



RETAIL MARKETING IN INDIA: OPPORTUNITIES AND CHALLENGES

Arpit Khurana

Research Scholar, Chandigarh University

Abstract

This article / paper examines the growth, awareness and brand knowledge among the people with different economic background in India and significant growth in urban and semi urban retail markets. In India the vast middle class and its utmost untapped retail industry are the key attractive forces for global retail giants wanting to enter into newer markets, which in turn will help the retail industry to grow faster. This paper includes the Overview, the Growth, the Etymology, the Indian Scenario, the Entry of the MNCs, the Challenges and Opportunities of retailing business.

Keywords: *Growth, Awareness, Brand Knowledge, Retail Markets, Global Retail Giants, Etymology.*

Introduction

Retail means sale of goods in small quantities, it is concerned with buying of goods in small quantities from the wholesaler and selling them in small quantities to the ultimate consumers as per their requirements. The person engaged in this trade is called the “retailer”. He acts as a link between the wholesaler and the customers. In retail trade goods are sold to the ultimate consumers for personal use and for the use of the business in small quantities only. The retailer does not specialize in a particular line or a particular product. Rather he maintains a large variety of goods. Generally, sales are limited to a local and on a small scale.

Risk Involved in Retail Business

There are of course, considerable risks in retail banking. They are :

- Databases on credit history are large.
- Collection mechanisms are poor.
- Investments in technology are large.
- Operating efficiency level needs to be very high.
- Unlike corporate banking, retail banking involves a large number of small accounts.
- Demands on processing capabilities are higher.
- Retail segment is not something you can get into overnight.
- The right systems and the right – architecture needs to be put in place first.

Retailing in the Future:

Many environment changes will occur in the future, and these will have a impact on retailing. A far sighted retailer must study demographic, life style, consumerism, technological and institutional trends adapt the retail mix to these trends. Demographic trends are growth in the number of house holds (due to increase in one person house hold) suburban communities the number of working woman, and the number of higher income families. Life style changes will include different and expanding roles for woman and increased consumer sophistication and confidence. Some consumers will experience a poverty of time and will seek convenience in shopping. The other consumer will have greater amount of leisure time and will purchase more entertainment and recreation products.

Consumerism (organized reaction to harmful business practices) will continues to grow in importance, consumer group and govt. Agencies will expand their actions and participation many retails have already implementer volunteer plans to aid consumers. The major technological changes will be concentrated in electronic banking (cashless transaction and nation credit cards) computerization (computerized checkout and electronic point of sale systems) Retail institutions changes will occur because of the evolutionary nature of the retail life cycle and rising costs. Retailers must be aware of the retailer life cycle and react according to the stages in shish they are operating (innovative, accelerated development, maturity and decline) four institutional type (the super store, risk minimization, rationalized retailing and positioned retailing) will become more prominent in the future.

Retail Marketing

The Indian retail industry is now beginning to evolve in the line with the transformation that has swept other large economies. It witnesses tremendous growth with the changing demographics and an improvement in the quality of life of urban people. The growing affluence of India's consuming class, the emergence of the new breed of entrepreneurs and a flood of imported products in the food and grocery space, has driven the current retail boom in the domestic market. The concept retail which includes the shopkeeper to customer interaction, has taken many forms and dimensions, from the traditional retail outlet and street local market shops to upscale multi brand outlets, especially stores or departmental stores. Though at this moment, it is still premature to say that the Indian retail market will replicate the success stories of names such as Wal-Mart stores, Sainsbury and Tesco but at least the winds are blowing in the direction of growth.

Hence, focusing on two aspects of retail marketing i.e. Store Retailing and Non-store Retailing. Store Retailing as the departmental store, which is a store or multi brand outlet,

offering an array of products in various categories under one roof, trying to cater to not one or two but many segments of the society and Nonstore Retailing as the direct selling, direct marketing, automatic vending. Therefore, this concept of retail marketing through departmental stores, which is coming up in a big way in India was decided to be studied in detail, through an exploratory and conclusive research.

The objective being to assess the various parameters that influences a buyer to visit or shop at departmental store thereby contributing to its turnover (in terms of sales and profits) hence leading to its overall success. The extensive research brought me to conclude that departmental stores are soon emerging on the top priority lists, amongst the shopping spree in Delhi, as they seem to derive immense pleasure of convenience and exposure to variety under one roof, in their extremely busy lives, when they don't have time for things. Though some of the customers perceive departmental stores to be expensive and only high income category's cup of tea, the stores make constant efforts to induce them to at least visit the store at once during the sale period, or discount offers.

Overview of the Global Retail Industry

Retail, with total sales of \$ 6.6 trillion, is the world's largest private industry ahead of financial industries \$ 5.1 trillion. It is also home to a number of the world's largest enterprises. Over 50 of the Fortune 500 companies, and around 25 of the Asian top 500 companies, are retailers. The industry accounts for over 8 percent of the GDP in western economies.

A Study by Mc Kinsey states that organized retail accounts for just around 2 percent (out of which modern retail formats account for 7 percent of trade) presently is set to grow at exponential exceeding 45 percent. Fitch estimates the current share of organized retail to grow from 2 percent presently to around 30 to 35 percent by 2018.

Table 1

Retail areas	Consumption US billion	\$ Existing Companies in the organized sector
Food Retailing	130	Food Bazaar (Pantaloon) Food World Subhishka.
Clothing & Apparel	12	Pantaloon Westside, Shoppers Stop
Jewelry, Watches	7	Tanishq, Titan, Gold Bazaar (Pantaloon)
Home Furnishing	5	Home Store, Arcus (Pantaloon)
Foot wear	1.7	Bata, Woodland
Beauty Care	3.6	VLCC, Health & Glow

Source: Economic Time's Industry Report

Traditionally, most retailers have had very localized operations. This localized nature of the industry is changing as retailers face low rates of growth and threatened profitability at home. New geographies will help them sustain top-line growth as well as permit global sourcing. Profits in retail have steadily been rising and have generated 18 percent shareholder returns between 1994 and 1999. Significantly, retail is also one of the world's largest employers, accounting for instance 16 percent of the US workforce, Poland 12 percent, China 8percent, India 10 percent and Brazil 6percent. Factors such as scale in sourcing, merchandising, operational effectiveness and ambience have driven the spread of organized retail. Grocery, electronics are examples of categories that compete on the strength of better pricing, which in turn is driven by superior sourcing and merchandising and cost-efficient operations. Wal-Mart, Home Depot and Kingfisher are benchmark retailers in these fields. In apparel, home furnishings and furniture, the advantage is driven by the marketers' ability to provide better products in a comfortable ambience at affordable prices. In these cases sourcing capability has to be backed by strong design capability and store management. IKEA and GAP are good examples of this model of retailing.

Over the last few decades, retail formats have changed radically. The basic department stores and co-operatives of the early 20th Century have given way to mass merchandisers, hypermarkets, warehouse clubs, category killers, discounters and convenience stores. Each of these formats has been driven by marketer's need to offer relevant, distinctive and economic propositions to an evolving consumer base. Global retailers have also reached a position of strength that enables their brand to be leveraged across a wide range of services. Many of them have expanded their offering, over the years to include fuel retail, car retail, convenience services and personal financial services. This has put them in a position where they are not only beginning to capture growth from geographical expansion, but are also entering large new areas of business.

Types of Retail Marketing

- **Catalog Showroom:** Catalog showrooms generally sell a broad selection of high-markup, fast-moving, brand-name goods at discount prices. These include jewelry, power tools, cameras, luggage small appliances, toys, and sporting goods. Catalog showrooms make their money by cutting costs and margins to provide low prices that will attract a higher volume of sales. Catalog showrooms have been struggling in recent years to hold their share of the retail market.

- **Convenience Stores:** These are relatively small stores located near residential area, open for long hours seven days a week, and carrying a limited line of high turnover convenience products at slightly higher prices than departmental stores. Many such stores also have added takeout sandwiches, coffee and pastries.
- **Departmental Store:** These stores are usually built in large area and keep variety of goods under one shed. It is usually divided into different sections like clothing, kids section, home furnishings, electronic appliances and other household goods. In a departmental store a consumer can buy variety of goods under one shed.
- **Discount Store:** These stores sell standard merchandise at lower prices by accepting lower margins and selling higher volumes. The use of occasional discounts or specials does not make a discount store. A true discount store regularly sells its merchandise at lower prices, offering mostly national brands, not inferior goods. In recent years, many discount retailers have “traded up”. They have improved decor, added new lines and services, and opened suburban branches—all of which has led to higher costs and prices and as some department stores have cut their prices to compete with discounters. Not only that, discount stores have moved beyond general merchandise into specialty merchandise stores, such as discount sporting goods stores, electronics stores, and bookstores.
- **Off - Price Retailer:** These stores sell goods at low price with lower margins & higher volumes. These stores sell goods with deteriorated quality. The defects are normally minor. This target at the persons belonging to the lower income group, though some have a collection of imported goods aimed to target the younger generation. The company owned showroom selling the seconds products is a typical example of off - price retailer.
- **Specialty Stores:** These stores focus on leisure tastes of different individuals. They have a narrow product line with deep assortment such as apparel stores, sporting goods stores, furniture stores, florists and bookstores. These stores are usually expensive and satisfy the needs of selected consumers who have liking or preference for exclusive things.
- **Store Retailing:** Store retailing provides consumers to shop for goods and services in a wide variety of stores and it also help the Consumers to get all the needed goods and services from one shop only. The different types of store retailing are given below:

- **Supermarket:** These stores are relatively large, low cost, low margin, high volume, self service operations designed to serve total needs for food, laundry and household maintenance products. Supermarkets earn an operating profit of only 1 percent on sales and 10 percent on net worth.

Trends in Retail Marketing

- Competition today is increasingly intertype, or between different types of store outlets. Discount stores, catalog showrooms, and department stores all compete for the same consumers. The competition between chain superstores and smaller independently owned stores has become particularly heated. Because of their bulk buying power, chains get more favorable terms than independents, and the chains' large square footage allows them to put in cafes and bathrooms. In many locations, the arrival of a superstore has forced nearby independents out of business. In the book selling business, the arrival of a Barnes & Noble superstore or Borders Books and Music usually puts smaller bookstores out of business. Yet the news is not all bad for smaller companies. Many small independent retailers thrive by knowing their customers better and providing them with more personal service.
- Marketing channels are increasingly becoming professionally managed and programmed. retail organizations are increasingly designing and launching new store formats targeted to different lifestyle groups. They are not sticking to one format, such as department stores, but are moving into a mix of retail formats.
- New retail forms and combinations continually emerge. Bank branches and ATM counters have opened in supermarkets. Gas stations include food stores that make more profit than the gas operation. Bookstores feature coffee shops. Even old retail forms are reappearing: In 1992 Shawna and Randy Heniger introduced peddler's carts in the Mall of America. Today three-fourths of the nation's major malls have carts selling everything from casual wear to condoms. Successful carts average \$ 30,000 to \$ 40,000 a month in sales and can easily top \$ 70,000 in December. With an average start-up cost of only \$3,000, push carts help budding entrepreneurs test their retailing dreams without a major cash investment. They provide a way for malls to bring in more mom-and-pop retailers, showcase seasonal merchandise, and prospect for permanent tenants.
- New retail forms are facing a shorter life span. They are rapidly copied and quickly lose their novelty.

- Retailers with unique formats and strong brand positioning are increasingly moving into other countries. McDonald's, The Limited, Gap, and Toys "R" Us have become globally prominent as a result of their great marketing prowess. Many more Indian retailers are actively pursuing overseas markets to boost profits.
- Technology is becoming critical as a competitive tool. Retailers are using computers to produce better forecasts, control inventory costs, order electronically from suppliers, send e-mail between stores, and even sell to customers within stores. They are adopting checkout scanning systems, electronic funds transfer, and improved merchandise-handling systems.
- The electronic age has significantly increased the growth of non store retailing, consumers receive sales offers in the mail and over television, computers, and telephones, to which they can immediately respond by calling a toll-free number or via computer.
- There has been a marked rise in establishments that provide a place for people to congregate, such as coffeehouses, tea shops, juice bars, bookshops, and brew pubs. Denver's two Tattered Covered bookstores host more than 250 events annually, from folk dancing to women's meetings. Brew pubs such as New York's Zip City Brewing and Seattle's Trolley man Pub offer tasting and a place to pass the time. The Discovery Zone, a chain of children's play spaces, offers indoor spaces where kids can go wild without breaking anything and stressed-out parents can exchange stories. There are also the now-ubiquitous coffeehouses and espresso bars, such as Starbucks, whose numbers have grown from 2,500 in 1989 to a forecasted 13,000 by 2001. And Barnes & Noble turned a once-staid bookstore industry into a fun-filled village green.
- Today's retailers are moving toward one of two poles, operating either as mass merchandisers or as specialty retailers. Superpower retailers are emerging. Through their superior information systems and buying power, these giant retailers are able to offer strong price savings. These retailers are using sophisticated marketing information and logistical systems to deliver good service and immense volumes of product at appealing prices to masses of consumers. In the process, they are crowding out smaller manufacturers, who become dependent on one large retailer and are therefore extremely vulnerable, and smaller retailers, who simply do not have the budget of the buying power to compete. Many retailers are even telling the most powerful manufacturers what to make; how to price and promote; when and how to ship; and even how to

reorganize and improve production and management. Manufacturers have little choice: They stand to lose 10 to 30 percent of the market if they refuse.

Information Technology in Retail

Over the years as the consumer demand increased and the retailers geared up to meet this increase, technology evolved rapidly to support this growth. The hardware and software tools that have now become almost essential for retailing can be divided into 3 broad categories:

- Advanced Planning and Scheduling Systems: APS systems can provide improved control across the supply chain, all the way from raw material suppliers right through to the retail shelf. These APS packages complement existing (but often limited) ERP packages. They enable consolidation of activities such as long term budgeting, monthly forecasting, weekly factory scheduling and daily distribution scheduling into one overall planning process using a single set of data. Leading manufactures, distributors and retailers and considering APS packages such as those from i2, Manugistics, Bann, Mercial incs and Sterling-Douglas.

- Bar coding and scanners: Point of sale systems use scanners and bar coding to identify an item, use pre-stored data to calculate the cost and generate the total bill for a client. Tunnel Scanning is a new concept where the consumer pushes the full shopping cart through an electronic gate to the point of sale. In a matter of seconds, the items in the cart are hit with laser beams and scanned. All that the consumer has to do is to pay for the goods.

- CRM Systems: The rise of loyalty programs, mail order and the Internet has provided retailers with real access to consumer data. Data warehousing & mining technologies offers retailers the tools they need to make sense of their consumer data and apply it to business. This, along with the various available CRM (Customer Relationship Management) Systems, allows the retailers to study the purchase behavior of consumers in detail and grow the value of individual consumers to their businesses.

- ERP System; Various ERP vendors have developed retail-specific systems which help in integrating all the functions from warehousing to distribution, front and back office store systems and merchandising. An integrated supply chain helps the retailer in maintaining his stocks, getting his supplies on time, preventing stock-outs and thus reducing his costs, while servicing the customer better.

- Internet: Internet is also rapidly evolving as a customer interface, removing the need of a consumer physically visiting the store.

• **Payment:** Payment through credit cards has become quite widespread and this enables a fast and easy payment process. Electronic cheque conversion, a recent development in this area, processes a cheque electronically by transmitting transaction information to the retailer and consumer's bank. Rather than manually process a cheque, the retailer voids it and hands it back to the consumer along with a receipt, having digitally captured and stored an image of the cheque, which makes the process very fast.

• **Store Site Location:** Demographics and buying patterns of residents of an area can be used to compare various possible sites for opening new stores. Today, software packages are helping retailers not only in their locational decisions but in decisions regarding store sizing and floor-spaces as well.

• **Visual Merchandising:** The decision on how to place & stack items in a store is no more taken on the gut feel of the store manager. A larger number of visual merchandising tools are available to him to evaluate the impact of his stacking options. The SPACEMAN Store Suit from AC Nielsen and Modacad are examples of products helping in modeling a retail store design.

Retail Marketing in India

Retail marketing is the most important part of the entire logistics chain in a business especially in consumer related products. Without proper retailing the companies can't do their business. Retailing is the process of selling goods in small quantities to the public and is not meant for resale. Retail is derived from the French word retailer, meaning to cut a piece off or to break bulk. There are various ways of making goods available to consumers like:

- Company to distributor to wholesaler to retailer to consumer
- Company to salesperson to consumer
- Company to consumers (online/ phone/ catalog ordering)

These three are among the most common ways of making the goods available to consumers. But in India the three layered system of distributor, wholesaler and retailer, forms the backbone of the front-end logistics of most of the consumer-good companies.

In this system the company operating on all India basis appoints hundreds of distributors across the country that supplies to various retailers and wholesalers. Wholesalers in turn can either directly sell in the market or can supply to retailers. The current retailing system prevalent across the country is highly fragmented and unorganized. Anyone with some money and some real estate can open a small shop and become a retailer catering to the

locality in which he opens the shop. There are a number of reasons behind this fragmented retail market. Some of the major reasons being:

- Expensive supply chain.
- FDI in retailing is not allowed.
- High import duties on imported goods.
- High taxes.
- Hitherto none of the business schools in India were offering specialized courses on retailing.
- Low per capita income.
- No exposure to media.
- Poor infrastructure facilities like roads etc.
- Poverty and lower literacy levels.
- Restrictions on intra-state good movement.
- Retailing is not considered as a business or industry by the government.
- Savings focused and less indulgence mindset.

Besides this there is other reasons too, which led to stifling of growth of organized segment of retailing sector and which instead led to highly fragmented market. Today in India we have more than 12 million retail outlets and most of them are family run and locally owned. There are very few nationally present retail stores. In India the process of buying and selling at these unorganized retail outlets, is highly characterized by bargaining and negotiations. But slowly with increasing influence of media and urbanization the market is shifting towards organized segment. Seeing the huge market size of retail business in the country and the current level of organized segment, many players have jumped into the fray and many are waiting for the right opportunity to enter it.

Present Retail Scenario in India

- Emergence of discount formats
- Emergence of region-specific formats
- Entry of international players
- Mall Mania: The developing mall culture in India
- Retail experts find Indian industry promising
- Retail sales to touch Rs. 30,000 billion crores by 2020

Emergence of Region-Specific Formats

For the first time in 10 years, the industry is witnessing the development of region-specific formats. With organized retail penetrating into B class towns, retailers have started

differentiating in the sizes and formats of stores. For example, in departmental store format, while most A class cities and metros have larger stores of 50,000 plus sq. ft. sizes, stores in B class towns have stabilized in the 25,000-35,000 sq. ft. range. Most players have started operating these two formats across various cities, which has helped them to standardize the merchandise offering across the chain.

Emergence of Discount Formats

Larger discount formats, popularly known as hypermarkets, are now emerging as major competitors to both unorganized and organized retailers. Penetration of organized retail into the lower strata of income groups and consumer demand for increased value-for-money has improved the prospects of these formats. These formats span across the entire range of merchandise categories. Big Bazaar, promoted by Pantaloon and Giant, promoted by the RPG Group, are examples of this format.

Entry of International Players

A large number of international retailers have evinced interest in India, despite the absence of favorable government policy for foreign players. A number of the major brands have entered the country through licensing agreements with Indian players to capitalize on the opportunities available in the sector. See Table below:

International players

<u>International Players</u>	<u>Retail Ventures In India</u>
Landmarc Group, Dubai	Lifestyle Chain of Departmental Stores
Metro, Germany	Hypermarket
Shoprite, South Africa	Supermarket, Hypermarket
Nanz, Germany	Supermarket
Marks & Spencer, UK	Apparel Retailer
Mango, Spain	Apparel Retailer
McDonalds, USA	Food Retailer
Dominos USA	Food Retailer
Tricon Restaurant, USA	Food Retailer

Source: Industry Reports.

Opportunities

For manufacturers and service providers the emerging opportunities in urban markets seem to lie in capturing and delivering better value to the customers through retail. Manufacturers and service providers face an exploding rural market yet only marginally tapped due to difficulties in rural marketing. Only innovative concepts and models may survive the test and investments. Retailing in India is currently estimated to be a US\$ 200 billion industry, of which organized retailing makes up a paltry 3 percent US\$ 6.4 billion. By 2025, organized retail is projected to reach US\$ 23 billion. For retail industry in India, things have never looked better and brighter. Challenges to the manufacturers and service providers would abound when market power shifts to organized retail.

Challenges

Retailing has seen such a transformation over the past decade that its very definition has undergone a sea change. No longer can a manufacturer rely on sales to take place by ensuring mere availability of his product. Today, retailing is about so much more than mere merchandising. As the Indian consumer evolves they expect more and more at each and every time when they step into a store. To flourish a truly flourishing industry, retailing needs to cross the following hurdles:

- Automatic approval is not allowed for foreign investment retail
- Regulations restricting real estate purchases, and cumbersome local laws
- Taxation, which favors small estate businesses
- Absence of developed supply chain and integrated IT management
- Lack of trained work force
- Low skill level for retail management

Conclusion

The retail sector has played a phenomenal role throughout the world in increasing productivity of consumer goods and services. It is also the second largest industry in India in terms of numbers of employees and establishments. There is no denying the fact the most of the developed economies are very much relying on their retail sector as a locomotive of growth. The India retail industry is gradually inching its way towards becoming the next boom industry.

References

- Aditya Tripathi (2009) - Fundamentals of Retailing - Himalaya Publication House, Mumbai, 2009.*
- Agarwal V., Bahree M. (2011) - India puts retails reforms on hold - The Wall Street Journal.*
- Anand Tamana (2008) - Organized Retailing in India Need of the Hour - Marketing Mastermind.*
- Ankita Srivastava and Sanjay Shankar Mishra (2013) -Youth Customer Perception of Brand Big Bazaar: An Empirical Investigation - Research Analysis And Evaluation, Vol-iv, Issue 43-44.*
- D.P. Sharma (2009) - E-Retailing - Himalaya Publication House, Mumbai.*
- Harleen Kaur (2011) - Customer Service With Reference To Big Bazaar - Guru Nanak Institute Of Management, New Delhi.*
- L.C. Jhamb (2008) – Stores Management – Everest Publications House, Pune.*
- Rupali Gupta (2012) - FDI In Indian Retail Sector: Analysis Of Competition In Agri-Food Sector – Competition Commission of India, New Delhi.*
- Tripathi V., Seth R., Bhandari V. (2013) - On Dynamic relationship between FDI and Macroeconomic factors: The India Experience - Science Research Network.*
- Ward Hanson (2000) – Internet Marketing – South Western College Publishing, Canada.*