CHAPTER 1
INTRODUCTION
1.0 Introduction

In the 21st century communication has changed drastically. Social media has changed the way people communicate, collaborate, consume and create. Social media has been responsible for one of the most transformative impact that it has created for both information technology and on the business front, within and outside the boundaries of the firm.

The field of social media is at a very nascent stage and it can stimulate innovative investigations of the relationship between social media, marketing strategy, retailers and return on investment (ROI).

1.1 Social Media

Over the years, social media has gained importance on digital landscape. Organizations are now preferring to use a combination of social media and the traditional media that has been in the market for more than a decade. There have been opinions that various channels in media have faced many challenges that made traditional media like television and radio to earn profits. Also, previous research has shown collaboration between traditional and modern channels of media. Thus, it is a challenge of tough competition in the economic environment that has led to the tightening of budgets in the advertising industry due to the shift of focus from the traditional to the digital media.

It has been found that Organizations are slowly moving their priorities in advertising so that they can align with present day consumers of the 21st century.

1.1.1 Facebook

In 2004, Facebook was being launched into the market by Mark Zuckerberg along with his group of friends in the dormitory of Harvard University USA. Today, the company Facebook has grown to have more than 800 million active users and many more who access this tool on their smart phones. Facebook started with one language English and today it is available in more than 50 languages. The main function of Facebook is relationship building among friends, peers, professions and people at large.
Today, Facebook has become the most popular networking website for marketing the products to their target audience by retailers. It serves as a platform which allows marketers to innovate on their message through posters and videos which generates customer engagement through conversations and story telling by the marketer to the end customer.

Facebook today is being used by a majority of organizations in India to voice their message, engage and collaborate with the millions of users that are on this network 24/7. Yet there is still a lot of untapped potential that this medium can offer to the end users.

1.1.2 Google+

Google+ is a social networking website owned by Google Inc. Google+ is popularly known as “Social Layer” since many of its online properties, is not only a social networking site but also encourages content management by providing its users the facility to write and manage content as an author.

Google+ has more than 540 million active users which is likely to increase in the years to come. Previous studies have shown that more than 30% of the customers using smart phones use Google+.

Google+ pages provide local businesses, brands, organizations and artists with a public identity and presence on Google+. Google+ pages are managed through the “Google My Business” dash board that allows businesses to update and share information on Google.

1.1.3 Twitter

Jack Dorsey launched a company “Twitter” that is popularly known as “The 140 character social networking site” in March 2006. This website helped the users to get interesting information about varied topics over varied disciplines.

Organizations have found a new platform to communicate their message on various strategic points that have helped their companies to gain leads at a quicker pace. Today, firms use this tool to gain a brand image by conducting a target market analysis to gain relationship in the world of networking.
The challenge for an organization with Twitter is to word their message in 140 characters. Though this tool has gained prominence yet companies are still not aware as to how the potential of this tool can be used harnessed and utilized by varied organizations.

### 1.1.4 YouTube

A video sharing website called YouTube was created in February 2005. This online tool was being created to share content that would benefit people on a global perspective. YouTube has used HTML 5, Adobe, Flash video technology to create the content. This website gives users the space for content distribution to all. Billions of videos are being created and viewed on a daily basis.

This platform is used by marketers and advertisers to showcase their creativity and it also gives scope for companies to strategize their marketing strategies that determine the popularity of the message being communicated by them to their target audience.

### 1.1.5 LinkedIn

A professional networking website which was created in 2002 and had its launch 5 May, 2003. It is an online tool which has millions of professionals using it to share and disseminate knowledge with other professionals. It is the largest professional network in the world with more than a million members across the globe. Also, it has 14 different languages such as French, German, Italian, etc.

Here, organizations can find content that can be used for spreading the message created by the Organization for its target audience. The organization needs to pay a certain amount to avail the advertising services provided by this website. It is generally used to facilitate corporate sales and increase the brand loyalty and awareness amongst its target audience. This tool has moved beyond professional networking to generating content, self-blogging, recruitment and many others.

Though LinkedIn is being used as a professional networking site for recruitment and professional recommendations, it is a tool still unexplored and untapped by marketers to promote their products and services amongst the million users that are active on LinkedIn on a day to day basis.
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1.1.6 Flickr

Flickr is a company which was being innovated by Ludicorp in 2004. It was being acquired in 2005 by Yahoo. This website is widely used to share photos and videos that is being available in more than 10 languages and has millions of registered users

This website has Free and Pro, which are the two accounts offered by this website. The difference between the two is in terms of band width and storage of photos.

This social media website is being used by organizations to connect and collaborate with its partner companies that are located across the globe where there needs to be sharing of information in terms of visuals to generate and share information with its marketing team, stakeholders and customers at large.

1.1.7 StumbleUpon

StumbleUpon is a tool which is content oriented tailored to the personal interest of the individual. It was started in the year 2001 and has grown to having over 25 million users over the past few years. It says a lot of competition competing with the new content sites that came up after the importance of content management was being felt due to the development of technology. StumbleUpon categorises its pages bases on varied categories like computer interactive games, online services, etc, that can help people to discover their content.

1.1.8 Word Press

This website was launched in the year 2003. It is a software which allows the users to maintain their own blogs that can be used for knowledge sharing and dissemination to millions of people using social media.

WordPress started with a single bit of code to improve upon the typography that enables you to count on your fingers. It has grown to becoming one of the largest used blogging website in the world on a daily basis. It has evolved and grown which made the entrepreneurs who started WordPress to expand through thousands of plugins and widgets and themes.
1.2 The Role of Social Media Network

A platform which emerged due to the increased use of internet by millions of people across the globe. Social media gives the freedom to its users to create their own information to communicate the same to their group of networks. Today, with the penetration of mobile it has become an application that is used by millions of people. This aspect needs to be tapped to facilitate interaction, conversation generation and content sharing that should lead to sales for the organization.

The aim of social networking is mainly for exchange of communication and ideas amongst friends and selected groups. Reviews and peer rating have gained a lot of importance because of social media. A lot of content is actually being generated through the various social media network but the content is not being utilized by organizations to its maximum potential.

For retailers the main purpose of having their brand on a social networking site is to make their brand visible the message being communicated, to engage the audience and generate a conversation amongst the people and the organization through social media using internet as a medium.

Furthermore, there is a need for retailers to tap the purpose of social media that would actually benefit the organization. Though revenue is being measured in the form of sales and profit, the actual measurement of social media engagement and social monitoring is yet to be explored by the Indian retailers.

Figure 1.2: The dynamics of social in the social network sphere: (Adapted from Fauser et al 2011)
In the above diagram it is observed that an individual uses social media to collaborate and communicate to maintain relationships and get information about varied topics either from their peer network or through the pages on communities that the individual is a part of in any set specific social media networking site. The information can be harnessed either from the individual itself or it can be used by the retailers to get feedback from their target audience.

However, the main challenge faced by companies is to interact with the target audience using social media as a medium, to control communication that happens on a social media website and to manage negative word of mouth created by the end consumer who have had a negative experience from the retailers.

It is essential that organization should be trained in order to use a social media website to the fullest and harness its potential to the maximum possible extent by the retailer. In order to do this, the organization needs to undertake a transformation from operating traditionally to using social technology which aligns and prepares internal policies, processes and roles with the mission, vision and objective of the organization.

1.3 Social Media – A Marketing Tool

The introduction to the study “The Study on the Applicability of Social Networking on the Marketing Strategy in Select Retail Units” would be giving an insight to a few essential terms relating to the broad area of the said title.

“Marketing” is referred as a process of communicating and promoting a product by managing the internal factors of the Organization to generate and deliver value to its customers by maintaining a long lasting relationship for the purpose of creating a benefit for the customer and the organization.”

According to Hubspot (2014), about 92% of the marketers using social media marketing claimed that they use social media for their business thus helping them to increase the viewership of their products through the same. According to socialmediaexaminer.com, there are about 97% who are currently using social media to showcase their products whereas there are about 85% participants are not sure how best they can use social media.
The above statistics shows the potential of social media in an organization and it also gives a perspective that many organizations are not aware about the varied social media tools. In the Indian retail industry social media is still in the beginning stage where though a lot of retailers showcase their brands on various social media websites to communicate to their brands to the target audience still their prevails a lot of unawareness about these new age tools in the competitive landscape of the Indian retail industry.

1.4 Social Media and Sales Funnel Adoption

Though the Indian retail industry is relatively new to the concept of social media a relationship can be developed between the retailer and the online website of social media to bring long term sustainability of the Organization. It is essential for the retailers to get themselves aware, trained and attain proficiency in the value that social media can generate for their business.

The process of equating the business proposition with the product sales, social media engagement and ROI forms the sales funnel. The word funnel is being used as a metaphor, wide at the top and narrow at the bottom to monitor the sales person. The figure below demonstrates how the leads are being generated through YouTube, Twitter, Facebook and other social media websites which in turn leads to sales and a positive ROI.
The social media website used by retailers are attempting to win with its target audience compared to that of its competitors. The ultimate objective of the social media sales funnel is to use social media as a tool not only to generate a one time lead from the customer but to also generate needs through the peer network circle and facilitate repeat sales and a positive word or mouth from the well informed customer of the 21st Century.

1.5 Social Media Strategy

The strategy adopted through Social Media helps in development of modern strategic plans to suit the needs of the 21st century. This social media strategy tries to adopt new ways to communicated where media is being portrayed not only as a broad casting media but also has a medium where opinions can be edited and modified by the general at large.

Social media marketing strategy acts as a blue print for the organization from an end to end perspective, that is, from the time the media strategy is being formulated till the implementation and the evaluation stage the entire road map is being built in order to generate a higher competitive advantage for the Indian retailer who is relatively new to social
media. Further more sometimes this activity is being outsourced by the retailer and the third party or an advertising agency conducts this on behalf of the retailer through which the third party gains a royalty and the retailer also gets profit for the effort being put in order to formulate and implement the social media marketing strategy in the new social media landscape on the internet.

1.6 Components of Social Media Strategy

![Fig. 1.6 – Process of Designing a Social Media Strategy](image)


Fundamental shift in power is taking place across the globe in media and advertising that is having far-reaching effects in industries that is used to dominate the business in marketing, public relations, advertising, media buying, television, radio, newspapers, magazines, bill boards and even the music and film industries.

The fundamental shift in power is shifting the power of corporate messaging, the power of the news agencies, and the power of ad agencies into the hands of cyber citizens. The customers are now controlling the brands and messages.

CNN, Fox, ABC, The Wall Street Journal and New York Times are being replaced by internet, blogs, aggregators, Facebook conversations and tweets. “Transparency, Sincerity and Authenticity” is what people are looking for in product recommendations and in advertising.
The primary cause for this shift is that the media is moving away from the age-old tradition of pontification and moving towards a two way communication.

1.6.1 Step 1: Analyze your Existing Media

The organization takes efforts to determine the return on investment, cost of customer acquisition, and determine the overall effectiveness of how and how much the firm is spending on communicating your message to the firm’s customers and prospects.

- Identifying Your Existing Media Mediums
The firm would need to identify the existing conventional mediums from newspapers, trade journals, trade shows, TV, tele-marketing and billboards,

There should be an analysis on the success or failure of the existing medium that needs to be done and on the effectiveness of the medium that is already used by the organization.

- Expense/Conversion (ROI)
In order to get an insight on the expense, conversion and return on investment, there are two numbers that is essential to calculate the return on investment, i.e. The amount the firm spent the previous year on sales and public relations.
Another way of looking at it take the total expenses for last year and deduct the administrative costs. The next number that is needed is the total number of new customers that is acquired the previous year.

- Analyze the Demographics

The demographics need to be considered in order to analyze the prospective customers for the organization. Social media is most effective when the firm listens to a conversation and then participates appropriately. Determining the return on investment and cost of customer acquisition is more than a task by itself as it involves the demographic analysis along with the customer engagement on a social media website.

1.6.2 Step 2: Social Media Trinity

Social media trinity consists of blogging and micro-blogging. It consists of the various social media websites that are being used by customers and organizations to enhance engagement and product awareness.

- Trinity Number 1: Blogs

Blogs are an integral component to social media marketing. Blogs help the company to build a trusted following, allow the organization to brand itself in a strong environment and get the organization and the brand in the forefront and set the organization as a perceived industry thought leader. The five Ws of blogging are: The Who, What, Where, When, Why and How.

- Identify The Tools

The organization needs to identify the source of the blog. Other people’s platforms can also be used to base the organization’s blog as it is free and easy to use. It is preferred to choose an easy-to-use platform such as Wordpress where it is an open source and there are so many developers working on it from across the globe.

- Identify the Content

The most important aspect for the survival of a blog is content. The content should be interesting, interactive and rich in data that will interest the customers to read and get to know more about the organization.

- Identify Plug-Ins and Widgets
The plethora of plug-ins and widgets that can be added to the blog site adds more credibility to the blog. A Word Press blogging platform is in many ways more versatile and a component rich than a standard HTML.

It is essential to determine the strategy, the conversion and the persona of the organization to develop a strategy for the content, frequency and interaction. The blog posts can be innovative, creative, rich in data with photos, audios, videos and then it can be interconnected with all the other community social networking sites.

- **Trinity Number 2: Micro-Blogging (Twitter)**

  This blog allows users to publish short text updates. This is basically used for updates which includes messaging, email, or Twitter. Since the posts are short text it is also called micro-posts and using this service is known as micro-blogging.

  It is essential to understand the essential terms of micro-blogging like Followers, following, tweets, Re-Tweets, Direct, Hash Tags and so on. Twitter is the most popular micro-blogging platform while there are others such as Yammer which can be used behind the firewall and for internal use only; Tumblr, which combines micro-blogging, blogging, aggregation and social network integration.

- **Managing The Tweets**

  People are talking about the organization, it is not the schizophrenia talking. People are having conversations with the employee, the company and the brand.

  Tool like Tweeteck and Seesmic desktop are tools to manage the tweets on Twitter, that is a micro-blogging website.

- **Determine Your Strategy**

  The organization needs to determine the strategy. Twitter is being used by the organization to sell, educate and add value for the followers of the organization’s product, create personal interaction, build trust and establish brand awareness.

- **Trinity Number Three- Social Networks**

  The organization using social networks as a tool has a “watering hole” (a marketing term for a place that like-minded customers and prospects gather), with 425000000 members provides a good opportunity for organizations to tap the social media spectrum.

- **Identify the Tools (Sites)**
Organizations are looking at tapping social media as a tool to facilitate business for the organization.

Social media tools like Open Social and with one click, the new profile is filled in using the information from an existing social networking site.

Facebook: Fastest growing website
LinkedIn: Professional network
MySpace: Becoming more an entertainment network
Ning: Usually themed within a niche or interest
Plaxo: Large alternative to Facebook

- Determine the Strategy

It is necessary to develop an appropriate strategy for interaction with the end customers. The organization needs to explore each network to help understand the culture of that network and how the members interact. Each network is different, with a different basic purpose.

Facebook: Interact on a personal basis
LinkedIn: To provide an online individual directory
MySpace: Music and Entertainment
Ning: To create your own vertical niche social networking site.

1.6.3 Step 3: Integrate Media

Social media is not a standalone strategy. It needs to be integrated with traditional media. When the firm develops an integrated marketing strategy, the media that is to be used needs to be identified under each demographic. The organization does crafting of a message once the demographic has been identified by the firm. The message that is being developed will be different for different mediums that is being used by the organization.

Understanding the audience, the platform, the culture and the rules within that environment needs to be considered by organization in order to develop an effective social media strategy.

- Develop Clear Individual Goals (Conversations)

When the message is crafted, it needs to have a clear call to action: clear goals, or conversions. The whole reason why as an organization they would like to participate in a
conversation is to build trust and sell. The existing media helps the organization to determine what strategy works best for the firm.

1.6.4 Step 4: Identify Resources

Now that the comprehensive integrated marketing strategy has been developed, it needs to be decided as to who is going to be responsible for implementing and maintaining all of these new tools and efforts. The organization has the responsibility of reputation management. The individual managing the social media campaign should be aware of customer conversation and it is needed to engage them. The organization should have the ability to encourage good press and have the responsibility to defuse negative press.

The various tools of social media needs to be tested for which there is a necessity of people to implement the appropriate social media strategy that would enable the organization to get revenue and also create an awareness about the product. Resources can be both in-house and out-house staff that is being used by the organization to tap this new medium that has not been fully utilized.

If an organization wants to incorporate social media into the marketing sales, public relations and communication plan, it can be done. The resources are available. The firm needs to be a little creative in order to identify the most appropriate campaign on the online medium.

1.6.5 Step 5: Implement and Measure

Measuring return on investment or using conventional marketing has always been difficult. Because of internet, it is being managed by computer systems and networks where everything passes through a system that can be measured. Over the past 10 years, internet and unique landing pages are used to measure unmeasurable conventional responses.

Today, there are a myriad of tools, mostly free that can help measure and manage all the marketing efforts.

1.7 The Social Web

It is a link through the world wide web that connects people and organizations on a single platform. This web consists of numerous websites that are being developed to facilitate interactions among two or more individuals. These interactions are either peers to peers or by the retailers to the end audience. These interactions facilitate online engagements which in
turn leads to online shopping behaviour of the end consumer and a feedback that is being followed post the purchase through the online shopping platform.

The purchase and the feedback is based on the consumer’s experience to the consumer decision making journey that is being experienced by the end user.

The social media landscape has grown multifold and gives a huge opportunity for organizations to tap and penetrate into this online space that facilitate a two way communication between the organization and the target audience. As the amount of time that is being spent by an average user on a social networking website had increased it gives an opportunity for the retailers to tap this area as ‘data never sleeps’.

There are millions of users that are there on the social web and that gives the retailers ample opportunity to communicate, engage facilitator conversation, spread the message and generate leads that should ultimately lead to the purchase of a product by the well informed consumer in the information age.

1.8 Retailing

The Founder of Walmart, Mr Sam Wilton says that the secret of successful retailing depends by giving the customer what he wants such as good quality merchandise, low prices, guaranteed satisfaction, friendly staff, convenient shopping hours, free parking and above all a pleasant shopping experience.

The cycle time of retailing from the generation of an idea to the implementation and the assessment stage is the quickest compared to any other industry. The feedback received from the in store or an online store is instant which gives the retailers a challenge to either change or protect their retail store based on the recommendations given by the end consumer.

Retailing has come a long way both in India and across the globe. Every outlet functions from material handling and inventory system until the point of sale through the adaptation of technology at every stage of the existence of the retail store.

The market that the retailing industry gives is highly competitive and there exists a lot of strategies that retailers use in order to become a market leader in this highly competitive market. The market is looking at trying to focus on tailoring their needs to the customer’s
requirement and the product that is being purchased by the customer on their own choice and requirement.
In order to facilitate selling in the retail industry the organization requires a sound knowledge of the products and services that has been offered by the retail industry. For the most it becomes crucial for the retailer to understand its target audience and further comprehend the needs of the customers in terms of the offline and the online merchandise and the customer experience that the retailer can facilitate through the consumer decision making journey.

1.8.1 The Indian Retail Industry

In the last decade the Indian retail industry has witnessed a considerable amount of growth in both the organized and unorganized sector of the market. The most well known brands like Tata, Reliance, Bharti have been strategizing their plans to expand beyond the frontiers of their home destination through varied verticals and different retailing format.

The retail sector in India is highly fragmented and is developing rapidly in line with the practices that are being followed in developed countries. However, looking ahead there is a forecast that India would witness growth in the organized sector because of opening up and change in the Foreign Direct Investment (FDI) regulations imposed by the Government of India. Globalization and the Digital world in combination with the increase in the usage of applications in the mobile phone industry will make retailers in the Indian industry (both organized and unorganized sector) to change their strategies of marketing, communication and the medium to facilitate a sale of the product offered by the retailers of varied market in the Indian sector.

Although there is a growth potential in the Indian retail industry the retailers have to face a lot of challenges and obstacles on the road to adopting to the global practices that are being followed across in various countries. A few challenges include rigid regulations, lack of infrastructure and biases in terms of adopting to the newly introduced technology of the 21st century. Additionally, there is a huge amount of resource constraint and high barriers to entry for the foreign players who would want to establish themselves in the Indian retail industry.

1.8.2 Global Retailing Industry

According to the global retail industry 2012-2017: Trends, forecasts and analysis (Jan 2012) “the market is forecasted to reach an estimated $20,002 billion in 2017 with a compounded
annual growth rate (CAGR) of 3.9% over the next 6 years (2012-2017). These statistics show
a growth and increasing spending on the customer that would drive opportunity for the retail players in the global retail industry.

The CAGR in the global industry is around 3.1% over the past few years. The global retailers are exploring emerging regions like China, India, Latin America, Central Asia, Eastern Europe due the expanding consumer base and supportive eco-system and new consumer zones and consumption pattern.

The above statistics indicate that there has been a considerable growth in the retail sector across the globe and retailers should attempt to tap not just developing countries but also the under developed countries of the globe.

Thus it becomes crucial for a global retailer to understand the consumer demographics and the purchase buying behaviour in order to customize and deliver according to the expectations of the consumer so that the retailer is successful in creating a positive impact in the consumer front.

1.8.3 Retail goes online

Today retailers are moving towards usage of technology to enhance the experience of the user on the web. This is being done through multiple applications solutions and point of sales system that provide outstanding service to the customer.

In the 21st century, there has been a transition from the traditional brick and mortar to a click and mortar approach. The format is looking into the online shopping spectrum which would eventually be most preferred channel for purchase of goods and services by consumers worldwide. In India, the individuals who are in the IT sector, have developed various solutions across the value chain to address the market in the Indian sector. The proposition of value in the Indian sector consists of strength in domain, expertise in technology, global presence and labor.

1.8.4 The Way Forward

There would be an increased focal point on delivering to the customers, with an omni-channels, one screen, one store and a consistent experience across varied touch points. The Indian retailers should be in a position to communicate with their target group across varied mediums (traditional and online medium). The retailers who perform at their best in the retail
industry would optimally combine brick and mortar with the online retail keeping the focus point as the customers needs in order to generate a favorable and consistent feedback by the end consumer for the benefit of both the retailer and the customer.

The Indian market is looking at maturing with tremendous opportunities for players across the industry and across boundaries that would allow global players to penetrate into the Indian market which would lead to tremendous growth of the Indian retail industry.

1.8.5 Indian Retail Industry

The research predicts that Indian retail market is forecasted to cross 1.3 trillion USD by 2020 from the present market size of 500 billion USD. Modern retail with a penetration of only 5% is expected to grow about six times from the current 27 billion USD to 220 billion USD, across all categories and segment.

The retail market in the 21st century is developing at a fast pace due to the advancement in technology. Retailers in India are moving towards modern tools of communication. The main focal point for the Indian retailer is customer satisfaction. A whopping 25.2% of time is being spent by Indians on social networking websites. The Indian market is now moving towards mobile retailing, a new concept in the Indian retail sector.

PwC research indicates that although the Indian retail sector is worth US$ 350 billion, it has a low organized retail penetration of 8%. Modern trade is growing between 15 and 20% per annum. India is becoming an exciting and dynamic retail destination due to the following:

• A large market size

• Low organized retail penetration

• Strong GDP growth

• Increasing personal incomes

• Large number of aspirational consumers (middle-class, young Indians, rural population, etc.)
1.8.6 Evolution of Retailing in India

(Source: Retailing Management – Michael Levy, Barton A Weitz, Ajay Pandit)

Fig. 1.8.6 – Evolution of Retailing in India

The oldest form of retail is the barter system. Indian retail has evolved in size and complexity to suit the needs of the development of global retail. Even though modern retail exists haats, mandis and melas still continue to be a part of the Indian landscape and they contribute the essential part of trade in varied areas.

Public Distribution System is the single largest retail chain in the country. The distribution of grains in India was introduced by the British during the period of World War II. This system was abolished post Independence. But India was forced to introduce it in the year 1950 due to the inflationary pressures in the Indian economy.

Post independence the Khadi and village industries (KVIC) was being established and today it has more than 7050 stores across the country. The evolution of Indian retail would be incomplete without mentioning the post offices in India and the canteen stores across the country. The Government was being championed by the cooperative movement that was being established across various parts of the country.

The Indian marketplace has changed drastically in the last decade. In the early 1950s, the Government policies were favoring the small scale industries. This is due to the low purchasing power of the consumers and limited investments in the development of the manufacturing sector. Initial steps towards liberalization were taken in the period of 1985-90. It was at this time that many restrictions on private companies were lifted, and in the
1990’s, the Indian economy slowly progressed from being state led to becoming ‘market friendly’.

Table No. 1.8.6 Format of Retailing in India in the 19th Century

<table>
<thead>
<tr>
<th>Traditional Formats</th>
<th>Established formats</th>
<th>Emerging formats</th>
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</thead>
<tbody>
<tr>
<td>1) Itinerant salesman</td>
<td>1) Kirana</td>
<td>1) Exclusive retail outlets</td>
</tr>
<tr>
<td>2) Haats</td>
<td>2) Convenience / Department stores</td>
<td>2) Hypermarkets</td>
</tr>
<tr>
<td>3) Moles</td>
<td>3) Company/ Multi brand showrooms</td>
<td>3) Internal retail</td>
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<tr>
<td>4) Mandis, etc</td>
<td>4) PDS / Fair Price shops</td>
<td>4) Malls / Specialty malls</td>
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<td></td>
<td>5) Co-operative stores</td>
<td>5) Multiplexes</td>
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<td>6) Pan / beedi shops</td>
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<td></td>
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<td>7) Fast food outlets</td>
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<td></td>
<td></td>
<td>8) Service galleries etc</td>
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</tbody>
</table>

Source: Retailing Management – Michael Levy, Barton A Weitz, Ajay Pandit

This is a new beginning for the retail sector in emerging India. This sector has paved way for opportunities due to the opening of the economy post liberalization. There has been a changing expectations and needs of the customer. The shift in expectation changed from being traditional to the expectation of convenience in the process of behaviour of shopping. Due to this, it had led to the emergence of departmental stores, supermarkets and other specialty stores. The entertainment factor in retailing emerged after the advent of mall culture in India.

1.8.7 Various formats of retail in emerging India of the 21st century

India has developed to keep up to the trends in the global scenario. It is a challenge to keep up to the standards in developed countries as the literacy rate in India is very low. The following are the various formats that is developing at a rapid pace.

a) Department stores:

These are huge stores that offer a wide range of assortment of soft and hard tools.

There are multiple categories and assortments that are priced at an average stage.

b) Discount stores
These stores aim at offering a wide array of products but their main focus is to offer extensive assortment of merchandise at a reduced price. These retailers generally sell merchandise that are not of superior quality.
c) **Super markets**
These stores generally sell convenience and food items to the end customer at an affordable price. These stores are situated a few yards away from the place of the customer. It facilitates not only regular purchases but also into attracting the end consumer through special offer, discounts and special prices at regular intervals of time.

d) **Warehouse stores**
These stores offer a high quantity of goods at a low price through piled pallets or steel shelves. Further, these warehouse stores have varied membership benefits that are categorized at a B2B and B2C level. This gives a platform for a better vendor relationship and leads to loyalty between the warehouse vendors.

e) **Varieties stores**
These stores offer limited editions of varied products at an extremely low cost. These stores are generally small in size and are located in prime locations in the area of their locality.

f) **Demographic stores:**
In a demographic store the retailer focusses on the one set specific group of people and the retailer customizes the product based on the target audience.

g) **Kirana stores:**
Individuals own and operate such outlets. They are often family managed businesses with a limited range of merchandise that is located in local communities and residential areas.

h) **Specialty stores:**
This store provides and caters to a set specific category of people selling products that are being customized to a set specific audience at a premium price. These stores though sell less in terms of quantity yet they make huge profits because of the price of the product.

i) **General stores:**
This is a store generally situated in rural India which supplies only the main needs of the community residing in that area.
j) **Convenient stores:**
These stores offer limited merchandise with an average price and a speedy billing system. It is generally located in residential areas and is ideal for emergency and immediate needs.

k) **Super markets:**
It is a store that is into self service and is limited to non-food items and these stores are generally 20,000 to 40,000 sq.ft. in area.

l) **Malls:**
These are shopping areas that have a range of retail outlets under a single roof. They have a mix of assortment of products that are available at regular periods of time.

m) **Category killer (category specialist):**
These are outlets that supply a wide array of goods in a single category at a lower price that can “kill” that category for other retailers. When the prices are being fixed it is done in such a way that the competitors are forced to reduce their prices in line to a category specialist to be present in the vicinity. Here retailers use a drop shipping technique where they accept the payment directly but the customer receives the product or service from the wholesaler.

n) **Vending machines:**
This is an automated machine located at set specific points where the customer can purchase the product by paying the amount through the machine. The money collected is later on handed over to the organization of that product by a third party.

Retailers can adopt any of the above formats mentioned or it can also be a combination based on their product offerings. Also, the retailer needs to take into consideration the target audience and purchasing behaviour of its customers to attract and engage them. A good format and a good display of products will make the customers curious and make them purchase the product.
1.8.8 SWOT

STRENGTHS

1. Purchasing Power
   - The number of Indian consumers who are moving up the economic pyramid from the middle class are increasing at a fast pace.
   - The PWC report (2013) indicates that this segment will grow to 570 million by 2021.
     This shows an increase in the purchasing power of the consumers that gives the retailers the strength to boost its retail sales by offering its products to both urban and rural India.

2. Population Demographics
   - India is a highly populated country followed by China. This is an advantage for the retailer not only in terms of product offering and sales but also on the employment perspective.
   - According to a PWC report it is estimated that there would be a 98 million to its workforce by 2020 compared to China that will contract to 51 million.

3. Low retail penetration
   - India’s retail sector is still very nascent compared to the developing economy and there is a lot of scope for innovation and product development in this industry.
   - The next decade would see a drastic change with changing patterns of spending and increased power of purchase in the years to come.

4. Aspiring middle class
   - There is an untapped population in the rural sector that holds immense potential for the retailers.
   - The PWC report (2013) forecasts that by 2021
around 67% of Indians would reside in rural India
### Weaknesses

<table>
<thead>
<tr>
<th>1. Political uncertainty and regulatory requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>- There are lot of problems on the political front and the FDI policies in retail has created a lot of barriers for international retailers to establish themselves in India.</td>
</tr>
<tr>
<td>- Multi brand retail though partially open to only certain retailers have a clause that a foreign retailer when entering India need to have a tie up within Indian retail giant.</td>
</tr>
<tr>
<td>- This political uncertainty poses to be a weakness for the development and growth of the retail industry in India.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2. Poor infrastructure</th>
</tr>
</thead>
<tbody>
<tr>
<td>- India has an infrastructure that is not feasible and poses a weakness in terms of logistics and supply chain for the retailer.</td>
</tr>
<tr>
<td>- Multiplicity of taxes, high cost of fuel, dependence on road transport poses to be a huge challenge for the retailers to expand and diversify themselves in the retail industry.</td>
</tr>
</tbody>
</table>

### Opportunities

<table>
<thead>
<tr>
<th>1. Innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>- India is a youth country who are looking for new inventions and a new way of functioning.</td>
</tr>
</tbody>
</table>
| - India is still relatively new to technology, research and development and innovation. Therefore, investment need to be made in technology and Research and Development so
that they can give a new perspective to retailing in India.

2. Digital strategy

- E-commerce is developing rapidly in India. In India customers are looking at a different medium through which the retail process can be facilitated using technology.

- The well informed customer are demanding a new experience in terms of the products offered and the payment transaction that are being done online.

- Social media is becoming the most sort after tool for consumers to educate themselves about the various products available in the market.

Opportunities

3. Customer centric approach

- The well informed consumer looks for not only the end product offered by the retailer but also an experience associated with the retailer of the 21st century.

- This gives an opportunity to the retailer to adopt experience design, digital change and analytical insight

4. Unsaturated market

- Indiagives opportunities to retailers to innovate and establish themselves as the market is still between the growth and maturity stage.

- Retailers need to encash this opportunity to facilitate new
product offerings and new formats to the well informed customers.

**Threats**

1. **Availability of land and real estate**
   - Multi-brand retailing is getting a flexible rate for a specific location.
   - There are retailers who have relocated due to unaffordability of high rentals which has put pressure on the profitability.

2. **Human Capital**
   - Human Management is a top priority for an Indian retailer.
   - According to a PWC report (2013) the attrition in this industry is between 20% and 25% in non-food and grocery business to as high as 60% in the food and grocery segment.

### 1.8.9 Emerging Opportunity

<table>
<thead>
<tr>
<th>Retail Infrastructure</th>
<th>Rural Retailing</th>
<th>Luxury Market</th>
<th>Online Retail</th>
<th>Private Labels</th>
<th>Sourcing Base</th>
</tr>
</thead>
<tbody>
<tr>
<td>- India has emerged to be one of the most attractive destinations for retail.</td>
<td>- Rural markets that constitute 70% of the population account for only 40% of the total consumption.</td>
<td>- The CAGR is projected to be 20% for the time period 2012-15.</td>
<td>- With the rapid penetration of internet, in India, online retailing is expected to reach USD 1.7 billion at a CAGR of 10% over the next three years.</td>
<td>- Private label strategy is to play a leading role in India.</td>
<td>- India is poised to be a sourcing hub for several international retailers chains given the abundance in supply of raw materials and cost competitiveness.</td>
</tr>
<tr>
<td>- The number of modern retail trade stores are expected to increase to</td>
<td>- India currently highlights the huge potential in terms of</td>
<td>- High growth categories are jewelry, watches, apparels and accessories.</td>
<td>- There is a great scope for development as private labels is only 6% in India as compared to UK and USA which is 39% and 19%.</td>
<td>- In the last</td>
<td></td>
</tr>
<tr>
<td>67.100 by 2016</td>
<td>The expected number of supermarkets are to grow from 500 in 2006 to 8500 by 2016.</td>
<td>- Total retail sales supply in India is projected to grow from 5.3 million sq ft to 6.5 million sq ft over 2013-15</td>
<td>respectively three years, several global retailers have established wholly owned subsidiaries to manage their sourcing options from India.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Indian Retail: The Next Growth Story, KPMG Report, 2014
2.4
1.8.10 Challenges of Indian Retailing Industry

a) The customers of the 21st century is better informed, more interactive and more choice based than the earlier days. A lot of retailers still are dependent on the traditional approach of mass advertising and are hesitant to interact directly with the customer.

b) Customization and the right strategy to build loyalty on both the emotional and the product category put the retailer under pressure to achieve the targets within the set specific period of time.

c) The retailer, as they are traditional face difficulty in getting an evaluating customer data and formulate actionable insight from the given data, This gives a major challenge for the retailer to forecast the future and develop the sophisticated modelling techniques.

d) Retailers who operate through brick and mortar face a huge competition from the online players who are trying to give an experience to the customer virtually. Brick and mortar still follow the traditional means of advertising which takes time for them to earn their sales whereas online retailers have immediate gratification by creating an emotional rush through the online pattern.

e) Another major concern for retailer is the supply chain of the retail store. A few concepts like same day delivery and free shipping are no longer different but they are expected by the well informed consumer. Since the retailer is still traditional those outlets face challenges in adopting to technology and facilitating a speedy supply chain.

1.8.11 Retailing in the 21st Century

In the next 5 years, success for retailers is going to be defined by “Retail Agility” i.e. the ability to have a competitive advantage over the emergence of new market and customer segment with the development of technology Social commerce, gaming and mobiles are new tools that are emerging for the expansion of sales and marketing channels. Despite the development of technology customers still prefer a combination of traditional and modern
channels of distribution in the retail industry.
High performers will be able to recognize the emerging business and take an advantage of the power of multi-channel retail while providing an experience regardless of the touch point. Innovative channels of communication and distribution poses lot of challenges to adopt to new or immature business model with a high rate of technological diffusion. The retailers who are successful will be recognized for their technology deployment, business processes and new investment in this fast moving and highly competitive landscape.

1.8.12 Understanding the shopper’s expectation is critical for future success

In order to transform the business of the retailer and focus on the quality of the product and shopping experience it is essential for the retailer to establish a favorable connection with their target audience by developing a two way conversation between the customer and the retailer.

Here, connect with the customer means having effective listening skills than reacting to the dialogue of the target audience. The result of this would give more value and reach out to millions of users creating a favorably a good impact on the customer as well as the retailer. This two way dialogue creates not only the satisfaction of the customer needs but also generates business for the retailer.

1.8.13 Transition of Retailing in India

The 5th largest market in the world is retailing market in India. This market ranks 4th among 30 countries in the category of retail development on a global prospective. At present the retail industry in India has a market size of approximately USD 520 billion. It is further expected to grow to 15% by 2018. Also, a growth of about USD 520 billion is expected i.e CAGR of 13%. Retail has played an important role in increasing productivity over a wide range of goods and services offered by the industry. The organized retail industry comes up to 80% of the total retail trade. Organized retail trade accounts to nearly 8 to 10% of the total retail trade. This shows that there is a lot of scope for penetration in organized retail in India.
This sector is divided into multiple categories based on the product type that are being offered. The sectoral division of retail industry is categorized into value retailing and lifestyle retailing which has a low margin and high volume of business and high margin low volume respectively. 60% of the market consumption is in the food industry. There is a low contribution in other categories of organized retail growth in India which is one of the world’s youngest market.

There has been a transition from traditional to organized retail as the expectations of customers have increased due to higher disposable income. Mall mania and multiplicity of choice are factors that are appreciated by the younger generation. These factors drive Indian organized retail growth in the long run.

1.8.14 Key Points

Suppliers
Suppliers are now trying to establish themselves in both urban and rural India. They are trying to focus on the untapped markets and explore new opportunities and establish themselves in the industry.

Demand
A few factors like economic growth, demographic profile, and increase in income are a few factors that is the key to development of the retail sector in India and it would facilitate the growth of organized retailing in India.

Barriers to Entry
There are various reforms that are being introduced in the economy of India which has facilitated improved trade performance. Due to the challenges and barriers like supply chain complexities, infrastructural problems and less technological penetration, the foreign direct investment in retailing sector was not being allowed by the Government of India.
| Bargaining Power of Suppliers | Depending on the target segment and the format used, there are variations in the bargaining power of suppliers in a competitive segment of retailing in India. In India, the unorganized sector dominates the market, contributing over 90% of the total retail market. There are a few retail firms who are market leaders and have a competitive advantage over the others in this industry. As this industry is a capital intensive industry, the access to capital plays a crucial role for the expansion of space. |
| Bargaining Power of Customers | The bargaining power of customers is high due to the choice that is available to the end customer. In India, due to the introduction of Foreign Direct Investment, the buying power of customers is estimated to increase and strengthen in the years to come. |
| Competition | The competition is very high in the retailing industry in India. It is due to factors like product, quality, price, service, location, retail space to name a few. The new firms and the foreign players would face stiff competition from the existing retail players who have been in the industry over a decade. |

**1.8.15 Financial Year, 2014**

During the financial year 2014, the key factor which determines the performance of the retail sector is the economy of the country. The sentiments of the consumer is of prime importance in order to make this industry as the main contributing sector to the overall GDP of the country. The reason this industry faces challenges is due to the monetary policies formulated by the RBI followed by low industrial growth.

One of the major concern in the area of retailing is inflation. When the inflation level is high, RBI was forced to maintain a set specific benchmark of interest rate in order to consider the situation of the economy and the sentiment of the businesses in the country.
1.8.16 Prospects

Over the past few years, the retail industry has been on a growth phase. There has been an expected growth of over a trillion by the year 2020 with a significant growth rate in organized retail. The growth of the organized retail sector is due to the increase of the number of discount seasons in a specific financial year. This leads to increased sales for the retail firm which has an effect on the overall contribution to the country’s boosting of the economy. Online retailing through relatively new is becoming popular among Indian consumers that is also becoming as one of the contributing factors to the growth of the Indian retail industry.

Another important factor which would contribute to the growth of the Indian retail sector is FDI and multi-brand retailing in India. It is where there would be entry of foreign players in the retailing industry in India. This leads to entry of foreign practices and policies in terms of operations that would lead to the development of Indian retailers who have been operating in the industry over a decade. Also, it will provide a lot of employment opportunity, logistics and supply chain practices in this sector which is a contributing factor the economy’s growth and development in the country.

Though there is development of the retailing industry, the traditional retail outlets like the kirana-walas have an insecurity of loss of business which has been one of the barriers in implementing FDI in the country. Foreign players are hesitant to establish themselves in India though the Government has opened FDI to an extent in multi-brand retailing. This is due to the lengthy procedures, inter-state clearances, problem of infrastructure, taxation policies, material and logistics handling to name a few challenges that are faced by players like Walmart, Starbucks etc.

The concept of retailing revolves around volumes. Moving ahead, there has been an increase in competition and the costs of materials have increased which has led to the reduction of the quantity of the product at a higher price in the FMCG sector. During the same period, the real estate cost has increased which has led to infrastructural challenges.
and the problem of skilled manpower that has had an effect on the quality of the end product that is delivered to the end consumer.

The concept of luxury retail has gained prominence in India. There has been a considerable amount of increase in expenditure of the Indian consumer on luxury products which has contributed and made India the 12th largest luxury market in the world.

Rural retail is an emerging area that is yet to be tapped by various organizations. It accounts for 2/5th of the total consumption of products in India. It's always a challenge for retailers to devise strategies for the rural consumer. There are challenges like supply chain, logistics, language barriers, communication problems faced by the retailer. Despite all these challenges, companies like Pepsi, Coca Cola, P&G have been very successful in penetrating into this market.

1.8.17 FDI and its Effect on the Retail Industry In India

The trade policies due to liberalization has changed during the past decade. The Indian economy is being ruled by the development of the agriculture. In the year 1991, the Government had opened up FDI only in a few sectors. But, in the year 2012, FDI policy opened up to allowing multi-brand retailing to establish itself in a developing country like India. The change in the policies has contributed to the development of this sector with the increase of competition at every phase of growth in the retail sector in India.

In India, retailing is one of the strongest areas of development and contribution to the growth of the economy. It contributes to around 15% of the GDP of the country that has led to this sector being one of the fastest growing industry in the world with a huge population of a developing country like India.

This fast paced market has opened its doors to innovation in retail and entry of foreign retailers like Walmart, Tesco and Carrefour to establish themselves in India.

1.8.18 Impact of FDI Using Porter 5 Force Model
The FDI impact in India is being analyzed using a strategic tool for determining competitive advantage termed as “Michel Porter’s 5 Force Model”. This tool helps an organization to analyze its competitors and attractiveness in the market which helps firms to formulate and implement strategies to overcome competition and contribute to the revenue and economic contribution the country.

Porter’s five force model includes: threat of substitute products, the threat of established rivals, and the threat of new entrants, the bargaining power of suppliers and the bargaining power of customers.

**a) Impact on Suppliers:**

When there is modernization of super markets, suppliers are required to determine the volume, consistency and costs on commercial practices. The majority of retailers in unorganized retailer’s need is being catered by Indian suppliers. The small enterprises meet the requirements of big super market chains.

The retailers in order to be competitive, are aiming at elimination of middleman in the process of supply chain which results in direct supply of goods and services from the manufacturers directly. There was a challenge of sourcing in the country for big retail giants. The retailer gains revenue and profit on a higher terms when there is sourcing from a supplier directly without middlemen.

The switching cost of the supplier would be high when the retailer fixes the supplier and trains them according to the specifications of the retailer. When the cost is incurred by the retailer on the supplier, there is an advantage of the retailer for the total cost of the product. Supermarket channels on 20 to 50% when suppliers enter in net terms.

**b) Impact on Traditional Stores:**

There has been a marginal constitution of traders in the segment of employment in the country. But, the majority of the consumers belong to urban India and it is very marginal in rural India even through a majority of the population resides in rural India. An insight from research stated that the cities were being served by big retail stores and malls while the rural India was being dominated by the Kirana stores.
The deployment of FDI in China is 100%. In 1992, partial FDI was introduced in China. The Chinese market had a huge manpower and wide customer base that led to rapid growth in December 2004. The total merchandize of 10% comprises of reputed retailers like Walmart, 7-Eleven and Carrefour. The next step of multi-brand retail for further growth is dependent on FDI. The global retail market is looking at integrating the fruitful economy and potential provided by the Indian retail industry in the future.

c) **Impact on Barriers to Entry:**
The chance of new firm entry into the market is intense. When one looks into the theoretical perspective, it is where new firms face a lot of threat to enter into the industry and compete with the existing players. The reality is that the characteristics possessed by the industries is being protected through the level of performance that the firm exhibits against the various competitors that are also into the same business in the industry. The barriers of entry is the existence of economies of scale.

The Minimum Efficient Scale (MES), entry unit costs and barriers of entry makes a different in the performance of the retailer. The opening of FDI in retailing would increase the barriers of entry from both Indian and foreign players. The retailer would increase their barrier of entry which would intend to determine the competition in this sector.

d) **Impact on consumer:**
In retailing, FDI creates an environment which gives priority to the end consumer. The products that are being provided to the customers by the retailers are aimed at giving high levels of satisfaction to the end customer.

The customer expects high quality products at an affordable price. It is due to this factor, that a majority of retailers are having a challenge in targeting the right customer audience for their products.

e) **Impact on business Rivalries:**
The organizations strive for a competitive advantage and aim to be the market leader despite intense competition in the industry. The organizations face competition both vertically and horizontally across industries and boundaries of their home country.

When there are strategies formulated between varied companies, it leads to increased competition that affects the other companies as well. It is based on the aggressiveness of a single or a group of firms to gain an advantage and be a market leader.

In the Indian retail industry, the rivalry is intense. It results in organizations delivering high quality products that result in high customer satisfaction so that they can gain an advantage in terms of competition and also get increased sales for the organization. In order to maximize the market share, the firms adopt the concept of “product and price differentiation” that sets them apart from the rest of the other firms competing in the same sector.

**1.8.19 E-Commerce and Retailing Industry in India**

There has been a transformation in the shopping pattern of Indian consumer. The recent trend of e-commerce has made varied groups of business people to rethink on their business models. In the past few years there has been explosive growth that has generated a market environment of a billion dollar territory. This industry is estimated to grow 7 times more in the next 4 to 5 years.

**1.8.20 Rapid Growth of E-Commerce in India**

Communication has changed rapidly with the rise of internet and mobile phone. The concept of e-commerce is relatively new. After the penetration of mobile, e-commerce has fundamentally changed the way organizations get to their end customers. In developed countries e-commerce is very successful but in India it is still in the stage of infancy.

**1.8.21 Reaching the customer: Going beyond the traditional definition**

The concept of physical boundaries have changed after the emergence of e-retailing. Customer acquisition is the final stage of the reach process. Customer
orders though high are often accompanied with difficult scenarios such as cancellations, rescheduling and return of cash on delivery.

There is a potential for customer retention through positive experience of the customer and that leads to a positive word of mouth through an e-portal or a website. This website shares information with regard to the logistics involved and the plans of promotion amongst the stake holders which forms the backbone of the e-retailer.

1.8.22 Need for different management of physical infrastructure
The combination of conventional retail and e-commerce works the best for retailers. The reason being that the infrastructural and merchandising requirement can be fulfilled using the conventional mode of retail while the other factors can be taken care of using the e-commerce portal. The sales channel can be duplicated through the logistics function and overall process of distribution and sales.

1.8.23 Trends
The logistics landscape is very essential in determining the performance of an organization in the e-retail industry. The evolution of logistics is essential to determine the growth of the retailer.

a) There is always a sense of doubt for a developing country like India despite the huge potential and profitability of the e-industry in India. Though a few retailers in the online platform have been here for a few years now they are yet to start making profit. The reason being suboptimal infrastructure that results in a higher delivery cost of the retailer.

b) Inventory led retail in foreign direct investment is an important factor in shaping the future of the retail industry in India.

c) The policies of taxation affects the functioning of this industry in the area of warehousing. E-retailers are to get closer to center of consumption in logistics
chain through the overlapping of various forms of delivering and sortation center. The E-retailers find it challenging due to interstate differing of taxation policies.

The existing logistics providers are entering into a new domain that has a huge potential and they will have to gear up to the demands of the e-retailing industry. Collaborations has led to ease for the retailer and the customer to facilitate a smooth process of product delivery to the end consumer.

E-commerce is exploding in the next three to five years. It has led to investments in innovation and game changing models

1.9 Online Retailing in India

Over the last few years online retail has seen a lot of change going from nascent to critical mass. Today it has overtaken the brick and mortar retail attracting maximum number of target audience due to the factor of convenience at any place and anytime.

Due to this new development many physical retailers have attempted to enter the online space and have tried to attract the target audience to facilitate end purchase and a favorable consumer experience.

Fig. 1.9 4Ps of Marketing

![Kotler’s Marketing Mix](http://positionly.com/blog/social-media/what-is-social-marketing)

1.9.1 Marketing Mix
Marketing mix is a term that was being discovered by Neild Borden in the year 1953 during his presidential address in American Marketing Association. James Culliton in 1948 described the role of marketing as a “mixer of ingredients”.

Creating a successful mix is essential for marketing their products. For this, the firm needs to create the right mix of variables that include product, price, place and promotion that is being termed as the marketing mix.

According to Philip Kotler - "Marketing Mix is the combination of four elements, called the 4P's (product, Price, Promotion, and Place), that every company has the option of adding, subtracting, or modifying in order to create a desired marketing strategy".

To create the right marketing mix, businesses have to meet to the following conditions:

1. The product has to have the right features
2. The price must be right
3. The goods must be sold at the right place at the right time
4. The target group needs to be made aware of the existence and availability of the product through promotion

1.9.2 Elements of Marketing Mix

**Product** – The needs and wants are being addressed through the product offering of the marketer. The product can be classified as both intangible and tangible goods and services. Tangible products are goods like - cellphone, television, or motor car, whereas intangible products are services like - financial service in a bank, health treatment by a doctor, legal advice of a lawyer.

**Price** – The monetary amount that is being tagged to the product offered by the marketer is called the price. It is crucial to determine the monetary aspect of the product as it determines the survival and sustainability of the organization. The price is being adjusted through the sales of the product. The customer perceived value of the product to set the price, the marketer fixes the value of the product.

**Promotion** – The different methods of communicating a message by the marketer to the end consumer is termed as promotion. The various tools of promotion includes - advertising, personal selling, public relation, and sales promotion.
**Place** – The physical area where the product is available for the end consumer at a convenient place is called as distribution or the place.

### 1.10 Promotion Mix

Promotion is the process of communication by the seller to the market (buyers and potential buyers) for its products and services.
It can be:

a) A Consumer Audience: Purchasers of Product/Service
b) A Channel audience: Distributers, retailers or agents who pass the product or service to the consumers
c) An all stakeholder audience: all the public who have an interest in the organization's activities

The four main components of the promotion mix has been traditionally recognized as:

1) Advertising
2) Personal Selling
3) Sales Promotion
4) Public Relations

1.10.1 Integrated Marketing Communication (IMC)

It is a combination of marketing tools like advertising, direct marketing, sales promotions, etc. that are being used for brand promotion so that the message reaches millions of people in the 21st century. The tools of IMC can be used individually or a combination of tools are being used for brand communication. Organizations use IMC as a tool to communicate the message effectively to its corporate clients and stakeholders.

Advertising

The most effective way of Brand promotion is advertising. It helps the delivery of the message within the shortest time frame. Brand loyalty is being determined through advertisements in newspapers, television, radio and billboards. The consumption of a particular product is determined by the creation of brand awareness through advertising. It needs to be ensured that the message reaches its target audience at the right time. The customer need to be cautious with the content of advertising as they are paying for every second of the message being telecasted by the advertiser.

Sales Promotion

Brands can be promoted through delivering attractive packages for loyal customers, incentives, membership coupons, to name a few. The retailer can also exaggerate its brand through danglers, sky advertising, inserts, etc.
**Direct Marketing**

It enables end users to communicate directly with the organization. There are various tools like email, social media messages, promotional letters, etc. through which the message is directly being delivered to the end user.

**Personal Selling**

One of the most effective tool for integrated marketing communication is personal selling. It takes place through sales representative who sells their products or services to respective clients. This tool of integrated marketing communication helps in building a relationship between the end user and the organization.

Personal selling involves the following steps:

1) **Prospecting** – It helps the organization to find the right target audience for its product.

2) **Making first contact** – The first contact needs to be established by the marketers with their target audience through email, telephone calls, etc.

3) **The call sales** – The retailer should share the uniqueness that the brand offers to the end customer. When the retailer expects customers to invest in the brand offer they should be convinced about the product and service offering.

4) **Objection handling** – The client queries need to be answered and addressed by the retailer in the shortest span time of the query being raised by the customer.

5) **Closing the sale** – The retailer should give sufficient time to the end customer to decide about the product offering before they are convinced to invest in the retailer brand.

**1.11 Social Media**

Social media consists of new tools and technology which allows individuals to connect and it helps in relationship building with the customers and it helps in new lead generation. It is doing what the telephone, direct mail, print advertising, radio, television, and billboards did till now. But social media is exponentially effective.
The main reason because of which social media is effective than traditional tools of marketing because it facilitates two way communication between the retailer and the customer.

There is a “Fundamental Shift in Power”. It is a shift where consumers no longer trust corporate messages. They want information from people they know, have a relationship with, and share a bond through trust.

There has been a fundamental shift which has emerged as an innovative tools for communication that is being used by retailers, customers and the general public at large. This tool has emerged as an innovative tool to sell products. Social media is about the art of listening first, understanding the customer and then engage the customer in various conversations relating to the products and the organization as a whole. The various tools like Facebook, LinkedIn, Twitter and Blogging is being used by retailers to engage the customer and make them participate in conversations in order to develop a relationship with the customer that would lead to a final sale for the retailer.

Social media is a tool which facilitates delivering a message to the consumer. Relationship building through social media leads to increased sales, experience sharing and impacts the business organization through generating sales through new leads and repeat purchase.

1.11.1 Monitoring and Measuring Social Media

In a book written by Barry Libert titled “Social Nation – How to Harness the power of Social Media to attract customers, motivate employees, and grow your business”, he states that there are three Steps namely Monitor, Measure and change which are necessary to succeed in social media because nothing is static in the social world. A tweet from five minutes ago is already obsolete, but the relationship between its author and those who interacted with it has an effect that can still be measured.

The relationships not only define the individual but also determine the value in the context of any situation. The ability to capture, measure and evaluate these constantly changing relationships and the communications that emerge from them (which are clear indicators of wants and desires) help to define why people belong to social networks.

Today’s social intelligence software has the capability to capture, analyse and respond to the whole host of additional insights and requirements.
Social intelligence software can track the following parameters:

<table>
<thead>
<tr>
<th>Influence</th>
<th>How influential is a user or piece of content in managing perceptions?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engagement</td>
<td>How active is a user or piece of content in a community?</td>
</tr>
<tr>
<td>Sentiment</td>
<td>What views and thoughts are your users sharing? Are they feeling positive, negative or neutral?</td>
</tr>
<tr>
<td>Connectivity</td>
<td>How connected is a user? How much reach does the content have?</td>
</tr>
<tr>
<td>Relevance</td>
<td>How relevant is your content to the current context? Is your content current?</td>
</tr>
<tr>
<td>Reputation</td>
<td>How much trust does your community engender? Do users view you as reliable and dependable?</td>
</tr>
</tbody>
</table>


These social insights are invaluable to companies as they seek to build extraordinary companies that are more than just the sum total of their products and services. As a company builds its own social nation, social intelligence tools and capabilities will grow as the communities.

Social intelligence can also act as the company’s beacon for identifying patterns of change that indicate an opportunity or risk. Social intelligence measures can act as leading indicators to change, which businesses can work on.

In the social world, perceptions, attitudes, intent, and other behaviours are constantly in flux, so filtering the noise from the truth is an ongoing challenge. But, this is where social intelligence comes in: It can help the firm monitor and measure what’s going on and it leads to less error rate. Hence, the patterns and tendencies are revealed, which the business can use to establish a competitive advantage.

1.11.2 Customer Engagement

The next emerging frontier lies in social media for customer engagement and interaction. There are numerous customer interaction that takes place on a day to day basis in social media website.
This reflects in a fundamental shift from company customer interaction to company customer relationship which is essential for the organization to develop an engagement strategy. The peer to peer communication happens without contacting the organization leading to a lot of innovative ideas that comes from the customer. The most successful enterprises have recognized the need to participate and tap the customer to customer interaction in order to leverage the conversation that happens on social media.

**1.11.3 Challenges of customer engagement**

As most conversations happen online there is a lot of focus on capability building instead of value creation. A few challenges that most companies face are as follows”

a) Lack of initiative in the trap of focusing on capacity building  
b) Marketing has not created enough content to keep the customers engaged on the website which leads to the fading of novel ideas  
c) The right kind of tech support has not been created by the company  
d) Customers high amount of switch rate  
e) Lack of integrated projects plan for implementation and support  
f) Disconnect between various departmental and social media initiative

These challenges can result in a methodology of approach for the implementation for a set specific campaign.

**1.11.4 Measuring Engagement and Return on Investment**

There are a huge number of users who participate in online social networking websites. Today, this tools is not only used for networking but it is being used as a peer networking and a review tool by individuals. There are many organizations who are investing in social networking in order to create a message through content that goes viral on the web.

**1.11.5 Creating Successful Social Media Campaigns**

Social media strategy is a blue print which defines the objectives of marketing, opportunity evaluation and also select a social media channel to communicate the message to the target audience. The social networking websites are channelizing themselves with the capabilities of analytics in order to spread the message, reach out to the audience and create an impact for the message that is being communicated to the public at large.
1.11.6 A Seven-Step Framework for Social Media Marketing

**Step 1: Conversation Monitoring:**

The conversations are being monitored through brand related conversations through various social media platforms. The various organizations can gain visibility and access to brand related information, people who influence the brand and relevant conversations which portray brand engagement.

**Step 2: Identification of Influential Individuals:**

It is essential for the organization to identify the people who are influential and can spread a positive message about the organization. The firms can use that database who are made to spread the “right” message, from the company’s perspective.

**Step 3: Factors shared by Influential Individuals:**

The organizations should identify the factors that are common shared by a group of people who are into spreading a positive message about the organization. After which, the commonalities among the group of people need to be identified so that it would become easy for the organization to choose its target audience.

Previous data has shown that the influential people using social media portray high levels of engagement on three categories:

1. Spread the message
2. Influence the recipients
3. Social impact

**Calculating the Effect and Value of Social Media Influence**

The work done by Prof. Kumar, there were three metrics that were being developed namely, Customer Influence Effect, The Stickiness index and Customer Influence Value.

The Customer Influence Effect In a group of social media users who like to discuss, for example, ice cream, the CIE measures the influence a user has on other users in the network in regard to conversations relevant to ice cream.
To develop the CIE, the researcher used Charles Hubbell’s classic network centrality theory, that influences the users as a function to influence the group of individuals who is attributed to spread the message by the group of people. This approach departs from the traditional approach to studying social ties by permitting the links to have fractional and/or negative strength and by taking simultaneous account of direct and indirect linkages.

Conceptually, the CIE represents the relative influence of an individual on another user or set of users. Consider the case of C receiving tweets from A and B. If A and B each send 50 tweets to C, and if C does not even respond to B but reciprocates to A and forwards A’s tweets to many others, then the relative influence of A on C is close to 1 and the relative influence of B on C is close to 0, since C has seen B’s tweets but has not responded to them.

The Index of Stickiness to be effective for the organization is that the individuals needed not only to be influential on social networks but also to talk about the product on a social media network. In order to calculate the SI, the influential individual is being matched with the individual category of words, based on the association of the words with each other and with other words used by all users globally.

Stickiness Index measurements helped the authors to identify the following:

1. Social media users in a particular region.
2. Various people who discuss on a particular topic.

The analysis of the above factors become the base in the estimation of the possible size of the target market and identifying the incentives that were likely to be optimal for these users.

**Customer Influence Value:**

To measure the monetary gain or loss realized by a social media campaign, we also developed the Customer Influence Value metric, which accounts for an individual’s influence on other customers and prospects. After calculating a user’s CIE, we could calculate his or her CIV for this campaign. To compute the CIV of users in this network, we combine the value that each individual influencer brings to the company through his or her own purchases — a metric known as customer lifetime value (CLV) — with the proportion of the CLV of each of his or her influences that is attributable to the individual’s influence. For Hokey Pokey’s social media campaign, the CLV is the profit contributed by a customer through purchases of a custom ice-cream creation after a message about it has gone out.
By calculating CIV, we can assign a numeric score to each influencer. These numbers can be used to rank order the potential influencers and recruit the high-scoring influencers to participate in the social media campaign on an ongoing basis.

**Step 4: Location of Potential Influencers**

It is essential to locate potential influencers to promote a particular social media campaign. It is not enough to identify potential influencers but they should also show interest in the goods and services offered by the company.

In order to do this, the metric of Stickiness Index was being developed which developed a Word of Mouth strategy in order to generate a particular user for a specific topic in order to measure the discussions that happen on social media. This metric can be useful to help organizations to speak about a particular category of products.

Through identification of individuals who influence and generate product interest, it can be done and go beyond the skills of listening to conversation on specific social media platforms and help in active identification of brand ambassadors.

**Step 5: Recruitment of Influencers**

It is essential to conduct a recruitment activity and identify those influencers who have shown an interest to speak about a particular product and the organization offering the product to the end consumer. Once the organization has identified the users who are influential, it helps the company to identify the target audience for the company. These influencers can help spread a positive message through the company’s social media campaign. This process can be achieved by framing an online content that is interactive and help in designing ways in which influencers can promote the message which can be tracked and measured for the benefit of the organization and the customer.

**Step 6: Incentivize the Influencers**

The influencers are those people who help the organization to spread a positive word of mouth about the product or service. There has been a system of influencer incentivizing in order to create a buzz about the products or services in a social media campaign, businesses can both retain customers and attract prospects. The incentives offered can be categorized into tangible and intangible or a combination of both.
Step 7: Reap rewards Through Social Media Campaigns.

Finally, the firms can measure the performance of their social media campaigns effectively and accurately. Through the activity of monitoring and tracking a favourable word of mouth for the organization, it helps in linking the product to the growth of the brand in the market. At the end of the campaign, the social media activity should result in increased revenue and brand awareness about the product for the organization.

1.12 Conceptual Model
1.13 Influencing Buyer Behaviour With Social Media

1.13.1 Overview

The consumer is being given the power through technology to get knowledgeable about the products offered by the retailer and give their opinion through online websites. A lot of organizations have many pages on social media so that the information communicated and the feedback that is being generated to the end user is accurate.

The online environment has gained a lot of prominence in the recent years. It has led to the development of online stores which has transformed users to consumers. Social media has played an important role and has changed the way marketers communicate to the end consumers.

The society influences the information shared and that affects the decision process of the consumers after which the product evaluations are critical for the retailers. This channel of social media helps the retailer and the consumer to acquire information about the product through peer review conversations and ratings. Using social media, there is a power of influence on the consumers through product reviews on the products or services used by the end consumer.

1.13.2 How does Social Media Influence the Buying Process

The online product social sharing would drive an average of $ 2.04 in terms of direct revenue for the retailer who communicates and sells products online. This is driven by high produce peer review rating that would be completing the purchase for 55% of the consumers.

1.13.3 How can the power of social media influence the consumer’s buying process?

1) Identification of the need/requirement or problem recognition process

The activities of social media includes exposure of the brand and the awareness that it can generate through creative social media engagement that is aimed at generating a sale on the monetary side and it is to develop a relationship with the target audience on the non sales approach side. Various social networking tools are being used to engage the audience by the retailer.
2) Information search and consideration phase

In this stage, the consumer is considering the choices that is being made through their friends and peer networks for recommendations from them. This is being followed through the evaluation of the product through the information that is available about the product on the web.

Social media drives feedback from varied channels which facilitates a high amount of consumer engagement in blogs, reviews sites and social media websites that helps in engaging the end user.

3) Evaluation of the choices

It is a phase where the needs of the consumer are being addressed to make the right choice of the product chosen based on the parameters available before the purchase of the product.

Social media works well when the influencers publish positive reviews about the product and recommend the product to the peer network and the general public at large. The outreach program of a blogger is an activity for making the engagement program a enhancing experience for the consumer and create a positive word of mouth.

4) Purchasing decision

The product is being re-assured after the positive experience about the products in the online world. The consumer purchases the product after it was convinced about the choices of the consumers through the evaluation of the parameters.

5) Post purchase behaviour which evaluates if the product actually worked for the consumer

When the product is being sold, the consumer is in a state of question mark about the expectations of the services derived by the customer. These brands use social networking for getting a real time feedback from the target audience for post purchase services.

Another new method would to be develop a microsite and develop a few questions on products, features etc where it would help the consumer who has done the product purchase which helps the consumer and retailer through social media.
1.14 Segmenting, Targeting and Positioning Using Social Media

Segmenting and targeting the right target audience is crucial which determines the sales and the success of the organization. This process is made easier through social media by the use of software and dashboards that enable customer monitoring and segmenting.

It is a challenge for the retailer to find a set specific market where a single product is being accepted by varied target segment of the customer. Various products are consumed and used by different consumers for set specific purposes available in various forms.

1.14.1 How to Segment in Social Media?

The message generated through advertising on social media is visible on a public platform that receives quick feedback from the end customer. The interest generated on the product determines the reach after which the concept of story telling can be done by the retailer.

Different ways used to segment the market include the following;

a) The characteristics of a customer that is focused on demographics.

b) Behavioural perspective like attitude and opinions that has got to do with the personality of the individual.

c) Online customer behaviour that determines reviews and brand preferences.

d) Locational aspects like the state or a country where the target audience reside.

1.14.2 Targeting

The market is based on different groups and classes. The market is yet to see a single strategy that will suit the mass market from where individual strategy are formulated based on the target market.

It is necessary to do Ad testing in order to test the response with the target audience against other demographics. This activity is conducted in order to monitor performance for a successful social media Ad optimization.
1.14.3 How to make your Advertising more Effective?

In order to effectively create an advertising strategy through social media a 3rd party plays a prominent role. The reason being the middle person conducts the activity of tracking and converting the social media campaign into revenue. The formulation of demographics of the retailer facilitates the right tools for segmentation.

1.14.4 Positioning – Telling the Right Story

Audience is not the main objective of the retailer. It is only one factor that identify the potential buyer which helps the retailer to generate an appealing story. The process of positioning helps the retailer to develop a brand image in the consumer mind that influences the perception of the chosen customer base that helps in defining the marketing mix of the business.

The noise created by the advertiser makes the advertisement stand out. It is essential to get the right demographics and making the customer generate not only the final purchase but also getting a high click rate for the retailer.

1.15 Return on Investment Model: Click to Revenue Model (C2R)

(Source: Created by Priyanka.P.V & Dr.Padma Srinivasan)
In the above model it can be observed that retailers use social media as a tool and coin their marketing strategy in order to formulate and implement the social media strategy which is being measured through the revenue reaped by the organization. In the process of determining return on investment it is being broadly classified into four categories viz. responses, customer engagement, sales and cost. Each sub-element is being tested in the market and from there it is determined whether the social media strategy is a success or a failure.

1.15.1 Success of Social Media Marketing Strategy

When the social media marketing strategy is successful it leads to a higher return on investment through which profits and revenue is being gained by the Organization.

1.15.2 Failure of Social Media Marketing Strategy

When the social media marketing strategy fails in the market it leads to low return on investment which in turn gives loses to the retailer. In such a scenario the social media marketing strategy should be reworked by conducting a market research by the retailer.

1.16 Conclusion

It can be concluded that retailing and social media in India is a relatively new concept and it still has a long way to develop and get adopted in the Indian retail sector.