

Retail Marketing: A Critical Analysis

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Abstract: This comprehensive research paper focuses upon the basics and certain crucial building blocks of retail marketing as a discipline. The paper intends to ascertain and analyze subjects such as understanding how new retail formats have taken a surge in our country, deeply understanding the Indian retailing industry, recognizing the various confronts that our organized retail sector is facing, identifying and discussing the various successful strategies of organized retailers so far, understanding the various consumer inclinations in ASEAN economies and how their retail markets are growing, retail promotion management, confronts and opportunities that lie for the retailing sector in India. In addition to this, the paper also strives to ascertain and analyze several others elements of retail marketing.

Keywords: Retail, Retail Marketing, Retail Format, Retailing Industry, Organized Retailing, Retail Marketing Strategy, Retail Markets, Consumer Trends, Retail Promotion Management.

I. INTRODUCTION

Retail marketing as a discipline has undergone a drastic change since its inception and therefore it becomes imperative on our part to carefully understand and examine its various elements. One interesting scenario that we have come across in the last two decades is a rapid surge in new retail formats. The retail sector of India is witnessing a complete alteration in its growth and investment scenarios; there has been a lot of experiment in the formats of retail by both new and the old players in the market. In the present market structure two retail formats which have been gaining popularity are hyper markets and super markets [1]. One factor that has given a totally new dimension to retailing is 'globalization'; globalization is constantly playing a vital role in transforming and restructuring the retail formats all across the globe. This component has given road to free movement of goods and services across all the retail stores worldwide [2].

Certain relaxations from the government has opened doors for foreign organized retailers in India and this has given rise to more stiff competition between the new and existing retailers, which in turn has been encouraging these retailers to endeavor for better goods and services thereby increasing the expectations of the ultimate consumers [3]. The retail sector of India is grabbing the interest of several players and is expected to surge at a rapid rate in the coming decades, as per the estimates and study of Global Retail Development Index 2015, the retail sector of our nation is expected to spike at a booming rate of \$1.3 trillion by 2020 [4]. One interesting thing that is

being taking place in the world economy today is that the consumer trends are changing significantly alongside the rapid growth of the retail sector especially in ASEAN economies [5].

Though the retail sector of India is in its introductory phase, the prospects that this sector offers in the future to come are enormous. The developed economies of the world have shown that this sector thrives at the principle of cut throat competition which in turn offers better products and services to the ultimate consumer [6]. Being the tenth largest retail market all across the globe, India has seen an enormous transformation in its retailing format which is drifting continuously from unorganized to organized formats. This has attracted the eye balls of almost all the corporate giants and large business houses in India towards the retail sector and therefore studying and analyzing the consumer behavior of the todays modern India has become their top priority [7].

One scenario that needs to be considered in our nation is to evaluate and analyze the retail prospective for locally produced agro products. One of the studies conducted in Alaska revealed a positive prospect for this scenario and therefore certain efforts can be made in India as well in this particular regard [8]. FDI in the Indian retail sector is one topic which has been debated for long and various experts who have worked extensively on this topic have reached a conclusion that though the investment from the foreign players is going to bring products and services for the consumers, at the same time it is going to badly affect the unorganized retail sector and therefore it becomes imperative on the part of unorganized retailers to increase their standards [9].

As mentioned earlier, one can certainly say that the retail industry of India is surging rapidly with multifold amount and replacing its domain from unorganized sector to organized sector and the growth rate has spiked significantly from \$330 billion in 2007 to \$640 billion in 2015 [10]. One more extremely important aspect that needs to be considered for India is fact that nearly 60% of the consumers reside in the rural regions and their requirements are met primarily by the unorganized retailers and therefore spreading the concept of organized retail in such regions is a difficult task and therefore the organized retailers need to come up with a different sort of rural retail strategy to face this task [11].

II. LITERATURE REVIEW

Retail marketing, retailing, consumer retail behavior and preference are a few areas on which several studies have been conducted and many useful and valid conclusions have been

drawn as well from those studies. In this particular section we will be discussing a few important studies and aspects of retail which have already been conducted and given us a way to excel further in the area of retail marketing.

The retail sector and its ambience has changed enormously in the past few decades, many of these transitions have been on the account of changing demographics, social development, business environments etc., moreover the entry of biggest giants in the retail sector such as Wall Mart, K Mart, Carrefour have also played a massive role in this transition. In addition to this, the rising income of the consumers has also played a vital role in expanding the retail sector. One of the interesting facts about shopping in the present era is that the consumers don't pursue shopping as the only means for buying goods and services but as a means of socializing with friends and different people, as a stress reliever and fun and therefore these factors have become extremely crucial for considering retail marketing in the modern era. Goyal and Aggarwal (2009) [12]

The Indian retail sector is rated as one of the largest retail markets all across the globe. Various experts and rating agencies have also ranked India as the second most attractive and profitable avenue for retailing just after Vietnam. The Indian retail industry is estimated to be over 14 lakh crore as per the 2015 census and is growing rapidly surpassing all the previous forecasts, the government's decision to introduce FDI in this sector has also laid a path for further growth and economic boost for our nation. On the contrary, one tough challenge for organized retailers and retail marketing lies in the rural territories of India where still the presence of the unorganized retail sector is dominant and the attitude of the consumers also looks reluctant towards this new format. (Kanwaljeet 2015) [13]

Before getting into the details of retail marketing it is extremely essential to understand the meaning of retail and retailing, retail stands for "the exchange transaction of various goods and services between consumers and sellers" and retailing can be stated as "a specialized function wherein the goods are purchased from the manufacturers or agents in the channels of distribution and then are resold finally to the ultimate customers". The concept of retailing is fruitful for both retailers as well as the customers since it gives opportunity to the customers to buy selective articles at a reasonable price and at the same time it offers the opportunity for retailers to reach a particular target market. (Singh 2014) [14]

Two extremely critical elements of retail marketing are advertising and promotion and therefore it is imperative for the various retail houses to undertake these tools with perfection. The advertising industry in India is growing rapidly and is one of the most important marketing tool in promoting goods and services. For a retail marketer today the rising cut throat competition in the market, the rapidly surging market size, change in the living standards and lifestyles and the rising expectations of the customers are the biggest challenges. (Karve) [15].

Since 2010 there has been a big buzz in our nation upon the role FDI can play in the retail sector. Since long, the retail

industry in India has remained unorganized and imploded, the customers of India have remained used to this sort of retail market for some while now, but recently there has been a huge transition in this industry and the concept of departmental stores, super markets, shopping malls and other organized retail formats are beginning to gain popularity. The potential for organized retail in India seems extremely promising and the experts have rated India as the third largest emerging player for organized retailing. The government of India has been really supportive with this scenario and is encouraging this sector to expand as much as possible. (Pavithra 2012) [16]

More than 70% of the population in India resides in the rural regions and therefore the concept of rural retailing can certainly not be ignored. Today in the era of cut throat competition the retail marketers are facing the challenge of expanding their reach and therefore the retailers are not interested in confining themselves just to the urban regions but are looking forward to tap the massive rural market as well. Since the advent of economic growth and rapid modernization, the purchasing power and living standards of the people residing in rural regions have surged by a huge amount and therefore this market can turn out to be extremely profitable for the various retailers in India who are willing to expand their reach. Bansal, Maan, Rajora (2013) [17]

One aspect that becomes critically vital for any retail marketer operating in organized retail outlets is to carefully understand and analyze the buying behavior of the consumers. There are several essential factors that affect the buying tendencies of the consumers in any organized retail store such as the availability of any product(s), services provided by the salesmen, layout of the store, etc. Experts after carefully identifying and analyzing these factors found out that those retail stores are preferred by the customers which offer discounts, contain a wide variety of products and are convenient for shopping. Sangvikar and Katole (2012) [18]

A. *Research Type:*

The research is purely analytical in nature and is being made on the basis facts and information collected through different sources.

B. *Research Objective:*

The basic objective of undertaking this research is to critically examine the crucial elements and building blocks of retail marketing and to identify those elements which are expected to play the most vital role in future.

III. AN OVERVIEW OF RETAIL INDUSTRY WORLDWIDE:

Retail is one of the largest sector all across the globe and has so far played a massive role in enhancing the productivity level of a variety of goods and services, the best results can be seen in nations such as Mexico, United Kingdom, China, Thailand and U.S.A., other nations which have contributed significantly in the growth of this sector are Dubai, Hong Kong, Sri Lanka, Malaysia, Singapore. Retail constitutes the second largest industry in the United States when considered for the number of outlets and employment generation. This massive industry employs around 22 million people all across U.S.A with an annual revenue generation of \$3 trillion. [19]

A. Retail Potential in India:

Retail is one of the largest industries in India covering almost 10% of the country's GDP and employing around 80% of our workforce. The retail sector of India is in its biggest transition phase and is emerging as one of the fastest and dynamic industries in India with a huge number of existing players and continuous addition. The only drawback of this industry in India is the fact that it is still highly unorganized when compared against the developed nations. This drawback can be seen as a huge potential for setting up organized retail outlets and this is the reason why more and more players from India as well as abroad are investing a huge amount in this sector. The other primary reason why more and more companies are willing to capture the segment of organized retail is the fact that the consumption base of India is the second largest in the world and therefore the prospects of returns are extremely high. [20]

B. Role of Consumer Trend for Retail Marketing in India:

In the present demographic scenario India is the country with maximum young population all across the globe and around 54% of our total population lies under the age of 25, in a bigger picture, 80% of the entire population lies below the age of 45. In addition to this, according to India's Marketing Whitebook (2006) of Business World, India contains around 192 million households. Amongst these households around 6 million have a income of Rs. 2,15,000, the rest of 75 million households have a income between Rs. 45,000 and 2,15,000. This huge market of 75 million households offers a great scope for the organized retailers to fulfill the needs of the households at really high collective margins. [1]

C. Major Constituents that Drive Unorganized and Organized Retail Industry:

One of the major constituent that drives the unorganized retail sector in India is that this sector generates a lot of employment opportunities as these retail outlets are huge in number, therefore they require personnel. Other factor that drives this sector is the fact that it requires really less amount of investment and labor when compared against the organized retail market. In addition to these factors there are other several factors as well that have played an important role in retaining this sector such as convenient location, widespread access and credit purchase system facility. The organized retail sector in India is also driven by several crucial components such as the increasing purchasing capacity of the people to buy goods and services, this is one of the main reasons why the organized retailing in flourishing in our country. Apart from this the other drivers of organized retail are service retailing, preference of the people for better and attractive ambience, one place for all sorts of goods and services etc. [2]

D. Popular Formats for Retail and Marketing of Goods and Services:

In India there are several formats for retailing where goods and services and sold and marketed. The major formats for retailing are specialty stores, category killers, vending, discount stores, e-trailers, shopping malls, convenience stores,

departmental stores, mom and pop stores, hyper markets and supermarkets. All of these formats have a specific trait and require a separate marketing strategy. [3]

E. Organized Retail Marketing Confronts:

There are several confronts that an organized retailer faces which may hamper its growth and prosperity. First and foremost, the biggest challenge that an organized retailer faces is the competition from the adjoining unorganized retailers, in India the market today is still dominated by the unorganized retailers who operate in extremely large numbers, sell products and services at convenient location and also provide easy credit services, these factors hamper the growth of organized retailers. Apart from these, other challenges faced by them are shift in the tastes and preferences of the consumer, inroads of the global retail giants, massive infrastructure requirements, inadequate supply chain management, inadequate skilled manpower, stringent government laws and policies etc. [4]

F. Global Trend of Consumers with Special Focus on Asia:

In the year 2012, the population of the world crossed 7 billion mark out of which nearly 4 billion, that is 60 percent of the people reside in Asia. As per the calculations of United Nations, this population of Asia will continue to grow at a rapid rate in the future to come as well when compared against Europe and North America. The population of Asia is expected to reach 5 billion by 2050 with the maximum economic development taking place in India and China. This is the reason why retailing is so promising and eminent in these two nations as the rising massive demands of the people need to be met. [5]

G. Key Elements that Facilitate Sale of Goods and Services in a Retail Store

Two key drivers that have always grabbed the attention of retail brand managers and store managers are price and in-store promotion variables for sale of various goods and services. The store managers have to deal with numerous hectic tasks like which brands to promote and at what time and for how long, how much to spend on these chosen brands. The managers have to ensure that the brands they choose, surge the sales eventually, this has remained a very common practice for the managers operating in the United States. The various temporary tools that are commonly used for accelerating the sales are freebies, in store special displays, coupons, discounts, rebates etc. [6]

H. Trends Seen Recently in the Indian Retail Sector:

Retail sector in India is witnessing a huge reconstruction with the entry and growing popularity of the organized retail sector. India is considered as the fifth most promising destination for retailing in the entire world with the estimated industrial evaluation of \$200 billion in which the organized retailing accounts for only 3 percent nearly amounting \$6.4 billion. In India, the yearly growth of departmental stores is predicted to be 24% as per the reports of KPMG, this ranks India second in a Global Retail Development Index of 30 developing nations created by AT Kearney. The major factors

that have contributed towards a surging boom in the consumption of the India population are changing demographics, surge in the income, active participation of the women in the buying process, increasing aspirations of the people etc. [7]

I. FDI Policy and Retail Scenario:

FDI or Foreign Direct Investment stands for the investment made by a non resident of India. In India, the Ministry of Commerce and Industry is the chief institution which monitors and reviews the FDI policies. The FDI policy of retail sector has been segregated in two major components namely FDI in single brand retail and FDI in multi-brand retail. The FDI in single brand retail is allowed at 100% whereas the cap is just 51% for multi-brand retail. Since India is one the most promising destinations for any global retailer, most of the top global giants of multi brand retail want to make their inroads in the Indian market but cannot because of the government restrictions up to 51% and this has been a hot topic of debate for years now and if the government decides to extend the cap up to 100% it may redefine and restructure the retail sector completely. [8]

J. Retail Marketing Challenges:

There are several challenges that the retail marketers face while promoting their goods and services. One of the biggest challenge that the retailers face in India are meeting up the international standards, the others being poor supply chain management, inadequate retail space, diversity in culture, infrastructure issues, human resources issues, handling retailing frauds, poor logistics etc. These are the major challenges that the retailers in India generally face and these hindrances affect the marketing of goods and services as well by a huge amount. [10]

K. Rural Retailing:

India is still one of those nations which rely primarily on local unorganized stores for meeting the demands of the people for various goods and services. These unorganized stores cannot be treated as a network since they are owned individually and has no connection with the other store. But if we analyze the larger picture, we will realize that several global giants use these stores as a network to sell their goods and services to the ultimate consumers. These small unorganized stores have a really good bonding, understanding and connection with the consumers; these stores also facilitate goods and services on credit basis. Hence rural retailing is all about such kinds of stores and relationship with the people. [11]

IV. CONCLUSION

After carefully analyzing and understanding the various components and building blocks of retail and retail marketing, one can conclude that there are several tools of marketing and promotion that a retailer uses in India namely brand retailing, advertising, store ambience, personal connection, providing credit services, place i.e. convenient location, image branding, electronic marketing, home delivery services, discounts, rebates, premiums and reasonable pricing. As far as organized

retailing is concerned, the most crucial tool for marketing has been store ambience and heavy discounts and these tools are going to continue in future as well. On the other hand for unorganized retailers, the biggest tools of marketing have been convenient location, providing credit facility and relationship, and the tool of convenient location is going to play a major role in the future as well.

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