Retail Marketing in India: Challenges, Strategies and Opportunities

K. Bhaskar
bhaskarkarnam@gmail.com

N. Harshitha
harsharami1@gmail.com

Annamacharya Institute of Technology & Sciences (Autonomous)

India is a country with huge population, high heterogeneity and diverse needs. The retail sector which caters to this need is highly organised. Thus there is a need for innovating and adopting newer retail business practices and restructuring the retail business models of Indian markets. Coming few years will be witnessing these new practices and business models. The Indian Retail Industry offers lucrative benefits to existing and new players. The Indian Retail Industry is one of the largest and fastest growing industries contributing to more than 13% of countries “GDP and 10% of the total employment. Today organised retail outlets and chain stores are increasing with fast pace which is strengthening the agricultural sector, apart from infrastructure and other sectors. The organised retailing is developing fast as it is being complimented by the shopping mall culture of urban India. In the race of development, tier 2 cities are no longer behind tier 1 cities. And they are developing at a greater pace. Studies show that the shopping malls will double in numbers in next 6 -8 years. This shows the hidden opportunity in the organised retail industry. This all shows that the Indian retail industry is on its way towards becoming the Industry of future India very soon.

Keywords: Retail, Supermarkets, Malls, MBO, e-Chaupal etc.

1. Introduction

The India Retail Industry is the largest among all the industries accounting for over 10% of the country's GDP and around 8% 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. Today, organized retail operations, chain stores and international investment are starting to move in, leading at least part of the retail sector to dramatically increase its scale of operations and integrate itself more closely into the international economy, potentially reducing farm-to-market losses of agricultural products, encouraging infrastructure improvement, and driving the training of the middle segments of the labour force.

The trends that are driving the growth of the retail sector in India are:

- Low share of organized retailing,
- Falling real estate prices,
- Increase in disposable income and customer aspiration,
- Increase in expenditure for luxury items.

The retailing configuration in India is fast developing as shopping malls are increasingly becoming familiar in large cities. When it comes to development of retail space specially the malls, the Tier II cities are no longer behind in the race. If development plans till 2016 is studied it shows the projection of 220 shopping malls, with 139 malls in metros and the remaining 81 in the Tier II cities. The Government of states like Delhi and National Capital Region (NCR) are very upbeat about permitting the use of land for commercial development thus increasing the availability of land for retail space; thus making NCR render to 50% of the malls in India.

**The Objectives of the Paper is:**

- To study about the various strategies, trends and opportunities in retailing.
- To study the growth of retail sector in India.
- To study the recent trends in Indian retail industry and its challenges & opportunities.

2. **Retailing Format in India**

**Malls:** The largest retailers are located mainly in metro cities, in proximity to urban outskirts. They range from 60,000 sq ft to 7,00,000 sq ft and above. Examples include Shoppers Stop, Pyramid, Pantaloons, etc.

**Specialty Stores:** Chains such as the Bangalore based Kids Kemp, the Mumbai books retailer Crossword RPG's Music World and the Times Group's music chain Planet M, are focusing on specific market segments and have established themselves strongly in their sectors.
**Discount Stores:** As the name suggests, discount stores or factory outlets, offer discounts on the MRP through selling in bulk reaching economies of scale or excess stock left over at the season.

**Department Stores:** Large stores ranging from 20000-50000 sq ft, catering to a variety of consumer needs. Departmental Stores are expected to take over the apparel business from exclusive brand showrooms.

**Hyper marts / Supermarkets:** Large self-service outlets, catering to varied shopper needs are termed as Supermarkets. These are located in or near residential high streets. These stores today contribute to 30% of all food & grocery organized retail sales.

**Convenience Stores:** These are relatively small stores 400-2,000 sq. Feet located near residential areas.

**MBO:** Multi Brand outlets, also known as Category Killers, offer several brands across a single product category. These usually do well in busy market places and Metros.

### 3. Challenges of Retail Marketing in India

- The first challenge facing the organized retail sector is the competition from unorganized sector.

- **Supply Chain Management:** The retail scenario is characterized by logistical challenges, constant changes in consumer preferences and evolution of new retail formats. All this increases the challenges faced by the industry.

- **Frauds in Retail:** Frauds, including vendor frauds, thefts, shoplifting and inaccuracy in supervision and administration are the challenges that are difficult to handle.

- **Challenges with Infrastructure and Logistics:** The lack of proper infrastructure and distribution channels in the country results in inefficient processes.
  - In retail sector, Automatic approval is not allowed for foreign investment.
  - Taxation, which favours small retail businesses.
  - Developed supply chain and integrated IT management is absent in retail sector.
  - Lack of trained work force.
  - Low skill level for retailing management.
  - Intrinsic complexity of retailing- rapid price changes, threat of product obsolescence and low margins.
• Organized retail sector has to pay huge taxes, which is negligible for small retail business.
• Cost of business operation is very high in India.

The Hidden Challenges
Modern retailing is all about directly having first-hand experience with customers, giving them such a delightful experience that they would like to enjoy repeatedly. Thus, challenges like retail differentiation, merchandising mix, supply chain management and competition from supplier's brands are the talk of the day. In India, as we are moving to the next phase of retail development, each player endeavour to offer experiential shopping. One of the key observations by customers is that it is very difficult to find the uniqueness of retail stores.

Challenges of Unorganized Retail Sectors
India's organized and unorganized retail sectors can co-exist and thrive, who foresees bright prospects for retail sector in India it is quite possible for both the organized and unorganized sector retailers to co-exist and flourish," said Rakesh Kacker, Additional Secretary Department of Consumer Affairs, Ministry of Consumer Affairs, Food and Public Distribution" India has a huge potential for growth in retailing sector

The unorganized retail sector in India has been the traditional employer to a large number of people across the country. A retail outlet in an unorganized sector feeds a household of six to seven members. „A retail outlet in the unorganized sector takes care of minimum 10 persons. It is the lifeline of scores of people in semi-urban and urban India. Whatever problems the unorganized sector retailers are facing today need to be articulated and should be addressed. The government will be more than happy to work with trade bodies to ensure that dynamism in the unorganized sector remains intact," said Kacker.

4. Strategies
• **Right Positioning:** The effectiveness of the mall developer's communication of the offering to the target customers determines how well the mall gets positioned in their minds.
• **Effective Visual Communication:** Retailer has to give more emphasis on display visual merchandising lighting signage and specialized props.
• **Strong Supply Chain:** Critical components of supply chain planning applications can help manufacturers meet retailer's service levels and maintain profit margins.

• **Changing the Perception:** Retailers benefit only if consumers perceive their store brands to have consistent and comparable quality and availability in relation to branded products.

5. Recent Trends

- Retailing in India is witnessing a huge revamping exercise as can be seen in the graph.
- India is rated the fifth most attractive emerging retail market: a potential goldmine.
- Estimated to be US$ 200 billion, of which organized retailing (i.e. modern trade) makes up 3 percent or US$ 6.4 billion
- As per a report by KPMG the annual growth of department stores is estimated at 24% Ranked second in a Global Retail Development Index of 30 developing countries drawn up by AT Kearney.
- Multiple drivers leading to a consumption boom:
  - Favourable demographics;
  - Growth in income;
  - Increasing population of women;
  - Raising aspirations:
  - Value added goods sales
  - Food and apparel retailing key drivers of growth
  - Organized retailing in India has been largely an urban
  - Phenomenon with affluent classes and growing number of double-income households.
- More successful in cities in the south and west of India. Reasons range from differences in consumer buying behaviour to cost of real estate and taxation laws.
- Rural markets emerging as a huge opportunity for retailers reflected in the share of the rural market across most categories
- ITC is experimenting with retailing through its e-Chaupal and Chaupal Sagar -Rural hypermarkets.

Opportunities

2017-18 is expected to be a time of consolidation for Indian retail sector. As a result of adoption of best practices and restructuring of business models by the retailers, organized
retail is expected to realign itself to the market conditions and create new areas of growth. Premier brands will look at Tier II cities, but certainly not Tier III. Luxury brands will stick to metros.

Modern retail has entered India as seen in sprawling shopping centres, multi-storied malls and huge complexes offer shopping, entertainment and food all under one roof. The Indian retailing sector is at an inflexion point where the growth of organized retailing and growth in the consumption by the Indian population is going to take a higher growth trajectory.

6. 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 US in terms of numbers of employees and establishments. There is no denying the fact that most of the developed economies are very much relying on their retail sector as a locomotive of growth.

The India Retail Industry is the largest among all the industries accounting for over 10 percent of the country's GDP and around 8 percent 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. But 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.

Many agencies have estimated differently about the size of organized retail market. The one thing that is common amongst these estimates is that Indian organized retail market is growing very rapidly. The status of the retail industry will depend mostly on external factors like Government regulations and policies and real estate prices, besides the activities of retailers and demands of the customers also show impact on retail industry as the retail market place changes shape and competition increases the potential for improving retail productivity and cutting costs is likely to decrease. Therefore, it is important for retailers to secure a distinctive position in the market place based on values relationships or experience. Finally it is important to note that these strategies are not strictly independent of each other, value is function of not just price quality and service but can also be enhanced by personalization and offering a memorable experience.
In their preparation to face fierce competitive pressure, Indian retailers must come to acknowledge the value of building their own stores as brands to reinforce their marketing positioning, to communicate quality as well as value for money.

7. References


24. Retrieved from http://www.fibre2fashion.com/industry-article/free-retail-industry-article/indian-retail-industry-it...

25. Retrieved from http://www.fibre2fashion.com/industry-article/free-retail-industry-article/retail-indian-roadmap/ret...


