

Retail Digital Marketing Operations in India and Its Impact on Society

***Dr. Ankamreddi Rama Mohan**

** Professor, SOCMS, Sandip University, Nashik, Maharashtra State, India, I may be available on*

ABSTRACT:

A common assumption is that retailing involves only the sale of products in stores. It is responsible for matching individual demands of the consumer with supplies of all the manufacturers. The word 'retail' is derived from the French word retailer, meaning 'to cut a piece off' or 'to break bulk'. Retailing can be defined as a various set of activities or steps used to sell a product or a service to consumers for their personal or family use. A retailer is a person, agent, agency, company, or organization which is instrumental in reaching the goods, merchandise, or services to the ultimate consumer. Retailers perform specific activities such as anticipating customer's wants, developing assortments of products, acquiring market information, and financing.

Key Words: Retailing, supplies, break bulk, family use, ultimate consumer, acquiring market

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I. INTRODUCTION

Retail marketing refers to the selling of goods and services to the end consumers in accordance to the preference and tastes. Retailers' cost and profit vary depending on their type of operation and major product line. Their profit is usually a small fraction of sales and is generally about 9-10%. Retail stores of different sizes face distinct challenges and their sales volume influences business opportunities, merchandise purchase policies, nature or promotion and expense control measures. For instance, what was once a strictly made-to-order market for clothing has now changed into a ready-to-wear market. Flipping through a catalogue, picking the right colour, size, and type of clothing a person wanted to purchase and then waiting to have it sewn and shipped was the standard practice in the earlier days. India is one of the top ten emerging retail markets all over the globe. There are approximately 4.3 million retail outlets spread over the nation, which require about 3.25 million retail personnel at present. With such a huge potential retail management offers limitless job opportunities in supply chain, exporting houses and departmental stores. Retail marketing is comprised of the activities related to selling products directly to consumers through channels such as stores, malls, kiosks, vending machines or other fixed locations, according to the Free Dictionary. The successful implementation of the components of the traditional marketing mix (product, place, price and promotion) is essential for success in retail marketing (4 P's.)

1] Product-A retail business typically opens within a specific business category, such as men's clothes. The retailer must decide questions relating to price range, fashion and selection. All of these issues are answered by the assumptions that the retailer makes on the products most likely to attract his targeted customer base. The ability to match products and customers is as much art as science.

2] Place-Factors such as whether the store location is near the targeted customers, offers easy access and exit, and is highly visible on a well-travelled street are vitally important in the selection of a store location (place). The perceived quality of the physical structure is also important. Customers expect expensive items to be sold in an upscale environment. Low-cost items might fare better in a location where consumers are accustomed to purchasing those bargain items. Retail stores can range from large national chains such as Sears or Wal-Mart to a small, locally-owned business, such as a bakery.

3] Price-Pricing is a complex process that combines finance with human psychology. If consumers believe that a product is priced too high, they may refuse to buy. If a product seems to be priced too low, they may suspect the product quality. Additionally, a retailer typically sets price expectations as she develops her brand. If the brand is positioned as discount, the merchant must stay consistent with pricing decisions or risk customer confusion about the store's brand identity.

4] Promotion-Retail marketing is dependent on in-store traffic. Marketers must make effective use of promotions to ensure a steady stream of existing and new customers visit a retail stores. The retailer's selection of promotional channels is dictated by many factors including local competitive environment, profit margin on sales and total volume of sales. Each dollar spent in promotions must result in additional sales, or profit margins shrink to dangerous levels. Promotional media can include television, radio, print, direct mail and outdoor advertising (billboards). In the growing market, retail marketing has become one of the major emerging trends in the entire economical cycle. It is the retail market only which provides the consumer a basic platform to encounter with goods and a shop keeper for the first time.

KEY DRIVERS OF RETAILING IN INDIA

CONSUMER PULL: - In the pre-liberalization supply- led market, the power rested clearly with the manufactures. In today's demand-led market, it's the consumer who calls the shots. Over the last decade, there has been a significant evolution in the Indian consumer, mainly due to the liberalization of the consumer goods industries that was initiated in the mid-eighties and accelerated through the nineties, combined with a growing consumerism driven by the media, new opportunities and increasing wealth.

RISING INCOMES:-Over the past decade, India's middle and high income population has grown at a rapid pace of over 10% per annum. Further the number of households earning above Rs. 1,50,000 per annum is about 30 million today and is expected to grow to 120 million by 2017.

EXPLOSION OF MEDIA:-There has been an explosion in India as well during the past decade. Kick-started by the cable explosion during the Gulf-war, television has accelerated to a point where there are more cable connection than telephones in Indian homes (225 million v/s 23 million), and about 70 channel are being aired at all time.

CHANGE IN CONSUMER BEHVIOUR:-The urban woman today is literate and, in many cases, employed. There is get a work pressure and increased commuting time. And with a shift in family structure, nuclear families have become a significant component of urban market. According to the urban market recent research conduct in Bangalore, the share of nuclear families is estimated to as high as 70%.

CONSUMERISM CYCLE:-The consumer cycle start with the industry dictating the market. Eventually over time the distributor gains control, over the market; at this stage the retailers becomes an important link between manufacturer and customer. When the market starts developing and expanding it's horizon, retailers turn into the vital link in the supply chain. India is entering this third stage, where retailers control the market.

THE RURAL MARKET: The rural market is beginning to emerge as an important consumption area, accounting for over one-third of the demand for most key consumer durables and non-durable. In response, manufacturers of consumer goods; both FMCGs and durables; have begun developing new products (LG television, shampoo sachets, Ruff'n Tuff jeans)and marketing strategies(using a village "haat" for brand promotions) with the rural consumer in mind.

EMERGENCE OF HUBS OF RETAIL ACTIVITY: Chennai, Bangalore and Hyderabad have become major retail hubs. In Chennai, about 17% of food sales flow through supermarkets and 25-30% of consumer durable sales come from specialty chains such as Vivek and Vasanth.

TYPES OF RETAIL MARKETING

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.

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.

Departmental Stores: 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.

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 10percent on net worth.

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.

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”.

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. 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. There are a number of reasons behind this fragmented retail market. Some of the major reasons being:

- Poverty and lower literacy levels.
- Low per capita income.
- Savings focused and less indulgence mindset.
- Poor infrastructure facilities like roads etc.
- Restrictions on intra-state good movement.
- High taxes.
- No exposure to media.
- High import duties on imported goods.
- FDI in retailing is not allowed.
- Retailing is not considered as a business or industry by the government.

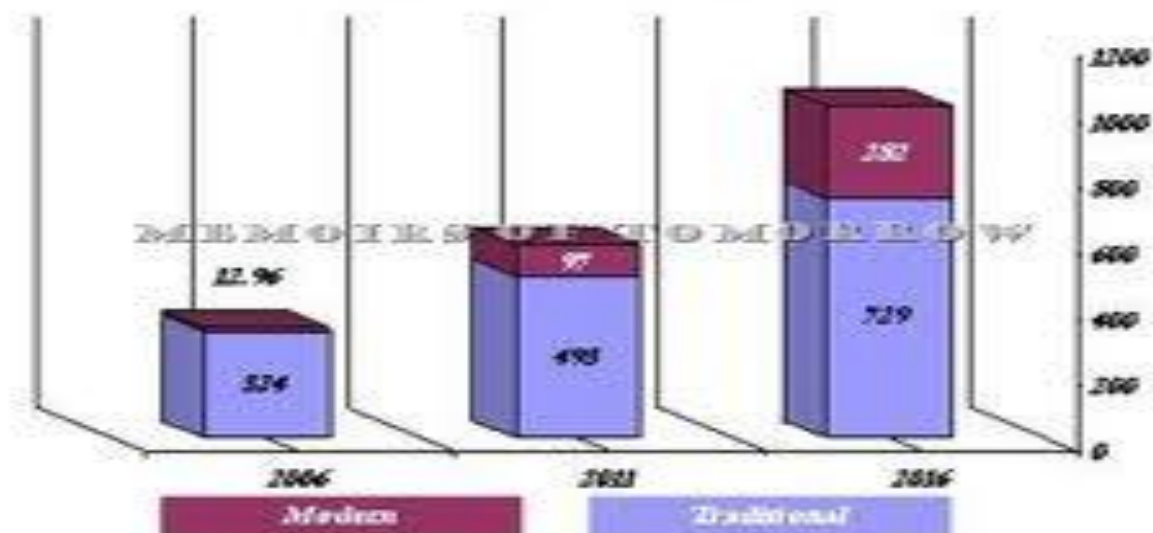
Today in India we have more than 12 million retail outlets and most of them are family run and locally owned. There are very few nationally present retail stores. In India the process of buying and selling at these unorganized retail outlets, is highly characterized by bargaining and negotiations.

Retailing in 1990s

On account of the liberalization drive in the 1990s, several structural and demographic changes that are taking place are helping the industry to grow. The GDP has grown by 6.6 percent in the last decade resulting in increased income levels and higher purchasing power for the population. Increasing literacy levels, increasing number of working women, increasing urbanization, higher international travel by Indian population and increasing media penetration has raised aspiration levels of the population, resulting in demand for better shopping experience and larger variety of goods. India has close to 54 percent of population below the age of 25, which translates into higher prospects for increased consumption levels in the future. Finally, interest rates have also declined in the past few years further propelling the consumption demand.

These factors were the key drivers for the retail wave in the country. Notable among the early entrants were players like Shoppers Stop, Pantaloon, Ebony, Foodworld, Subhiksha, etc. Initially, the growth in organized retail was very slow and concentrated mainly in metros, with south India holding its ground as the pioneer in organized retail growth, on account of the low cost of real estate. Due to the high investments required in the early stages and the fact that real estate was the key deciding factor for success of stores, real estate developers have been the major players in the industry.

Retail in India



PRESENT RETAIL SCENARIO IN INDIA

- Retail experts find Indian industry promising
- Retail sales to touch Rs. 30,000 crore by 2005
- Mall Mania: The developing mall culture in India
- Emergence of region-specific formats
- Emergence of discount formats
- Entry of international players

IMPACT OF MALL MANIA: THE DEVELOPING MALLCULTURE IN INDIA

Modern malls made their entry into India in the late 1990s, with the establishment of Crossroads in Mumbai and Ansals Plaza in Delhi. By early 2001, several mall projects were announced. According to market estimates, close to 12 million sq. ft. of mall space is being developed across several cities in the country, of which 10 million sq. ft. is expected to be operational by end of 2003 (see Table below). With this, rentals for retail properties have shown a marked decline, which has brought down the break-even levels of the retail projects.

Mall	Location	Rate / Sq. ft.
Crossroads	Tardeo, Mumbai	225-250
Ansals	South Ex, Delhi	175-200
Nirmal Lifestyle	Mulund, Mumbai	75-90
Runweals Mall	Mulund, Mumbai	75-90
Karnavat Mall	Thane, Mumbai	65-85
Raheja Mind space	Malad, Mumbai	60-80
Jog's Mall	Andheri, Mumbai	55-75
Cable Corporation	Borivali, Mumbai	55-75



Indian food retailers to adopt private labels faster than China: Study India's modern food retailers are set to adopt private labels at a faster pace than China, according to a new report from Rabobank International, which says Indian retail reforms will likely boost the uptake of affordable private labels. Rabobank examined private label products according to the Private Label Manufacturers Association definition of private label products which encompasses 'all merchandise sold under a retailer's brand'. Last year, Indian regulators eased restrictions on foreign direct investment in multi-brand retail, encouraging growth in modern retail alongside India's 8 million traditional retailers.

Asitava Sen, Head of Food and Agribusiness Research, India, Rabobank International, said:

"While it took Europe 50 years to achieve 28 percent market penetration of private food labels in retail, Rabobank expects India and China to reach the same level in just 15 to 20 years." Rabobank believes that modern food retailing in India will reach 15 percent market share by 2020, and achieve 26 percent by 2025. By 2020, Rabobank expects private label market share in modern retail to be about 10.5 percent, and reach 25 percent by 2030. "Currently India's modern retail market is relatively small (6.5 percent of total food retail), but all major national retailers such as Reliance Retail, Aditya Birla Retail and Bharti Retail, have private labels in food categories so we see significant growth potential," Sen added. He further added: "Today private labels in India's modern food retailers account for about 4.5 percent across all categories. However, in staples like rice and wheat flour, it can be as high as 30 to 50 percent, due to high price sensitivity and low brand recognition." Indian consumers highly value private labels for their availability and affordability, which are prized over brand loyalty and product safety. With India's national retailers expanding in tier 1 and 2 cities, private labels can help boost scale and lower costs to compete with traditional retailers with lower overheads.

By comparison, modern retail in China relies heavily on entrance fee, which is one of the major challenges to the development of China's private label market. While modern retail accounts for 60 percent of total food retail in China, the market is highly fragmented, with the top three modern retail chains covering only 10 percent of the market.

Sen stated: "With entrance fee already contributing significantly to margins in China's modern retail, there is little incentive for retailers to enter the private label market to lower costs. Furthermore, food safety concerns are holding consumers back from supporting private labels. China has experienced many food safety scares in the last five years, and even leading international retailers have had food safety concerns.

II. CONCLUSION

Till some time back, there were only few international style shopping malls in India --Spencer in Chennai, Crossroads in Mumbai, Ansals Plaza in New Delhi and Sriram's Arcade in Kolkata. By the end of 2004, that number jumped to many. It looks like a virtual stampede, major players with a cumulative investment of Rs 375 crore are set to change cityscapes across India. In the next one year, close to 40 lakh square feet of retail space will be developed. In three years, this will rise to 70-lakh sq ft. A study on consumer outlook suggests that over 80 percent of consumers want a wide range of products at hand while shopping. This signifies that people are finally ready for multi-option complexes.

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