aware of retail formats	-Department stores -Super markets	-Domestic retailers -Foreign retailers (big cities)	Vietnam, **India**, Philippines, Indonesia
Maturing	-Surge of well-organized malls -Domestic/foreign chains enter market	-Shopping malls -Hypermarkets -Online sales	-Foreign retailers -Strong Retailer competition	**Malaysia,** Thailand, Korea, China

Mature	-Retail property as institutional assets class Consumer affluence; liquidity still evolving Domestic/foreign retaile r sophistication	-Mature retail formats -Suburban shopping centres	-Chain retailers expand into secondary locations & cities	Singapore, Hong Kong, France, Italy

Source: Pramerica Real Estate Investors, 2012

Asia at a glance:

Asia, accounting for more than 50% of the world's population, is a diverse region comprising economies of various sizes, levels of economic advancement, cultures and standards of living.This region is becoming increasingly attractive as a fast growing retail market for brands, it is a diverse and highly fragmented market. In coming years, the growth of modern grocery retailers (such as convenience stores, hypermarkets and supermarkets) will play an integral part in reshaping the landscape of grocery retailing in the Asia Pacific region (Source Asia Overview, Asia market update, 2014).Higher GDP growth, a burgeoning middle class, and rising consumer spending have contributed to the attractiveness of large markets such as China,India, and Indonesia (Kaliappan, Alavi, Abdullah,Zakaullah, 2008).The South East Asian economies are projected to grow by 4% to 7% per annum over the 2012-2016 period. This is a significantly faster pace of growth than is expected in advanced economies.Sustained rise in per capita income accompanied by rapid urbanization, better infrastructural facilities and changes in tastes and preferences in South Asia have attracted big retailers (*Joshi, Gulati, Cummings, as cited in Asia overview)*.Malaysia's GDP per capita exceeds China and India by a relatively wide margin and international retailers likely to be seeking growth opportunities in the years ahead.Singapore, for example, ranked high in the Asia Pacific region on factors such as transport infrastructure, accessibility, and the diversity of the shopping experience but it fell short on affordability. Other cities in the region like Jakarta and Ho Chi Minh City were deemed affordable, but fell short in the areas where Singapore ranked high. **Kuala Lumpur** tended to rank relatively highacross all categories.

Asia have advantage of demographics in terms of *economic*- urban labor pools are large, denser and more diverse, something that works to the advantage of employers as well as those seeking jobs.*Social*- Urban areas integrate diverse groups of residents and visitors, creating social and cultural environment that can influence fashions, entertainment and ultimately spending patterns. *Political*- urban areas also wield political power, providing a voice for concentrated public investments in infrastructure such as airports, transit systems, hospitals and universities(Chin & Chow,2013). From the table below we can compare Asian countries in terms of GDP growth and per capita, population growth, urban share. Malaysia have higher GDP per capita as compare to India .It has higher urban population at the rate 73 % as compare to 30% of India.

Countries	GDP 2011 (US$bn)	GDP per capita 2011 (US$bn)	GDP Growth 2012-2016 (%p.a)	Population 2011 (millions)	Population Growth 2012-2016 (%p.a)	Urban Share 2011 (%)
Indonesia	847	3,448	6.3%	245.6	1.00%	54.9%
Malaysia	279	9,737	5.2%	28.6	1.30%	73.2%

Singapore	260	49,963	4.6%	5.2	2.64%	100.0%
Thailand	346	5,067	5.0%	68.2	0.64%	34.4%
China	7,053	5,343	8.1%	1,320	0.44%	45.9%
India	1,897	1,578	7.9%	1,202	1.46%	30.4%
Vietnam	124	1,400	6.9%	88.7	0.98%	29.3%

Global Retail Development Index (GRDI)

Markets pass through four stages of retail development (opening, peaking, declining and closing) as they evolve from emerging to mature markets, a process that typically spans 5-10 years. The retail window opens when the population becomes wealthier, logistics start improving, ownership regulations become friendlier to international firms, economic, political and social risk settled. (AT Kearney report, 2014). From the table below we can compare various countries in terms of market attractiveness, country risk, market saturation.Malaysia is far ahead than India in GRDI with having Market attractiveness 66% and India have 26% and overall score of Malaysia 52% and India 45%

2014 Global Retail Development Index

Country	Market Attractiveness (25%)	Country Risk (25%)	Market Saturation (25%)	Time Pressure (25%)	GRDI score
Chile	100.0	100.0	13.2	47.3	65.1
China	60.9	52.5	44.5	100.0	64.4
UAE	98.5	82.3	17.5	43.8	60.5
Brazil	99.4	59.8	48.7	33.2	60.3
Malaysia	66.7	68.7	32.2	43.5	52.8
Turkey	83.6	50.2	46.5	30.2	52.6
Russia	94.0	38.4	30.7	46.4	52.4
Indonesia	46.2	33.4	57.7	59.6	49.2
Sri Lanka	6.3	36.7	78.8	67.3	47.3
Nigeria	39.6	6.6	92.3	48.0	46.6
India	26.4	39.0	72.3	43.4	45.3
Philippines	33.0	33.2	55.8	50.5	43.1
Vietnam	3.8	21.9	75.0	55.7	39.1

Comparison between India and Malaysia

From above overview of Asia we can analyze that India and Malaysia are growing economies with the GDP growth rate of Malaysia 3.05% and India 5.58%. Both countries have GDP per capita growth rate of 3-5 %. If we compare demographics of these countries, young population is the main breakdown of whole population. In Malaysia 40% of the population is in bracket of 25-54 year old. In India 40% of population is also in 25-54 year old bracket. Urban population is increasing in both the countries. In Malaysia annual growth rate is 2.66% and in India it is 2.38%. In both the countries young population is showing interest in Internet Shopping. As internet users has increased drastically in both the countries, India has shown 15% growth than Malaysia 67%. Malaysia has shown tremendous growth in retail sector and government has allowed foreign retailers to operate and they are highly successful. There are technological, social and economic benefits has been seen for consumers, farmers and small and medium enterprises.

With increasing job growth rate projected for South East Asia in the coming years, retailers have reason to be considering expansion. Singapore and Malaysia are expected to lead the region's job growth over the coming years. India can take example of Malaysia in retail success and amend some rules and regulations in FDI policies. Indian consumers are still not exposed to modern retail formats and benefits have not been analyzed.

There is no research showing comparative study of two countries in retail growth. There is a gap in the literature and review of study method of various research papers has been used to specify same.

Objectives

The study being exploratory in nature adopted a review study of 42 research papers on retailing.20 papers are on Malaysia and 22 are on India to understand their practices in retailing.

The focus is on advantages and disadvantages of organized retailing for the Malaysian and Indian economy. Benefits of FDI in this sector for consumers, farmers, supply chain management etc. and issues are explored in India as compare to Malaysia example.

Methodology

In order to address the aforesaid objectives 42(20 from Malaysia, 22from India)research papers on retailing has beenreviewed to understand;

1. What is organized retailing and how it is gaining momentum in Asia?
2. How organized retailing is operated in Malaysia and India?
3. How can India take lessons from Malaysia as an example of success in Organized Retail?

On the basis of the literature reviewed, gap analysis has been made .Objectives, Research Methodology and findings of various papers has been studied in detail, and comparison is made between Malaysia and India. From above comparison retailing trends in both countries were compiled and future scope of study has been discussed.

Literature review: Major findings of different authors on retailing are summarized below.

Scanning the relevant literature on retailing trends in India, brief overview is presented in following section:

Zameer Asif & Mukherjee Deepankar, Food and grocery constitute a major portion of the private consumption. This offers a large potential market for the organized retail companies to tap into. However, the high proliferation of local kirana stores with their unbeatable advantage of proximity and customer familiarity questions the success of organized retail in this category.

Minten Bart, Reardon Thomas &SutradharRajib, In Delhi, modern retail is shown to emerge quickly, offering more labeled and branded food products and more choice than traditional markets. Modern retail at its incipience in India sells basic foods mostly at the same or lower prices than traditional retail and might thus become an important contributor to improved urban food security.

Prasad &Aryasari, Shoppers age,gender, occupation, education, monthly household income, family size, and distance travelled to store have significant association with retail format choice decisions. Demographic and psychographic dimensions like values, lifestyle factors and shopping orientations resulted.

KhareArpita, small retail service quality for Indian consumers comprises ambience, layout, and service/ relationships dimensions. Hedonic and utilitarian shopping values influence consumer's service quality evaluations

Seetha Raman, Bajaj Swati, Raj John &Saravanan, There are five factors affecting consumer perception of Wal mart, namely, Price, Product, Service quality, Convenience and Social and Cultural affinity.

Helepete Jaya, Iyer& Park, Walmart faces many ownership as well as locational disadvantages while expanding in India. These challenges has to be well understood in the Indian market.

Reardon Thomas &Minten Bart, represent three surprises concerning modern retail diffusion in India. First wave government retail chains, second is cooperative chains, third is private retail chains. Indian private retail chain development has unique or rare characteristics: driven by domestic capital investment, early diversification into small formats and early penetration of small cities and even rural towns, of the food markets of the poor and lower middle class, and of fresh produce retail.

Reinartz Werner, Dellaert, Krafft, Kumar &Varadarajan, Retailing innovations responsive to the characteristics of distinctive national markets and broader aggregations of markets such as mature, emerging and less developed markets are critical to the success of global and globalizing retailers.

Deloitte report, organized retail, which constitutes 8 percent of the total retail market, will grow much faster than traditional retail. It is expected to gain a higher share in the growing pie of the retail market in India. Various estimates put the share of organized retail as 20 percent by 2020.

Gupta Urvashi, Due to changing demographics, increase in DINKS (double income no kids) families, urbanization and awareness due to electronic media especially internet the customers have multiple options to choose from modern retail outlets to neighborhood shops. Majority of the consumers are visiting organized formats for variety, easy availability, cleanliness with additional facility of entertainment for children and convenient parking facility and restaurant etc. In case of unorganized outlets immediacy of the store, credit and bargaining facility balance the tilt.

Ramakrishnan, The competitive response of small, independent retailers in an emerging economy India to the onset of competition from large, organized retailers. The competitive behavior is comprehend in terms of patterns of retail functional and business strategies. The presence of distinct strategies, strategic groups, and the positive impact on small retail performance of adopting distinct retail functional and business strategies.

Jhamb Deepika & Kiran Ravi, the study reveals that consumers choice for modern retail formats as compared to older ones. Consumers prefer modern retail formats due to its significant product attributes like improved quality, variety of brands and assortment of merchandise and store attributes like parking facility, trained sales personnel and complete security. The retention strategies, promotional strategies, growth and improvement strategies are the major contributors for the growth of organized retailing and play an important role in enhancing the sales of retail formats.

Goel Bharat & Dewan Bhushan, Consumers preferences of the specific attributes of retail stores included availability & variety, ambience, service, price, advertisement, prestige and the quality.

Goswami Paromita & Mishra Mridula, Customer patronage to grocery stores was found to be positively related to location, helpful, trustworthy salespeople, home shopping, and cleanliness, offers, quality and negatively related to travel convenience. Kiranas do well on location but poorly on cleanliness, offers, quality and helpful trustworthy salespeople. The converse is true for organized retailers.

Ghoshal Moloy, Allowing healthy FDI in the retail sector would not only lead to a substantial surge in the country's GDP and overall economic development, but would inter alia also help in integrating the Indian retail market with that of the global retail market in addition to providing not just employment but a better paying employment, which the unorganized sector have undoubtedly failed to provide to the masses employed to them. FDI in multi brand retail can bring supply chain improvement, investment in technology, manpower and skill development, tourism development, greater sourcing from India, up gradation in agriculture, efficient small and medium scale industries.

Singh Kalpana, in recent policy changes, both the existing traditional retailers and modern organized domestic and foreign retailers would have opportunities and face challenges. On one hand the policy exposes the domestic retailers to competition from foreign retailers; while on the other hand, it seeks to safeguard them through a slew of protective measures. The future prospects of Indian retail market are likely to have some macro- economic impact too. Prospective reduction in supply chain impediments may help in reducing supply side inflationary pressures.

Akram Hafiz, Anwar Mohd., Khan M,The phenomenal growth of organized and modern retail has a favorable multiplier effect on the Indian economy. At present it is already considered to be India's backbone in terms of employment generation after agriculture. The organized retail is attracting a huge inward investment in several support industries such as logistics, IT, which is strengthening the supply chain. The arrival of private brands are generating demand and sourcing tie ups with manufacturers across products.

Srivastava, the findings are that malls in 2006 are more developed in the North and West part of India. Food, groceries and apparel purchase by customers contributed to 52 percent. Malls with multiplexes such as cinema theaters, food courts, and play place for children are becoming the center for family outings. Small retailers have improve their service to cater to Indian consumers. Credit limits and home service are helping them to hold on to their customers.

KPMG report, in coming years about 70 per cent of world's growth is likely to come from emerging markets, with 40 percent contribution from China and India, alone. Emerging markets are likely to gain investor interest in the future.

Singh Rajwinder, Sandhu H.S, Metri B.A, Kaur Rajinder, The research conceptualizes and develops five secondary constructs for supply chain practices (use of technology, S speed, Customer satisfaction, SC integration, and Inventory management). Also identifies four primary competitive advantage constructs (Inventory management, Customer satisfaction, Profitability, and Customer base Identification) and six primary organizational performance constructs9 Market Performance, SC competencies, Stakeholders Satisfaction and Innovation and learning. The Indian retailers know that competitive advantage has high impact on SCP but they fail in matching supply chain practices, competitive advantage and organizational performance.

Narrod Clare, Roy Devesh, Okello J, Avendano B, Rih Karl, Thorat Amit, Public private partnerships can play a key role in creating farm to fork linkages that can satisfy market demands for food safety, while retaining smallholders in the supply chain. Organized producer groups monitoring their own food safety standards through collective action often become attractive to buyers who are looking for ways to ensure traceability and reduce transaction costs. Authors compare the way in which small producers of fruits and vegetables in Kenya and India have coped with increased demands for food safety from their main export markets.

Reardon Thomas & Hopkins Rose, supermarkets have conflicts with traditional retailers in terms of Price, Convenience, Quality and Safety. The modernization of supermarkets procurement systems and conflicts with suppliers. FDI and competitive local investment has led to rapid consolidation and multi-nationalization of the supermarket sectors in many developing countries over the past decade.

Summary of study in Malaysia:

Scanning the relevant literature on retailing trends in Malaysia, brief overview is presented in following section:

Abdullah Amin, Arshad Fatimah, Latif Ismail, the Malaysian government has reacted to the concerns by the local conventional retailers, by introducing new guidelines to developing new hypermarkets in the country.Supermarkets and hypermarkets did impose competition on conventional wholesalers and retailers. However they have also brought some changes to FFV retail business, such as promoting quality products, and a better and a systematic marketing approach.

Azhar, Salehuddin, Bakhtiar and Kamaruddin, The Malaysian food retailing industry is experiencing tremendous growth from the evolving modern fresh food retail outlets such as supermarkets and hypermarkets. This evolving pattern is influenced by the changing behavior and lifestyle of local consumers. It was discovered that the consumers are satisfied with the overall quality of fresh food products, they are also satisfied with the price and availability of fresh foods in the hypermarket.

Chamhuri Norshamliza & Batt Peter, Consumers indicated that that their decision to purchase fresh meat from either a modern retail outlet or the traditional market was influenced by five key variables: perceptions of freshness, halal assurance, a good relationship with retailers, a competitive price and a pleasant environment for shoppers.

Hassan Hasliza, Sade Bakar, Rahman Muhammad, Malaysian hypermarkets can be defined using retail developments within the industry as source for definition works. This industry can also be expanded further through: product brand extension, service experience enhancement, self-checkout technology, coupons promotion, online hypermarket and one district one industry market intervention program.

ChamhuriNorshamliza& Batt Peter, for the purchase of fresh meat Malaysian consumer prefer modern retail stores or the traditional market. But for the purchase of fresh fruits and vegetables they prefer modern retail, transient shops and traditional markets.

Bohari Abdul, Rainis Ruslan & Marimuthu Malliga, hypermarket business is one of the most promising fields of business to utilize spatial technology. One of reason to apply spatial technology in hypermarket business was to visualize and mappingany applicable results of marketing research, includes CLV of every customer. Now a days change in spatial technology trend, more and reliable analytical operations are performed within a spatial environment.

Karim Jeannot, Kumar Mukesh & Rahman Sofiah, Hedonic shopping value measurement scale is a reliable and valid scale to be used for Malaysian consumers. The sense of joy and escape are the most important variables discriminating between the groups based on gender, age and marital status.

Kaliappan, Alavi, Abdullah, Zakaullah, The findings revealed that the entry of foreign hypermarkets in a town often affects the business environment of the local retail businesses. It is found that the newly established foreign hypermarkets tend to acquire much larger market share from the existing local businesses. Some businesses benefited from the presence of foreign hypermarkets.

Mui Lim, Badarulzaman, Ahmad Ghafar,in the states of Selangor and Johor, the small scale retailing in the form of shop houses still continue to grow in spite of the advancing hypermarkets. In Federal territory Kualalumpur, the retail trend seems to be changing from shop houses to large scale retailing like supermarkets and hypermarkets. The state of Penang where shop houses and hypermarket are achieving high growth. Majority of shoppers are young single students and mostly would patronized shopping premises nearest to their place of residence. Also majority of shoppers travel by car thus making car facility necessity, shoppers treat shopping trips as an outing with family or friends and for the entertainment.

Mutebi Alex, policy makers in the emerging markets of south east Asia have each adopted different regulatory regimes to deal with the rapid spread of transnational retail chains In Malaysia have taken the most stringent line in enacting through regulations, while those in Indonesia are the least stringent , with Thailand lying somewhere between.

Kalippan Shivee, Alavi Rokiah, Abdullah Kalthom, Zakaullah Muhammad, The study shows that foreign hypermarkets play a very important role in the development and growth of the domestic suppliers via backward linkages. The main forms of linkages are product supply, informational linkages, assistance with inventory management, technical support and quality assurance and procurement systems. They benefited substantially from the presence of foreign hypermarkets, however, they also face several challenges brought about by imposition of several unfair terms and procurement policy.

Tinggi Michael, Jakpar Shaharudin, Padang Stephanie, empirical studies shows that consumers in the rural areas are more inclined to buy from bumiputra grocery stores. However, consumers in the city adopt a different trend and shop at the mega stores. In the city the urban bumiputers retailers have to be receptive to consumers' needs for satisfaction and to embrace the new art of trading and strategizing in order to remain relevant.

KamarulzamanYusniza & LihFrankie, Malaysian shoppers are motivated to visit malls because of the ambience, interior design of the malls, convenience, accessibility and promotion.

Ahmad Azhar, Nor Sallehuddin, Rahman Ishak, Moen Jumaat&WelChe, The presence of bigger retail outlets have brought new business opportunities and moved the retailing industry in Malaysian to greater heights. There would be short term adverse impact on most retail outlets and the degree of the impact would be determined by the type of retail business. Small retailers can promote store aggressively, conduct frequent sakes promotion, provide after sales service and accept payment via credit cards.

Ahmad Fauziah, Ihtiyar Ali, Omar Rosmini, this study intends to compare customers perceptions on service quality between Malaysia and Turkey, as both are emerging economies with strong growth in grocery retail industry.

Rittgers C & Pin L, Malaysia report in retail sector. Boosted by solid economic performance and robust domestic demand, Malaysia's retail sector is forecast to grow six percent annually.

Chin Henry & Chow Alan, The case for SEA retail investment: The Asia Pacific retail market is the world's largest. Strong demographics, economic resilience, tourism potential, retail market maturity and investment opportunities are the positive about the region.

AT Kearney report: In developing markets from South America to Southeast Asia to southern Africa, international retailers and their reginal rivals are expanding, buoyed by a more upbeat economy and growing retail environments.

Asia overview: Asia, the world's fastest growing economic region for over two decades. The retail market in the Asia Pacific will grow at a rate of 4.7% in 2014, up from 4.3% in 2013.

Economic transformation programme: a roadmap for Malaysia, Government has given importance to retail sector and has declared Retail & Wholesale sector as a NKEA (National key Economic area). Many innovative initiatives has been taken by government to promote this sector.

Retailing in Malaysia

Malaysia's food retail industry has progressed rapidly with the growth of hypermarkets and retailers as the major retail centres for consumers to buy foods and consumer goods. This development is brought by the globalisation process, in particular the free flow of capital between countries and enhanced by the Foreign Direct Investment policy in retail sector of the country (Abdullah, Arshad, Latif, 2011). The food retailing industry is experiencing tremendous growth with modern fresh food retail hypermarkets dominating the local retail trade (Shamsudin & Selamat 2005). Modern retail formats offers wide variety of products like soft lines (garments, clothes, carpets etc.), hard lines (electrical appliances, stationery), groceries and fresh food.

Malaysia's retail environment has also undergone marked changes since mid-1990s. It initially consisted of a large number of small shops offering a limited variety of goods and services. However, as the economy developed and consumers became more mobile and affluent, the retail sector underwent rapid transformation whereby small traditional shops were later complemented by large department stores and supermarkets offering a wide range of merchandise and services. Additionally, the relatively open Malaysian retail sector and the impressive growth of the economy also attracted the entry of major international retailers such as Makro, Carrefour, Tesco, Giant, Jaya Jusco, IKEA, Courts Mammoth, etc. into the country. The increasing presence of foreign retailers has further changed the structure as well as the competition environment of the domestic market (Nasir & Jinap, 2005, as cited in Kaliappan, Alavi, Abdullah, Zakaullah, 2009).

Retail has been one of the most active sub-sectors in the Malaysian economy. Retail is the second biggest contributor to the national GDP of US$ bn356. The total retail sales of food and beverages amount to US$16 billion in 2014. It has imported $10 billion of food and beverage products in 2013, increase of 6% from previous year. Higher disposable income, a more affluent society as well as more sophisticated tastes of the consumers have led to a rapid growth of the sector. Hypermarkets will be the best-performing MGR (mass grocery retail) sector through to 2016; sales are forecast to increase at a CAGR of 7.2% between 2012 and 2016.Overall MGR sales are forecast to grow at a CAGR 6.7% through to 2016.This sub-sector as a whole contributed 14.9% to the national income. More than 1.6 million people were employed in this sector or 17.1% of total employment in Malaysia.

Growth factors: Alongside the development of the food retail industry, the behaviour of consumers in Malaysia has also changed. Malaysian consumers are experiencing dramatic changes in their lifestyle which impacts on the way they purchase their food. Several factors including an increase in personal disposable income, greater urbanisation, a greater awareness of food safety and food quality issues, and changes in diet are influencing the preferred place of purchase (Wong 2007). With more purchasing power, consumers have more choice as to where and when they purchase their food. Modern retail outlets have impacted on both the traditional food retail environment and consumer behaviour in Malaysia (Chamhuri & Batt,2013)

Malaysia's population is relatively small and its economic growth softened in 2013, but it is boosted by high capita income and a young population. Modern retail dominates in urban centres, while traditional formats leads in rural areas. In food modern retailers are gaining a greater foothold, with a market share expected to reach 53 percent by 2020. (AT Kearney report)

Retail Formats: Retail in Malaysia is wide-ranging; from department stores, supermarkets and mini markets, specialty shops, convenience stores, provision stores, pharmacies, medical halls, direct sale, wet market stalls to pavement shops and petrol kiosks. Such variety reflects the changing demands and expectations among consumers for better quality products and services.. In Klang Valley, Kuala Lumpur has 66 shopping malls and Selangor has 58. The totalretail space in these two territories is estimated at 3.37 million square metres.Hypermarket started coming into Malaysia in the early 1990s and there are more than 25hypermarkets. The traditional retail formats in Malaysia consist of traditional markets and grocery stores. The traditional market, which comprises wet markets, fresh markets, night markets or farmer's markets, are popular among consumers when purchasing fresh food and are the oldest food distribution channel. Grocery stores or mini-markets emerged at the same time as the traditional markets. These stores are family-owned retailers that sell a limited variety of products such as fish, fruit and vegetables, bread and milk, stationary, toys and household supplies. Consumers prefer to shop at these stores given that they are located close to their house or place of work. However, consumers may limit their purchase from these stores due to the high prices and limited product lines (Mui, Badarulzaman, Ahmad, 2003).

There are following companies operated in mass grocery retail segment:Japanese retailer AEON group- Superstore chains and shopping centre operation. Hongkong retailer

Dairy Farm International Giant group:

Supermarkets/Superstores and Hypermarkets. Tesco from UK have Hypermarkets in Malaysia. Makro from Netherlands have Cash n Carry / Hypermarkets.

FDI in Retail: Globalization has also brought foreign players, franchises and new concepts into the Malaysian market. International retailers like IKEA and Marks & Spencer, hypermarkets like Tesco and Carrefour, and shopping mall managers like CapitaMalls have all ventured into Malaysia in the last decade. In the supermarket &hypermarket segment, the main players are foreign owned retailers such as Carrefour (France), Makro (Holland), Jaya Jusco (Japan), Tesco (United Kingdom) and Giant (Hong Kong) which account for 73 per cent of the retail sector (Malaysia Report, 2012). By 2011 there were around 2000 supermarkets and 130 hypermarkets spread around the country including the sub-urban areas in Kuala Lumpur and Selangor, and other states such as Perak, Johor, Negeri Sembilan, Melaka, Kedah, Sabah and Sarawak.

Advantages of FDI: With various government initiatives in Malaysia, foreign retailers have played a very important role in the development and growth of the domestic suppliers via backward linkages. The main forms of linkages are product supply, informational linkages, assistance with inventory management, technical support and quality assurance and procurement system. Majority of the firms benefited in terms of an increase in sales, consistent year-round business, reliable payment, expansion into international market, improvement of product quality, and increased profit. As a result of their dealings with the foreign hypermarkets, business practices especially on-time delivery, pricing, product quality and payment systems were improved. The performance of domestic suppliers showed improvement in terms of production capacity, sales, net profits and export sales.

The retail outlets that target the middle to high income locals and expatriates carry more varieties and higher volumes of imported branded products from western countries such as Australia, New Zealand, the USA, Canada, France, Italy, the United Kingdom and other parts of Europe. These large retail stores also offer additional services such as in-store “wet markets”, bakeries, wine corners, alcoholic beverage corners, and health food corners as well as counter serving ready-to-consume meals and snacks to attract more customers to their stores. Other emerging services include on-line internet shopping with home deliveries. All the conveniences offered by these stores have encouraged an increasing number of middle to high income Malaysians to shop for their grocery needs at supermarkets and hypermarkets on an increasingly regular basis (Malaysia Retail foods report, 2014)

Government Regulations: The Malaysian government has continued to urge more bumiputera (local Malaysians)graduates to be more entrepreneurial and be involved in retailed business in order to be more self-sufficient and simultaneously it is hoped that successful bumiputera entrepreneurs could bring about the retail industry to new dimension. The bumiputera retailer normally originates from a small based or rural based trading enterprise and authorities in Malaysia seems to have taken the most stringent line in enacting tough regulations aimed at TNCs(transnational corporations) while those in Indonesia the least stringent, with Thailand lying somewhere between. In Malaysia, supervision of the wholesale and retail sectors generally falls under the purview of two committees in the Ministry of Domestic trade and Consumer Affairs (MDTCA). Set up in 1995, the committees on wholesale and retail trade regulates and supervises the industry, including foreign involvements in the sector. Approval from the committee is needed for foreign firms wishing either to set up wholesale or retail operations locally, or to open and relocate branches. Government have clear cut property regulations for foreign investors. Investors have to abide by the guidelines made by the foreign Investment Committee (FIC) for the purchase of commercial units (Alex Mutebi, 2006)

The government FDI guiding principles focus on maximizing foreign direct investments as well as in fostering pro- business environment policies to enable business to operate. Hypermarkets, supermarkets and department stores are not permitted to operate for 24 hours a day by the Ministry of Domestic Trade, Co-operatives & Consumerism. Malaysia introduced a law prohibiting new large format retail establishments from being built within 3.5 km radius of housing areas or city centers. MDTCA guidelines, all new large format retail outlets must be freestanding operations, which means that a store must operate in its own building and not as a part of any other complexes. New applicants wishing to open large format retail outlets in Malaysia would have to submit their applications to build such outlets two years in advance. The cost of the study and socioeconomic impact study is required.Malaysia introduced a five year ban on the construction of large format retail stores in the klang valley, which includes KL and the states of Johor and Penang. New guidelines that lengthened the approval time for developers seeking to build such stores in any other provincial urban areas from four months to 2 years (Alex Mutebi, 2006)

With above government regulations in Malaysia both modern and traditional retail formats flourish in their way. Retail trade has seen many advantages after allowing foreign retailers for consumers, farmers, small and medium enterprises and overall infrastructure. Consumers prefer traditional retail shops due to convenience and personal engagement.

Retailing in India

The retail industry in India is emerging as a one of the largest industries estimated to have growth of 10.6% and to increase to USD 750-850 billion by 2015(Deloitte report,2013). It has been found that retail sector is the second largest employer after agriculture and alone generates more than 35 million job opportunities (Deloitte, 2014, as cited in Akram, Anwar, Khan, 2014). Its highly dynamic and fast growing nature has put India on the threshold of a major shake-up to become the next retail boom area. Liberalization policies in retail sector have made India an attractive destination for multinational retailers. The retail sector, in India, is yet to be allotted the status of an “industry.” The sector has more than 12 million retail outlets. It has the highest retail density in the world. In terms of ownership, it primarily consists of independent, owner managed shops. In addition to these formats, the emergence of malls has transformed the retailing environment in India and is expected to push organized retailing into the fast track. (Srivastava, 2008)

The Indian retail industry has experienced growth of 10.6% between 2010 and 2012 and is expected to increase to USD 750-850 billion by 2015. Food and Grocery is the largest category within the retail sector with 60% share followed by Apparel and Mobile segment. Organized retail, which constitutes 8 percent of the total retail market, will grow much faster than traditional retail. It is expected to gain a higher share in the growing pie of the retail market in India. Various estimates put the share of organized retail as 20 percent by 2020.(Deloitte report, 2013)

Indian retailing landscape is very dynamic and India's twin growth engines, economic liberalisation and demographic profile set it apart from other nations and presents a convincing business case for global retailers seeking to enter the market. The Indian retail size is estimated to be INR31 trillion (USD534 billion) in 2013-14, with a CAGR of 15 percent over the past five years, which would be worth INR55 trillion (USD948 billion) in 2018-19.With over 92 percent of the business coming from the fragmented unorganised sector, such as traditional family run mom n pop stores, the Indian retail sector offers immense potential for growth and consolidation. The revenue generated from organised retail is expected to continue growing to an impressive rate INR5.5 trillion by 2019(KPMG report, 2014)

India was ranked fifth in 2012 on the Global Retail Development Index, by AT Kearney, highlighting it as one of the key foreign investment destinations worldwide. However, in 2013, the rank fell to fourteen possibly due to slow spending and general economic slowdown, alongwith policy concerns over approval of multi- brand retail across several states in India. This trend is expected to reverse soon supported by factors such as improving demographics, rising disposable income levels, expansion of organised retail sector into tier2 and 3 cities, changing consumer habits, etc.(KPMG report, 2014)

Retail Formats; Indian retail industry is divided into organized and unorganized sectors. Organized retail stores are characterized by large professionally managed format stores. Unorganized retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, the local kirana shops, owner manned general stores, pan/ beedi shops, convenience stores, hand cart and pavement vendors, etc. There are following retail formats exist in market:

Hypermarkets: These are witnessing tremendous growth in India. Big Bazaar is the major player in this segment. Hypermarkets are springing up all over India since consumers can buy groceries, food, garments, home appliances, durables, toys, cosmetics, toiletries, books, music etc. at a price that is always lower than the market price.Departmental store: There are yet another format that are gaining popularity in India. Indian consumers are welcoming these one stop shopping stores, which cater to all shopping needs of the consumer in their luxurious settings. These departmental stores are offering novelty, variety, and international ambience, entertainment and convenience all under one roof.Cash and Carry: They are very large stores with around 75,000 sq.ft. Carrying thousands of stocks keeping units. Metro has operating stores in Delhi, Mumbai, Bangalore & Hyderabad. Bharti Walmart has started in Punjab.Convenience stores: They are low cost, low margin, high volume, self-service operation designed to serve all needs related to food, laundry and household products. Reliance fresh, 6to10stores are famous. Specialty stores: They are single category stores that focus on individual and group clusters of the same class. Titan stores, Croma zone. Category Killers: They focus on a particular segment and are able to provide a wide range of choice to the consumers, usually at affordable prices due to the scale they achieve. Nallis Sarees and the Loft, Haldirams. Discounters: They offer wide range of branded products at a discount. Koutons, Levis are best examples.

Food retail trade is a very large segment of the total economic activity of our country and due to its vast employment potential; it deserves very special focused attention.The food and grocery retail sectors in India, constituting 70 percent of the retail pie, have attracted the attention of most business groups. Corporates such as Pantaloons-Big Bazaar, Landmark Group –Lifestyle, RPG group: K. Raheja Group, Tata Group, Subhiksha, Aditya Birla Group (More), MukeshAmbani's Reliance Group (Reliance Fresh and Reliance Hyper), and Bharti Wal-Mart among others, are expanding rapidly using various formats (Talreja & Jain, 2013)

Growth Factors: The Indian population is observing a noteworthy demographics change. An increasing young working population under age of 24 years, sharp rise in the per capita income, an increase of dual income nuclear families in the urban areas, along with increasing working women population, internet revolution and emerging opportunities in the services sector are going to be the key growth drivers of the organized retail sector in India.India also has about 500 million Indians under the age of 25. Young Indians are driving purchases in categories such as mobile phones, fashion, food and beverages, restaurant, etc. and are willing to experiment and change habits. An important contributory factor in growth of India's retail sector is growing middle class which is expected to increase from 21 million households today to 91 million households in 2030.It expects, 570 million people to live in cities in 2030, which is nearly twice the population of the United States today. India has a large and aspirational middle class of 75 million households or 300 million individuals. The disposable income of middle class Indian consumers has increased significantly. High and growing domestic consumption is another factor expected to contribute in potential growth of India's retail sector. Working population is the largest spender on retail and 50% of total population is working age group of 15 to 54 years.

Rural markets constitute 70% of the total population base, but currently account for only 40 percent of the total consumption in India, due to minimal penetration of organised retailing. Several national and international retail and FMCG players have been planning to explore these untapped markets and are localising their products for this market.

Growing numbers of millionaires in India is driving indulgence in luxury products, such as fine liquor, expensive handbags and branded jewellery and accessories. This is also important growth factor for organised retail to prosper. The rise of e-commerce has seen phenomenal growth over the last couple of years. It is driven by demand factors such as substantial rise in internet penetration, increasing speed of broadband connections, increasing use of smart phones. Increasing credit and debit card penetration with higher value limits for spending is also one of the reason.

The proximity was a major comparative advantage of unorganized outlets. Unorganized retailers are having a comparatively strong advantage because of their ability to sell loose items, provision of credit, bargaining and home delivery facilities. The organized retailers are having a greater advantage because of the store image, product availability, and price discounts.From this study it was observed that due to changes in the disposable income and increased awareness of quality, the consumers perception towards organized and unorganized retailers differ on the basis of quality and price. They preferred to buy different products from the organized and different from the unorganized retailers. (Talreja & Jain, 2013)

FDI:In India, the passage of 100% FDI in single brand retail and the latest acceptance of 51% FDI in multi brand retail heralds a new era for the retail industry. In 2000 to 2010, India retail attracted about $1.8 billion in FDI representing a very small 1.5% of total investment flow into India. Moving ahead in this direct, a breakthrough was achieved when the government announced 100% FDI under the route cash n carry wholesale. Finally previous government allowed 100% FDI in single brands retail but 51% in multi brand retail. Many economists recommended the government that reforms in retail would accelerate economic growth and make a sustainable difference in life of poorest. Around 2010, the influx of international brands and stores added a notable dimension to the retail landscape. The passing of 51% FDI in multi-brand retail despite intense uproar has proved the way for retail innovations and competition with the multi- brand retailers such as Walmart, Carrefour and Tesco, as well as single brand major such as IKEA, Nike and Apple (Akram, Anwar, Khan, 2014). The foreign investment in retail will benefit across the board segment such as increasing employment to a major chunk of unemployed people to making the infrastructure more stable and healthy.

Advantages of FDI: The subject of foreign direct investment (FDI) in retail business is very important to get the international experience in conducting a retail business. In India more than 40% agricultural produce is spoiled due to poor handling, storage and transportation .Foreign players will bring technology in collection of fruits and vegetables, packaging, proper transportation, handling etc. It has become very important to use technological developments like ERP, CRM, and inventory management in retailing to increase sales so entry of big retail players like Wal-Mart, Carrefour, Tesco, Coles, Metro, and Sainsbury who are spread all over the world should be a welcome approach by Government. The fear expressed in certain quarters that the entry of big retailers will lead to unfair competition and displacement of small retailers may not be correct. A CII-A.T. Kearney report assessed practices in policy and infrastructures facilities can play role in promoting retail.The recent wave of reforms by the Government to incentivize Foreign Direct Investment (FDI) in various sectors is bringing a new zeal to the investment climate in India. One of the most debated reforms is the policy for allowing 51 per cent FDI in multi-brand retail. This is in fact the largest private industry in India and poised to witness a major shift on account of the opening of the retail industry to multi-brand foreign direct investment (FDI). Albeit, the Govt. of India has been relentlessly advocating FDI in multi-brand retail primarily because of its impact on bolstering the farmers' incomes, both upstream and downstream infrastructure development, and remunerative prices for farmers, tame inflation and sophisticated technical and managerial skill transfer(Shalla& Mehta, 2013)

Mass grocery needs significant investment in the backend, for e.g. food processing unit, cold chains etc. Benefits to Farmers: Higher penetration of organized retail would reduce the role of the middleman and enable better realization of price to farmers. Farmers can enhance productivity of farming. They could access large markets through the organized retail chains with improved supply chain. SME: will work with the large retailers and have access to a much larger region in India a world market too. Traditional retail: both organized and unorganized retailers will coexist as both offer different value propositions to customers. Organized retailers provide discount on bulk purchase and on ambience, whereas traditional retailers provide convenience and top-up shopping. Consumers: Will have a wider choice and a better shopping experience. Existing multi brand retailers: FDI would benefit capital constrained retailers and could reduce the piling debt of many Indian retailers. It would accelerate the pace of investment in the supply chain to meet the demands of increasing scale which will benefit the existing players. Macroeconomic Impact: FDI will likely to bolster retail capabilities by attracting foreign investments. Indian agriculture has been plagued with low food grains productivity and inefficient distribution. This sector can see higher use of technology, packaging, and storing thereby reducing supply side inflationary pressures (Shalla& Mehta, 2013)

Government regulations: Foreign retailers will now be allowed to open stores in cities that have a population of less than one million. Earlier, supermarkets could only come up in 50 cities. A relaxation was permitted only in case of states that did not have a single city with a population of one million.The manufacturer are bound to gain from FDI as government has set a cap of 305 procurement mandatory from SMEs and not at arbitrary price. The removal of middle men is likely to bring transparency in the sector(Akram, Anwar, Khan, 2014)

Minimum investment cap is USD100 million. Minimum 50% of total FDI must be invested in backend infrastructure (logistics, cold storage, soil testinglabs, seed farming and agro processing units). There should be development in the supply chain system.50% of the jobs in the retail outlet could be reserved for rural youth and the certain amount of farm produce could be procured from poor farmers. To ensure the Public Distribution System (PDS) and Food Security System (FSS, Government reserves and the right to procure a certain amount of food grains.Multi brand retail would keep food and commodity prices under control and will cut agriculture waste as mega retailers would develop backend infrastructure. (Akram, Anwar, Khan, 2014)

Approval from state government is required to support FDI in multi brand retail trade. More than 50 percent of the existing retailer stores (such as Spencer, Shoppers Stop, Lifestyle, Apollo etc.) are in states not supporting FDI in multi brand. This policy condition impacts the access to a significant market. Further, limited cities means limited stores and reduces economy of scale. Ecommerce is not permissible in MBRT. Most of the existing retailers in Mass Grocery and multi-brand Apparel do not use e-commerce to sell their products. Hence, this policy constraint should not materially impact operations (Deloitte report, 2013)

The advent of FDI policy can pave the way for modernization of the Indian retail sector, however the journey is challenging ahead. Availability of retail space in big cities is scarce and only available at high rental costs. There should be clarification on certain policy features like backend infrastructure. Entry of MNC retailer would fall under the approval route they have to go through different layers of the government departments before getting the go ahead. The major challenges is the availability of skilled manpower, infrastructure challenges and currency fluctuations. India is not one market, states differ in terms of culture, language, socio-economic development etc. This makes it imperative on the part of the international retailers to customize their offerings to suit regional Indian tastes.The internet penetration rate in India is still one of the lowest in the world and average broadband speed is among one of the lowest.Inappropriate planning and forecasting and high inventory levels also exist in Indian retail which leads to financial risk (Deloitte report, 2013)

Trends: E-tailing will increase significantly in the food and grocery space and then cold chain will gain significant thrust. Speciality products and private labels will both grow so then organic foods, international foods, processed foods and wines will find its way in speciality food shelves. Competition from international brands and e-commerce will intensify,multi-channel marketing will gain impetus. (Tata report, 2014)

Future scope of Indian retail sector as compared to Malaysian Retail Sector:

From the above literature review we can conclude that Malaysia is far ahead than India in Organised retail segment. Both traditional and modern retail formats are successful in Malaysia with the efforts of government initiatives and regulations. There was a fear among traditional retailers that they will suffer losses in their business and displacement of jobs after the entry of foreign big retailers but over the period of time both segments haveflourished. There are social benefits to farmers and small scale industries. Also economic advantages to country in terms of infrastructure, modern technology and creation of millions of jobs. Consumers and people are satisfied with the service of organised retail segment. Here we are discussing some of the major developments in Malaysia in respect to organised retail and government's special focus on this with new initiatives and projects.

Economic growth in Malaysia:The mass grocery retail sector in Malaysia is fairly fragmented, with a large number of small outlets, openmarkets and non-permanent retail facilities. However, despite this fragmentation, organised retail in Malaysia does have a far stronger presence than in many comparative Asian markets. The organised sector already accounts for around 73% of the country's food sales, and its dominance is continually growing. More importantly, the Malaysian government has designated the retail sector as one of the key focus areas under the economic transformation programme, and this emphasis is proving supportive of industry growth. The government is aiming to increase the wholesale and retail sector's contribution to gross national income from MYR57.2bn (US$18.5bn) per annum in 2009 to MYR165bn (US$53.4bn) by 2020.Some of the initiatives includes increasing the number of large-format stores such as hypermarkets and superstores, modernising smaller retailers to sharpen their competitive edge against bigger retailers, and upgrading transport and infrastructure to facilitate retail distribution. These proposed measures has helped the domestic retailers' in price competitiveness and increasestheir reach to rural consumers, thus encouraging growth in the Malaysian mass grocery retail sector. Restrictive store-opening legislation in major urban centres has merely encouraged investors to seek opportunities in smaller areas, which are benefiting from economic growth and are starting to show strong returns. The government encourageslower-income, rural groups to participate more frequently in economic activity, mass grocery retail expansion opportunities will begin to emerge in rural areas (Malaysia food n drink report, 2012).

The government has introduced guidelines to control the growth of the hypermarket sector in order to protect the interests of smaller retailers from the onslaught of multinationals. However, over time these have been eased owing to their excessive nature and the importance of foreign direct investment to job creation and economic growth. Despite the presence of protective regulations, domestic operators have to increase their business activities and levels of investment in order to remain competitive – government legislation alone is not enough to ensure they retain their market share – and their success in achieving this has been somewhat limited.Modern retail formats attract mainly affluent middle-to-upper-income consumers who appreciate thevariety of products on offer as well as the additional services provided, including in-store bakeries, food service areas and ready-prepared meals. Small traditional outlets remain popular for their proximity to residential areas and the provision of well-known products at competitive prices.(Business Monitor International 2012)

The government believes that the wholesale and retail laboratory has seen unprecedented cooperation between private and public sectors. MDTCC has planned RM84 billion growth in GNI and the nearly 400 thousand jobs to be created over the coming 10 years. Malaysia's wholesale and retail sector is a major contributor to gross national income (GNI). It contributed about RM57 billion to GNI in 2009. The sector also contributed almost 500,000 jobs, according to the Department of Statistics. Given the importance of retail as a driver of domestic consumption, and the need to reverse the decline of the sector, government have designated it as a National Key Economic Area (NKEA) and target to more than double its GNI contribution by 2020.Malaysian government aim for the Retail NKEA to contribute an additional RM107.8 billion per annum to GNI by 2020, on top of the RM57.2 billion in 2009, for a total contribution of RM165.0 billion per annum to GNI by 2020 (economic transformation programme report, 2012)

Here are some innovative start-ups by the government:entry point projects (EPPs) are grouped along the themes of modernise, globalise and revolutionise. Modernisetraditional retail by addressing the process and system gaps of small groceries, automotive workshops, hawkers and night market operators, they lack scale and skill. Government is trying to modernise the sector by expanding the number of modern large format stores and assist small operators throughimprovement initiatives in skills, IT and processes that will elevate their operations and customer service to a new level. Globalise: This theme seeks to push the retail sector in Malaysia to intensify exports of its skills and products. Our retail malls are among the best in Asia and our mall operators have more than 35 years' experience in developing exciting and consumer-oriented shopping experiences. We now want to bring such capabilities to other cities in Asia, e.g. in Vietnam and China. Similarly we want to provide global exposure to our small and medium enterprises (SMEs) through a common virtual retail platform called virtual mall. We are also proposing the acquisition of foreign retail brands.Revolutionise:This theme encompasses the idea of breaking new ground through the deployment of concepts, skills and experience that hitherto have not been tapped fully by the Malaysian retail sector.Removing import duties on all finished goods, setting up wellness resorts;organising unified Malaysia sales;Intensifying transformation of Kuala Lumpur International Airport KLIA into a retail hub; and Developing big box boulevards.

The small retailer transformation programme (Program TransformasiKedaiRuncit, Program TUKAR), is focused on assisting small retailers to modernise and remain competitive. It involves the upgrading of at least 10 percent of the estimated 50,000 small retailers currently in business. The modernisation of small retailers can improve sales by up to 30 percent, as shown in a pilot project done at two local stores. Increased sales result from attracting more customers, and customers spending more in the revamped stores that now offer a comfortable, modern, well-lit and clean environment, similar to that of the large-format stores. This environment augments the small retailers' advantage of being able to offer convenience by being located in the neighbourhood.Selected large-format retailers will support small retailers by helping them to improve their appearance and layout, including more attractive product racks, enhanced lighting and a point-of-sales system (POS) that manages product inflows and outflows. Further, store owners will receive retail management training in their own stores and receive ongoing guidance from large retailers. In return, participating major retailers will benefit either from charging a consultancy fee or by developing a relationship with the small store, which could potentially lead to wholesale supply arrangements between the two parties.

This EPP will transform various markets such as farmers' markets, night markets, weekly markets into one called PasarKomuniti. Currently the above markets face infrastructural challenges. They operate at various temporary locations (e.g. playing fields, car parks, roadsides) that often contribute to cluttered and unhygienic conditions. The PasarKomuniti initiative is an effort to coordinate the various markets and amalgamate them in locations where conditions are conducive (e.g. better drainage, frequent cleaning, and conducive ambience). Similar to Program TUKAR, a more appealing environment will help attract more customers to the market and increase their willingness to spend (Economic transformation programme for Malaysia report, 2012)

Developing a Virtual Mall:Markettrends in high-income countries indicate that the sale of goods and services over the Internet increase with higher disposable income and better broadband services. Three elements support the rationale for developing a virtual mall in Malaysia. Firstly, the lack of a local virtual retail mall similar to UK. Secondly, e-commerce platforms such as Telekom Malaysia's business-to-business mybizpointhas already made the basic infrastructure and bandwidth available for the implementation of the proposed virtual mall. Thirdly, the growing affluence and the larger young population in 2020 (54 percent of Malaysia's population will be under the age of 30 according to the World Bank) can ideally be served by Internet retail, as they will be IT savvy and have high demand for online services. The proposed virtual mall would be an online replication of a brick and mortar hypermarket. Its main focusis to develop and enable our local small- and medium-sized retailers in distributing their products online.However, large retailers will also be invited to participate in the virtual mall.

Developing Big Box Boulevards:The presence of integrated large-scale retailers and factory outlets concentrated in single locations arecommon in Europe and the USA. In Malaysia, it is more common to have stand-alone retailers focused onspecific retail categories such as furniture warehouses and hypermarkets. Our surveys found that retailersand private sector property developers concur that demand for large-scale retail experience is growing. Thisis driven by growing awareness amongst Malaysian overseas students, expatriates and increasing numbers of tourists who expect to shop at a single location that provides a retail destination experience (Economic transformation programme, 2012)

Conclusion

Above are very progressive and innovative changes done by Malaysian government, India can learn and start some of them. First of all Indian government have to understand that Organised retail will help farmers, small scale industry , traditional retailers and consumers with wide variety and good service. Considering growth factors like growing middle class, demographics changes, double income families, growing numbers of millionaires, rise of ecommerce , India need amendments in current government regulations and rules towards FDI (foreign direct investment) in retailing. This will bring economic, social, technological reforms in unorganised retail sector.

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