



Retail Marketing

A. N. Tamragundi

Assistant Professor , Department of commerce,
Karnatak university, Dharwad

Arjun D Koli

Research scholar, Department of commerce,
Karnatak university, Dharwad

Abstract

Indian retailing is being seen as a potential goldmine. India Ranks Fifth among the top 30 emerging markets for retail in the current year. Government of India has also opened the door for the retailing giants to enter into the markets. So the Indian retailing business play a significant role, as compared to other countries and the retailing industry in India is divided into organized and unorganized sector, but the Indian retail sector is highly fragmented with a major share of its business is being run by unorganized retailers (more than 93 per cent) like the traditional family run stores and corner stores. The organized retail sector (only 7 per cent) in India is still at a developmental stage, characterized by a very small number of players trying to create a new paradigm. The major challenges before organized sectors are to shift the customer purchasing practices from unorganized to organized stores. But the organized retail stores are still failed to understand the buying behavior of Indian customers. Availability of Technology and skilled labour is another major challenge of organized sector.

But, apart from these challenges, India's booming economy is a major source of opportunity. It is the third largest in the world in terms of purchasing power. India is the second fastest growing major economy in the world. The Indian consumer spend average grocery at 42% of monthly, so it is major opportunity to organized and unorganized sectors to concentrate more on grocery and other food items.

Introduction

Retailing is one of the oldest businesses of mankind and almost close to settled agriculture, as its origins can be forced back to the time when exchange of goods started taking place. Any exchange (even better) as in prehistoric times represent retailing as there was a direct interaction with the consumer has the development of human civilization took place and business as an entity took birth the direct producer to the consumer interaction gave way to a business to consumer interaction . Any business to consumer interaction in the present context can be termed as retailing. Retailing therefore, encompasses all forms of direct marketing too, in its broader sense.

Meaning and Definition of Retail Marketing

Retail is the sale of goods and services from individuals and businesses to the end users. Retailers sell products directly to consumers. Customers do not usually consider the many stages that products go through before they are picked off the shelf, but there can be steps from simple resources to a complex end item. While small businesses may create and sell their own products, products that are sold at large chains often pass through the hands of several different companies before they reach the consumer. The last company they pass through is known as a retail marketer.

Retail marketing simply refers to the business of selling products to consumers. Only some businesses work in retail marketing, while many others work further up the supply chain. Retail marketers only sell products to consumers. They rarely make the products they sell, and their primary tool of marketing is the storefront. Modern retail marketing involves both physical locations and Internet stores.

Because retail marketers rarely have the time or funds to create their own products, they have complicated relationships with manufacturers. In the simplest type of contract, manufacturers create products and then sell them for a certain price to distributors, who sell the products to customers in retail marketing establishments. Both parties agree on prices beforehand. Only very large corporations who are trying to expand up their supply chain and very small businesses who create their products do not deal with separate manufacturers.

Indian Retailing Industry

The retail sector in India is growing at a phenomenal pace. India Ranks Fifth among the top 30 emerging markets for retail in the current year. The recent announcement by the India government with foreign direct investment in retail especially allowing 100% FDI in single brands and multi brand FDI has created positive sentiments in the retail sector.

There are many factors contributing to the boom in the sector. To name a few, increased consumerism with a capacity to spend on luxury items and increased spending power in the hands of Indians. More Indians are traveling abroad and are exposed to different culture and way of life and thereby more brands. India's internal consumption is also high and the consumption pattern owing to diversity in culture, religion and the family values that encourage spending of specific occasion keeps the retail business well oiled.

The size of Indian retail sector is currently estimated at around \$450 billion and organized retail accounts for around 7% of the total market share. Rating agency Fitch has assigned a stable outlook to the retail sector for the year 2012 as factor like expected sales, growth driven expansion and efficient working capital management are likely to benefit retail companies. It is estimated that the retail sector would continue to grow at 10-12% per annum. Which is extremely encourage when the countries economy is only projected to grow at 6 per cent

Structure of retailing industry in India

The Indian retail industry is divided into organized and unorganized sector. The Indian retail sector is highly fragmented with a major share of its business is being run by unorganized retailers like the traditional family run stores and corner store. The organized retail however is at a very nascent stage, though attempts are being made to increase its proposition bringing in a huge opportunity for prospective new players.

Retailing Industry in India

1. Organized retailing (7%)

2. Unorganized retailing (93%)

Major Segments

- 1. food**
- 2. consumer durables**
- 3. leisure and entertainment**
- 4. health, beauty and pharma**
- 5. books and music**
- 6. fashion**

1. Organized retail sector: Organized 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.

Organized retail accounts for 7 per cent of India's roughly US\$ 435 billion retail market and is expected to reach 20 per cent by 2020. Food accounts for 70 per cent of Indian retail, but it remains under-penetrated by organized retail. Organised retail has a 31 per cent share in clothing and apparel and continues to see growth in this sector. The home segment shows promise, growing 20 to 30 per cent per year. India's more urban consumer mindset means this sector is poised for growth.

2. Unorganized Retail Sector:

Indian retail is dominated by a large number of small retailers consisting of the local Kirana shops, owner-manned general stores, chemists, footwear shops, apparel shops, *paan* and *beedi* (local betel leaf and tobacco) shops, hand-cart hawkers, pavement vendors, etc. which together make up the so-called "unorganized retail" or traditional retail. The last few years have witnessed the entry of a number of organized retailers opening stores in various modern formats in metros and other important cities. Unorganized retailers normally do not pay taxes and most of them are not even registered for sales tax, VAT, or income tax.

Retail trade in India and South East Asia (%)

Table 1

Name of the countries	Organized retail outlets	Unorganized retail outlets
India	7	93
China	20	80
South Korea	15	85
Indonesia	25	75
Philippines	35	65
Thailand	40	60
Malaysia	50	50

Source: <http://www.crisil.com/index.jsp>

Classification of retailing

The era of retailing marketing has broadly classified into the following.

Table 2

Traditional Format Retailers	Modern Format Retailers
<p>1. Mom and Pop stores: mom-and-pop shops are restaurants, bars, and billiard halls, the majority of their customers are local residents who patronize the establishment on a regular basis.</p> <p>2. Kiosks: A Kiosk is a computer terminal featuring specialized hardware and software designed within a public exhibit that provides access to information and applications for communication, commerce, entertainment, and education.</p>	<p>1. Supermarket</p> <p>A retail store which generally sells food products and household items, properly placed and arranged in specific departments is called a supermarket.</p> <p>2. Hypermarkets: A hypermarket is a superstore combining a supermarket and a department store. The result is an expansive retail facility carrying a wide range of products under one roof, including full groceries lines and general merchandise. In theory, hypermarkets allow customers to satisfy all their routine shopping needs in one trip</p>
<p>3. Street Markets: A street market is an outdoor market such as traditionally held in a market square or in a market town, and often held only on particular days of the week. Very similar markets, or bazaars, can also be found in large enclosed spaces, instead of on a street.</p>	<p>3. Departmental stores: A department store is a set-up which offers wide range of products to the end-users under one roof. In a department store, the consumers can get almost all the products they aspire to shop at one place only.</p>
<p>4. Exclusive/ multi Brand Outlets: Multi brand outlets means marketing of two or more similar and competing products by</p>	<p>4. Specialty stores:</p> <p>As the name suggests, Specialty store would specialize in a particular product and</p>

the same firm under different and unrelated brands.	would not sell anything else apart from the specific range. Speciality stores sell only selective items of one particular brand to the consumers and primarily focus on high customer satisfaction.
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OPPORTUNITIES FOR THE ORGANIZED RETAIL SECTOR IN INDIA

1. India's booming economy is a major source of opportunity. It is the third largest in the world in terms of purchasing power. India is the second fastest growing major economy in the world.
2. India's huge population has a per capita income of Rs 44,345. The proportionate increase in spending with earnings is another source of opportunity.
3. Increasing use of plastic money for categories relating to Apparel, Consumer Durable Goods, Food and Grocery etc.
4. Current market size of consumer durables is US \$ 6.5 billion and is estimated to grow at a CAGR of 18%
5. India's household spending on food is one of the highest in the world with 48% of income spent on food and grocery.
6. Increased urbanization has led to higher customer density areas thus enabling retailers to use lesser number of stores to target the same number of customers. Aggregation of demand that occurs due to urbanization helps a retailer in reaping the economies of scale.
7. With increased automobile penetration and an overall improvement in the transportation infrastructure, covering distances has become easier than before. Now a customer can travel miles to reach a particular shop, if he or she sees value in shopping from a particular location.
8. Increasing instances of Double Incomes in most families coupled with the rise in spending power.

SWOT Analysis of Retail Industry of India

Table 3

Strengths: 1) Organized retailing at US\$ 3.31 billion, growing at 8%. 2) 2nd largest contributor to GDP after agriculture at 20%. 3) Pattern of consumption changing along	Weaknesses: 1) Shortage of quality retail spaces at affordable rates. 2) Need to provide Value for Money- squeezing margins
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<p>with shopping trends.</p> <p>4) Consumer spending increasing at 11% annually.</p> <p>5) Almost 25 million sq. ft. retail space available.</p> <p>6) Paradigm shift in shopping experience for consumers pulling in more people.</p>	<p>3) Lack of industry status.</p> <p>4) Retail revolution restricted to 250 million people due to monolithic urban-rural divide.</p> <p>5) Lack of huge investments for expansion</p>
<p>Opportunities:</p> <p>1) Increasing urban population-more participants in retail revolution.</p> <p>2) Increase in consuming middle class population.</p> <p>3) Social factors, like dual household income has enhanced spending power.</p> <p>4) Spends moving towards lifestyle products and esteem enhancing products.</p> <p>5) Average grocery spends at 42% of monthly spends-presents a huge opportunity.</p>	<p>Threats:</p> <p>1) Rising lease/rental costs affecting project viability.</p> <p>2) Poor monsoons and low GDP Growth could affect consumer spending drastically.</p> <p>3) Archaic labor laws are a hindrance to providing 24/7 shopping experience.</p> <p>4) Personalized service offered by Kirana stores.</p> <p>5) Unavailability of qualified personnel to support exponential growth in retail.</p> <p>6) Differentiate taxation laws hindering</p>

Challenges faced by Organized Retail Sector in India

Although the Organized Retail market does offer a vast untapped potential, it should also be recognized that it is not that easy to operate in Retail market because of several problems. Retailers need to address the challenges to become successful on long term.

1. The organized retail sector in India is still at a developmental stage, characterized by a very small number of players trying to create a new paradigm. To become a flourishing industry, the Indian retail sector has to attract leading Indian and foreign players to make substantial investments.
2. Technology is one of the major challenges faced by organized retailers for efficient management.

3. Shortage of skilled workforce in retail sector.

4. Retail shrinkage is also one of the major challenges. Retail shrinkage is the difference in the value of stock as per the books and the actual stock available in the shop. The causes of retail shrinkage are mainly employee theft, shoplifting, administrative errors and vendor fraud. Effective online monitoring system need to be implemented.

5. Understanding customers in terms of customer behavior and loyalty is a difficult job.

Retailers need to implement effective customer relation management and loyalty program.

6. Distribution is an integral part of any retail organization. Delivering the right goods to the right place at the right time is main task of distribution. Retail majors are under serious pressure to improve their supply chain systems and distribution channels and reach the levels of quality and service desired by customers. The lack of proper infrastructure and distribution channels in the country results in inefficient processes.

7. Organized retail outlets use very large volumes of electricity for a variety of applications from lighting, air conditioning, escalators, cold storing, billing systems, lifts etc. As a result of insufficient and inefficient power supply, a huge amount of private investment goes into ensuring power backups. This makes it very difficult for organized retail to grow.

8. As more and more organized retail outlets are dotting the Indian topography, competition is no more restricted between organized and unorganized retailing. It is now quite evident between organized retailers as well. Efficient and effective Loyalty programs, home delivery of goods, customer retention strategies, offers, discounts etc are the order of the day.

Major Findings of the study

1. The role of unorganized retail stores (more than 93%) are more as compared to organized retail outlets (less than 7%) in India. The organized retail outlets are still in development stage.
2. The organized retail outlets are still failed to understand the consumer purchasing behavior.
3. Competition from unorganized sector is another challenge facing the organized retail industry in India.
4. Growth of personal disposal income has increased consumer spending habits. Total retail spending is expected to double in the next five years.
5. The customer mind set is gradually shifting from low price to better convenience high value and a better shopping experience

6. Emergence of concepts such as quick and easy money, EMIS, Credit card, has made purchasing possible for Indian consumers.

CONCLUSION

India is being seen as a potential goldmine. Government of India has also opened the door for the retailing giants to enter into the markets. Many foreign investors are also showing keen interest to enter into the Indian market. If FDI in retail sector sees the light of the day it will see many changes in the coming years. As more and more organized retail outlets are dotting the Indian topography, competition is no more restricted between organized and unorganized retailing, it is now quite evident between organized retailers as well.

