

INDIAN RETAIL SECTOR: EVOLUTION AND ITS ANALYSIS

Pritpal Singh@

Anantdeep kaur maan*

@Assistant Professor, Commerce and Management Department, DAV College, Bathinda.

*Assistant Professor, UBS, Maharaja Ranjit Singh Punjab Technical University, Bathinda.

ABSTRACT

The Indian retail sector is witnessing tremendous growth with the changing demographics and an increase in the quality of life of urban people. Retail Sector is the most booming sector in the Indian economy. With a growing economy, improving income dynamics, rising awareness, and young customer base, India is well on its way to become one of the most prospective markets for the domestic and global retailers. The main objective of this paper is to strategically analyze the Indian retail Industry. The present paper studies about the evolution of retail sector in India over the past decades. It also studies about the various retail formats followed in Indian organized retail sector. The different types of pricing strategies followed in retail sector are discussed and also the various retail promotional activities followed by the major organized retail players are highlighted. The paper also analyses the future prospects of organized retail by doing the SWOT analysis.

Keywords: Retail, Economy, Demographics, Infrastructure, Promotion, SWOT.

1. INTRODUCTION

The word 'Retail' is derived from a French word with the prefix re and the verb trailer meaning "to cut again". Evidently, retail trade is one that cuts off smaller portions from large lumps of goods. It is a process through which goods are transported to final consumers. In other words, retailing consists of the activities involved in selling directly to the ultimate consumer for personal, non-business use. It embraces the direct-to-customer sales activities of the producer, whether through his own stores by house-to-house canvassing or by mail-order business. Manufacturers engage in retailing when they make direct-to-consumer sales of their products through their own stores (as Bata and Carona shoe companies, D.C.M. Stores, Mafatlals and Bombay Dyeing) by door-to-door canvass, or mail order or even on telephone. Even a wholesaler engages in retailing when sells directly to an ultimate consumer, although his main business may still be wholesaling.

A retailer is a merchant or occasionally an agent or a business enterprise, whose main business is selling directly to ultimate consumers for non-business use. He performs many marketing activities such as buying, selling, grading, risk-trading, and developing information about customer wants. A retailer may sell infrequently to industrial users, but these are wholesale transactions, not retail sales. If over one half of the amount of volume of business comes from sales to ultimate consumers, i.e. sales at retail, he is classified as a retailer. Retailing occurs in all marketing channels for consumer products.

The India Retail Industry is the largest among all the industries accounting for over 12 per cent of the country's GDP and around 10 per cent of the employment. The Retail Industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. However, all of them have not yet tasted success because of the heavy initial investments that are required to break even with other companies and compete with them. The Indian Retail Industry is gradually inching its way towards becoming the next boom industry.

The recent time has been observed as growth of Indian organized retail market with many folds. Numerous business groups are attracted in the past few years, including some renowned business groups like Bharti, Future, Reliance, and Aditya Birla to establish hold, showing the future growth in times to come. In addition, organized retail sector has also grabbed the attention of foreign companies, showing their interest to enter India. Retailing is one of the largest industry in India and one of the biggest sources of employment in the country. Retail sales in India amount to \$180 billion and account for 10-11 per cent of gross domestic product. The Indian retail market has around 14 million outlets and has the largest retail outlet destiny in the world. The retail industry in India is largely unorganized and predominantly consists of small, independent, owner-managed shops. However the retail sector in India is witnessing a huge revamping exercise as the traditional retailers are making way for new formats. These modern retail formats provide wide variety to customers and offer an ideal shopping experience with an amalgamation of product, entertainment and service, all under a single roof. The Malls, convenience stores, department stores, hyper/supermarkets, discount stores and specialty stores are the emerging retail formats that provide different shopping experience to consumers. The modern Indian consumer is seeking more value in terms of improved availability and quality, pleasant shopping environment, financing option, trial rooms for clothing products, return and exchange policies and competitive prices. This has created a rapid growing opportunity for organized, modern retail formats to emerge in recent years and grow at a fast pace

2. OBJECTIVES OF THE STUDY

- To understand the evolution of retail sector in India.
- To study the popular retail formats in India.
- To study the various retail pricing strategies.
- To study various elements of retail promotion.
- To study the theory of wheel of retailing in India.
- To conduct the SWOT analysis of organized retail industry in India.

2.1 Evolution of Indian retail

Retailing is one of the biggest sectors and it is witnessing revolution in India. The new entrant in retailing in India signifies the beginning of retail revolution. India's retail market is expected to grow tremendously in next few years. According to AT Kearney, The Windows of Opportunity shows that Retailing in India was at opening stage in 1995 and now it is in peaking stage in 2006. The origins of retailing in India can be traced back to the emergence of Kirana stores and mom-and-pop stores. These stores used to cater to the local people. Eventually the government supported the rural retail and many indigenous franchise stores came up with the help of Khadi & Village Industries Commission. The economy began to open up in the 1980s resulting in the change of retailing. The first few companies to come up with retail chains were in textile sector, for example, Bombay Dyeing, S Kumar's, Raymond's, etc. Later Titan launched retail showrooms in the organized retail sector. With the passage of time new entrants moved on from manufacturing to pure retailing. Retail outlets such as Food world in FMCG, Planet M and Music world in Music, Crossword in books entered the market before 1995. Shopping malls emerged in the urban areas giving a world-class experience to the customers. Eventually hypermarkets and supermarkets emerged. The evolution of the sector includes the continuous improvement in the supply chain management, distribution channels, technology, back-end operations, etc. this would finally lead to more of consolidation, mergers and acquisitions and huge investments. India's retail market is expected to grow tremendously in next few years. India shows US\$330 billion retail market that is expected to grow 10 per cent in a year, with modern retailing just beginning. In India, the most of the retail sector is unorganized. The main challenge facing the organized sector is the competition from unorganized sector. Unorganized retailing has been there in India for centuries. The main advantage in unorganized retailing is consumer familiarity that runs from generation to generation. It is a low cost structure; they are mostly operated by owners, have very low real estate and labor costs and have low taxes to pay. Organized retail business in India is very small but has tremendous scope.

2.2 Retail formats in India

Hyper marts/supermarkets: Large self-servicing outlets offering products from a variety of categories.

Mom-and-pop stores: They are family owned business catering to small sections; they are individually handled retail outlets and have a personal touch.

Departmental stores: These are general retail merchandisers offering quality products and services.

Convenience stores: These are located in residential areas with slightly higher prices goods due to the convenience offered.

Shopping malls: The biggest form of retail in India, malls offers customers a mix of all types of products and services including entertainment and food under a single roof.

E-trailers: These are retailers providing online buying and selling of products and services.

Discount stores: These are factory outlets that give discount on the MRP.

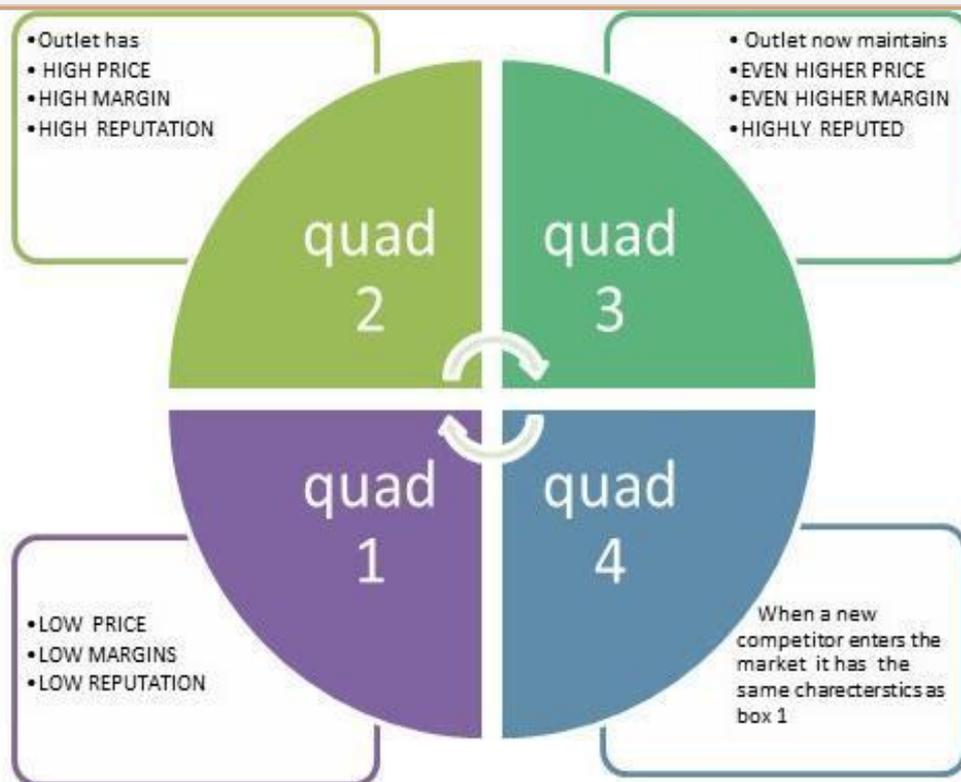
Vending: It is a relatively new entry, in the retail sector. Here beverages, snacks and other small items can be bought via vending machine.

Category killers: These are small specialty stores that offer a variety of categories. They are known as category killers as they focus on specific categories, such as electronics and sporting goods. This is also known as Multi Brand Outlets or MBO's.

Specialty stores: These are retail chains dealing in specific categories and provide deep assortment. Mumbai's Crossword Book Store and RPG's Music World are examples.

2.3 Wheel of retailing

According to this theory new retailers enter the market as, low margin, low price, low status institutions. The cycle begins with retailers attracting customers by offering low price and low service. Over a period of time these retailers want to expand their markets and begin to stock more merchandise, provide more services, and open more convenient locations. This trading up process increases the retailers' costs and prices, creating opportunities for new low price retailers to enter the market. The evolution of the department store illustrates the "wheel of retailing" theory. In its entry phase, the department store was a low cost-low service venture. With time it moved up into the trading-up phase. It upgraded its facilities, stock selection, advertising and service. The same department store then moves into the vulnerability phase, because it becomes vulnerable to low cost/low service formats, such as full line discount stores and category specialists



2.4 Retail pricing strategies

Every Day Low Pricing (EDLP)

EDLP has been popularised by large international retailers like Wal-Mart and Home Depot. This strategy demands stability of retail prices below MRP (maximum retail price)-mentioned on the goods i.e. at a level somewhere between the regular price at which the goods are sold and the deep discount price offered when a sale is held. In India, many co-operative stores have adopted this strategy. One store that uses EDLP is Big Bazaar. Here, goods are either sold below their normal prices, or some sales promotion scheme is available. Subhiksha also possesses the essentials of a discount store.

High Low Pricing

In High/Low pricing, retailers offer prices that are sometimes above their competition's EDLP, but they use advertisements to promote frequent sales. Nowadays, retailers also use sales to respond to increased competition and a more value-conscious customer.

Leader Pricing

Retailers sometimes price particular fast moving products at a lower price to attract customers to the store. For example: A grocery retailer can sell eggs cheaper than other competing stores so that customers consider him while purchasing foodstuff Since the customer is also likely to buy milk,

bread, flour etc. along with eggs, these products are priced slightly higher. So, the profit foregone on eggs is more than recovered on other items of groceries.

Skimming Pricing

Price skimming is a pricing strategy in which a retailer sets a relatively high price for a product or service at first, and then lowers the price over time. It allows the firm to recover its sunk costs quickly before competition steps in and lowers the market price. However positive there are some potential problems with this strategy such as: The inventory turn rate can be very low for skimmed products. Skimming encourages the entry of competitors. When other retailers see the high margins available in the industry, they may decide to quickly enter. The retailer could gain negative publicity if he lowers the price too fast and without significant changes in product profile.

Penetration Pricing

Penetration pricing is the pricing technique of setting a relatively low initial entry price, a price that is often lower than the eventual market price. The expectation is that the initial low price will secure market acceptance by breaking down existing brand loyalties. Penetration pricing is most commonly associated with the marketing objective of increasing market share or sales volume, rather than short term profit maximization. Price Penetration is most appropriate when

Price Lining

Price lining refers to the offering of merchandise at a number of specific but, predetermined prices. Once set, the prices may be held constant over a period of time, and changes in market conditions are adapted to by changing the quality of the merchandise. A limited number of predetermined price points are set at. Which merchandise may be offered for sale-e.g., Rs. 79.50, Rs.109.50, Rs.149.50.

Psychological Pricing

Psychological pricing is a method of setting prices intended to have special appeal to consumers. This can be conducted in several ways to name a

Prestige Pricing

Reference Pricing

Traditional Pricing

Odd-Even Pricing

Multiple Unit Pricing

Retailers use multiple unit pricing to encourage additional sales and to increase profits. The gross margin that is sacrificed in a multiple unit sale is more than off-set by its, savings that occur from reduced selling and handling expenses.

Bundle Pricing

It is the practice of offering two or more different products or services at one price. Price bundling is used to increase both unit and rupee sales by bringing traffic into the store. It can also be used to sell less desirable-merchandise by including it in a package with a product of great demand. Like a hotel can offer a 2 days stay for Rs.5000/- inclusive of lunch, even though separately these two items (stay and lunch) would cost more than Rs.5000/-. In many cases a retailer may bundle a set of extra-large T-shirts with large - size T-shirts to promote the sale of the slow moving item. Same strategy is sometimes used for low selling shoe sizes.

Pre-emptive Pricing

Pre-emptive pricing is a strategy_ which. Involves setting low prices in order to discourage or deter potential new entrants, to the retailer's market, and is especially suited to markets in which the retailer does not enjoy any market privilege and entry to the market is relatively straightforward.

Extinction Pricing

Extinction pricing has the overall objective of eliminating competition, and involves setting very low prices in the short term in order to `under-cut' competition, or alternatively keep away potential new entrants. The extinction price may, in the short term, be set at a level lower even than the suppliers own cost of production, but once competition has been extinguished; prices are raised to - profitable levels.

Perceived-value Pricing

A method of pricing in which the seller attempts to set price at the level that the intended buyers value the product. It is also called value-in-use pricing or value-oriented pricing. If the perceived value is high the retailer can charge a premium price for the product. The example of well-established traditional independent retailers in small townships can be cited in this respect. They charge a premium price on their offerings because of quality and variety offered to their customers.

Demand-Oriented Pricing

A method of pricing in which the seller attempts to set price at the level that the intended buyers are willing to pay. It is also called value-in-use pricing or value-oriented pricing.

Fixed and variable Pricing

Most firms use a fixed price policy i.e. they examine the situation, determine an appropriate price, and leave the price fixed at that amount until the situation changes, at which point they go through the process again. The alternative has been variable pricing, a form of first degree price discrimination, characterized by individual bargaining and negotiation, and typically, used for highly differentiated - items, like real estate, unbranded garments, fresh vegetables and fruits etc., S.M

street in Kozhikode, Kerala, there are some shops in markets like Sarojini Nagar and Lalpat Nagar in Delhi which specifically advertise that they do not bargain and have a "Fixed Price"

2.5 Retail promotion

Retail promotion involves a mix of communication activities carried out by retailers in order to make a positive influence on the customer's perception, attitude and behavior which can lead to an increase in store loyalty, store visits and product purchases. It is any type of communication by a retailer that informs, persuades, and/or reminds the target market about any aspect of that firm

Retail promotion mix

- Public relation
- Advertisement
- Personal selling
- Sales promotion

1. Public Relations

Public Relations - Any communication that fosters a favorable image for the retailer among its publics

- It can be non personal or personal
- It can be Paid or
- Sponsor-controlled or not
- Publicity – Any non personal form of public relations whereby messages are transmitted through mass media, the time or space provided by the media is not paid for, and there is no identified commercial sponsor.

Advantages

- Image can be presented or enhanced
- More credible source
- No costs for message's time or space
- Mass audience addressed
- Carryover effects possible
- People pay more attention than to clearly identified ads

Disadvantages

- Some retailers do not believe in spending on image-related communication
- Little control over publicity message
- More suitable for short run
- Costs for PR staff, planning activities, and events

2. Advertising

It is a Paid, non personal communication transmitted through out-of-store mass media by an identified sponsor.

- Key aspects
- Paid form
- Non personal presentation
- Out-of-store mass media
- Identified sponsor

Advantages

- Attracts a large audience
- Gains pass along readership (for print)
- Low cost per contact
- Many alternatives available
- Control over message content; message can be standardized
- Message study possible
- Editorial content surrounds ad
- Self-service operations possible

Disadvantages

- Standardized messages lack flexibility
- Some media require large investments
- Geographic flexibility limited
- Some media require long lead time
- Some media have high throwaway rate
- Some media limit the ability to provide detailed information

3. Personal Selling

It is an Oral communication with one or more prospective customers for the purpose of making a sale.

Advantages

- Message can be adapted
- Many ways to meet customer needs
- High attention span
- Less waste
- Better response

- Immediate feedback

Disadvantages

- Limited number of customers handled at one time
- High costs
- Doesn't get customer in store
- Self-service discouraged
- Negative attitudes toward salespeople (aggressive, unhelpful)

4. Sales Promotion

Encompasses the paid communication activities other than advertising, public relations and personal selling that stimulate consumer purchases and dealer effectiveness

Advantages

- Eye-catching appeal
- Distinctive themes and tools
- Additional value for customer
- Draws customer traffic
- Maintains customer loyalty
- Increases impulse purchases
- Fun for customers

Disadvantages

- Difficult to terminate
- Possible damage to retailer's image
- More stress on frivolous selling points
- Short-term effects only
- Used as a supplement

2.6 SWOT analysis of organized retail in India

Strengths

- Emerging retail formats like malls, hyper/supermarkets and specialty stores which provide product, service and entertainment at one place.
- Indian consumers have high disposable incomes, which translates into high consumption levels.
- Large number of earning young population.
- Growth of real-estate and Improvement in infrastructure.
- Huge agricultural sector offering an abundance of raw materials.

Weaknesses

Demographic differences between the regions require a regionally adjusted approach to business.

- Presence of a significant number of strong and well-established players in the sector limits market entry potential.
- Relatively small domestic market limits growth opportunities.
- High real-estate and distribution cost are the obstacles for growth of retail in India.

Opportunities

- Increasing awareness of consumers about products and services.
- Changing consumers' requirements and lifestyles.
- Innovation for new product development.
- Private label sector has been boosted by economic downturn.

Threats

- Economic slowdown is having an adverse effect on consumer spending.
- Rigid government policies and regulations restrict the entry of new players.
- Price competition among retailers puts downwards pressure on margins.
- Entry of International players in Indian markets consumes the share of Indian retailers

3. CONCLUSION

Retailing is one of the largest industry in India and one of the biggest sources of employment in the country. Numerous business groups are attracted in the past few years, including some renowned business groups like Bharti, Future, Reliance, and Aditya Birla to establish hold, showing the future growth in times to come. In addition, organized retail sector has also grabbed the attention of foreign companies, showing their interest to enter India. After looking up these facts, the paper strategically analyzed the Indian retail Industry. India being geographically and culturally diverse organized retail players follows different retail formats in different parts of the country. Different organized retail players follow various innovative and cost effective retail promotion activities to attract and retain retail customers. Stiff competition forces the different players to follow various pricing strategies depending upon various geographic, demographic and social factors. Hence, there is an urgent need to overcome the threats and weaknesses and grab the opportunities by retailers for the success of retail sector in India.

4. REFERENCES

1. Aggarwal, V. 2008, The Era of Retail Revolution: Contribution to Economy. In Research in Management and Technology, Ed. by Aneet and Ramanjeet Singh, Deep and Deep Publications Pvt. Ltd., pp 429-442.
2. Ali, J., Kapoor, S., & Moorthy, J. 2010, Buying behavior of consumers for food products in an emerging economy. British Food Journal, 112(2), pp 109-124.
3. Amin, M. 2008, Retailing in India: Assessing the Investment Climate. India Economy Review Sept., pp 188-197.
4. Dalwadi, R., Rathod H.S. & Patel, A. 2010, Key Retail Store Attributes Determining Consumers' Perceptions: An Empirical Study of Consumers of Retail Stores Located in Ahmadabad (Gujarat). SIES Journal of Management, 7(1), pp 20-34.
5. Pandey, Devendra Kumar, 2015, Retail Marketing in India: Challenges, Strategies and Opportunities. International Journal of Retailing & Rural Business Perspectives © Pezzottaite Journals, Volume 4, Number 1, January – March" 2015, pp 1513-1517.
6. Ghosh, P., Tripathi, V. & Kumar, A. 2010, Customer expectations of store attributes: A study of organized retail outlets in India. Journal of Retail & Leisure Property, 9(1), pp 75–87.
7. Goyal, B. & Aggarwal, M. 2009, Organized retailing in India- An empirical study of appropriate formats and expected trends. Global journal of Business Research, 3(2), pp 77-83.
8. Jhamb, Deepika. 2011, Organized retail in India - Drivers facilitator and SWOT analysis, Asian Journal of Management Research. Volume 2 Issue 1, 2011, pp 264-274.
9. Jasola, M. 2007, Emerging Trends in Retail Sector. Journal of IMS Group, 4(2), pp. 22-28.
10. Kaur, P. & Singh, R. 2007, Uncovering retail shopping motives of Indian youth. Young Consumers, 8(2), pp 128-138.
11. Pandey, D. D. K., & Vashisht, D. A. (2014). Growth of Retail in India: Assessment of Concerns of Small Retailers. International Journal of Retailing & Rural Business Perspectives, 3(1), 814-817.
12. Sikri Sunita & Wadhwa Dipti. (2012). Growth and Challenges of Retail Industry in India: An Analysis. Asia Pacific Journal of Marketing and Management Review, 1 (1), September, ISSN 2319-2836