Chapter IV

RETAILING – THE PRESENT SCENARIO

A comprehensive picture of the present scenario of marketing is vital and essential for the better analysis and interpretation of the objectives under study. Hence an attempt of the same is made in the ensuing pages.

4.1 Marketing

All the economic activities are based on marketing because of the use of men, money, materials and machinery are rewarded through marketing. The production practices are influenced through the marketing activity. It is through marketing that both the producer and the consumer are correlated. The place where both of them are used to assemble is known as the market, where physical distribution of goods takes place. Modern marketing concentrates on the buyers or consumers. It is the market, which determines their needs and desires, educates them with regard to the availability of products and product features, persuade them to buy and finally enhances their gratification. Hence consumer satisfaction should be the driving force of marketing activities. The various marketing mix components like product, price, promotion and place (4 P's) provide the basic opportunity for satisfying customer needs.

Attention of marketers shifted from the micro to the macro viz. fulfilling customer satisfaction to fulfilling social obligations. This significant change depicts the new era orientation of marketing. The New Era focus more
on long-term interest than on short-term interest of the consumers and that of the community at large. While planning in New Era, firms no longer solely revolves around developing strategies that use the firm's strengths to capture opportunities; it also considers how the firm's actions will affect the welfare of its community and of the world at large. New era managers support such efforts as encouraging cultural diversity, ethical business practices, and helping the environment in their quest for profitability.

The recession trend experienced all over the world in the new millennium has posed marketing in a down turn. "Poor consumer spending, tight marketing conditions, de-growth, down-trading, the slow down ogre.... and the marketers cup of woe is brimming. Now we are selling smartly against the odds. Though there are a number of strategies and laws for marketing success, a marketer needs to explore ways in which he could add value to the company during days of recession".

Philip Kotler has elaborated the present scene of marketing as "Marketing operates within a dynamic global environment, requiring marketing managers to think freshly about their marketing objectives and practices. Rapid changes can quickly make yester day's winning strategies out of date. Today's companies are wrestling with changing customer values and orientations, a sluggish world economy, the growth of non profit marketing; the information technology boom, including the Internet; rapid globalisation, including increased global competition; a call for greater ethical and social responsibility, and a host of other economic, political and social challenges."
The information technology boom considerably affects both consumer behavior and marketing management. In the era of rapid globalisation, geographical and cultural distances have shrunk due to supersonic travel, fax machines, global computer and telephone hookups, world television satellite broadcasts, and other technical advances. Today's marketers must also take responsibility for the social and environmental impact of their actions. Corporate ethics have become a hot topic in almost every business arena, from the corporate boardroom to the business school classroom. Few companies can ignore the renewed and very demanding environmental movement.

The ethics and environmental movements will place even stricter demands on companies in the future. The dismantling of the Soviet Union, the gradual privatisation of business in China, the economic unification of the nations of the European Community, and the strengthened trading ties among the United States, Canada and Mexico are all developments that pose major marketing challenges for the rest of the world. Now every industry is becoming increasingly international. From autos, cameras, and consumer electronic products to apparel, agricultural products, and business goods, we have seen the latest effects of worldwide competition.

The market that had never seen any real competition, are fast turning into battlegrounds. "Buyer’s markets" replace the sellers markets. In the place of the principle, ‘Caveat emptor’ (let the buyer beware) the principle of 'Caveat Vendor' (let the seller beware) operates. The Indian consumers have begun to feel that their views are getting increased attention in the market place. The key to success in the rapidly changing marketing environment will
be a strong focus on the market place and a total marketing commitment to providing value to customers."

4.2 Retailing

Retailers are businesses that manage the exchange at the point where the customer makes the purchase. In effect they are purchasing agents for customers. The act of buying is thus one of the retailer's most important functions. Indeed an older retailing maxim holds that "a product well bought is half sold". Retailing is an important element of business around the globe. Retailing consists of all activities that result in the offering for sale of merchandise to consumers for their own use. Retailing is the final step in bringing goods to consumer. They sell both goods and services. The retail sector is world's major employer as it accounts over 10% GDP and it enrolls approximately 8% of the work forces which comes about 25 million.

3"Taking a leaf out of Adam Smith's Wealth of Nations, India may very aptly be described as a nation of shopkeepers. With over 10 million retail outlets of varying sizes and sophistication, from the neighborhood panwalla (who often stocks some daily necessities) to the City-centre Supermarket, India might easily replace the Britain in Adam Smith's definition. Undeniably modern retailing techniques have done this sector in India a world of good in the last 10 -odd years. Consider the street-corner store, often called the kirana. With the entry players such as Food World, the demise of the kirana was forntold! But this has not happened. The kirana stores struck back, offering personalised service, credit facility and even stocking up on
products they wouldn't have earlier. And all this at the customer's doorstep. Indeed, competition is a wonderful thing!"

Retailers are market drivers. They have shopped consumer behaviour, transformed the market place, and redefined the rules of engagement with their competitors and suppliers. Kumar (1997) makes the interesting assertion that there has been nothing less than a revolution is retailing over the last 25 years. He states that leading retailers through consolidation, global expansion, technological sophistication, own-labels and innovative store formats, have been 'market driving' rather than market driven'."

Retailing is a dynamic form of marketing. We can visualize this in the growth and disappearance of many forms of retail outlets. The wheel of retailing theory states that new retailer enters the market as low-margin, low-price, low status operations. They challenge established retailers that have become "fat" by letting their costs and margins increase. The new retailers' success leads them to upgrade their facilities and offer more services. In turn, their costs increase, forcing them to increase their prices. Eventually the new retailers become like the conventional retailers they replaced. The cycle begins again when still newer types of retailers evolve with lower costs and prices. The wheel of retailing concept seems to explain the initial success and later troubles of dept. stores, supermarkets, and discount stores and recent success of off-price retailers.
**INNOVATION**

New retailer enters the market with low prices, low profit margins and limited product lines

---

**VULNERABILITY**

In trading up, innovator leaves gap at lower end of market place for new low price entrants

---

**TRADING UP**

Responding to competitive pressure, innovator opens fancier stores, expands product lines, adds services, and raises both prices and profits

---

Exhibit E.3: The wheel of retailing

---

**THE WHEEL OF RETAILING**

Another theory has been proposed to explain the changes that occur in retailing. According to the dialectic process, when a new competitor uses an innovation that gives it an advantage over an established retailer, the established retailer adopts a strategy that brings it closer to that innovation, negating some of the innovator's appeal. The new comer, in turn, changes its strategies in a fresh attempt to gain competitive superiority, generally by upgrading, adding product lines, or otherwise modifying the original retail concept. These changes result in a new type of retailing that blends the best of the established retailers and the newcomers.
The retail life cycle theory states that retailers undergo a life cycle divided into the same four stages as the product life cycle: introduction, growth, maturity and decline. In the introduction phase, the store challenges established retailers through a new competitive advantage, such as price, product line, or service. In the growth stage, the retailer takes advantage of its competitive edge and expands. Maturity comes when growth slows, sales reach a plateau, and stores fight for market share, and may cut prices. Both sales and profits are low in the decline stage of the retail life cycle. Retailers in this stage suffer from a lack of competitive advantage, a condition that can drive the firm into bankruptcy. Some retailing experts believe that the retail life cycle is accelerating, leading to shorter periods of time between each stage. The latest formats, including warehouse clubs and category killers, have become established in just a few years.

When supermarkets came into existence, the industry experts predicted its decline due to low profit margins. The supermarkets need an ever-growing customer base to sustain volume and compensate for low margins. The emergence of nuclear family and the growth of working couples need one-stop shopping, and the increasing number of affluent customers is willing to pay for specialty and prepared foods. As stores seek to meet consumer demand for one-stop shopping, conventional supermarkets are being replaced by bigger superstores, which are usually twice the size of supermarkets. Superstores offer one-stop shopping for many food and non food needs, as well as many services—including pharmacies, flower shops, salad bars, in-store bakeries, takeout food sections, sit-down restaurants, health food sections, video rentals,
dry-cleaning services, shoe repair, photo processing, and banking. Some even offer family dentistry or optical shops. This tendency to offer a wide variety of non-traditional goods and services under one roof is called scrambled merchandising. Scrambled merchandising permits the supermarket, as well as other types of retailing institutions, to sell items that carry a higher margin than most food items. Thus, it provides a means to increase profitability.

Many supermarket chains are tailoring marketing strategies to appeal to specific consumer segments for an advantage over competitors that attempt to attract customers solely on the basis of low prices. By offering greater convenience and a broad variety of products, particularly in perishables and service departments, supermarkets are finding a way to stand out in an increasingly crowded market place. Supermarkets were among the first retailers to stress discount strategies. Using such strategies, large self-service retail establishments sell a variety of high-turnover products at low prices. Cost reduction through self-service and economies of bulk purchases helped them to cover the low prices.

Recent additions to the supermarket include private and generic brands, bakeries and delicatessens selling specialty items and precooked, take-home foods. While these additions are intended to increase profits, they are also aimed at attracting particular customer groups. For example, take-home prepared food has considerable appeal for older people, working mothers, and single people. All these developments and additions have ballooned the number of products carried by the typical supermarket to more than 10,000.
Accordingly, the recent emphasis in supermarket design has been on size, with larger stores exceeding 75,000 square feet of floor space.

Even though supermarkets start functioning as self-service stores, later they began to extend many services to their customers. Providing more cash and checkout counters, helping in carrying goods to the car, disabled and childcare centers etc. are some among them. Dry cleaners, pharmacies, photo processors and cafeterias are the additional products and services. Supermarkets began to develop premium tastes by offering items that are not commonly available in this country, or stocking unusual varieties of common items. Retailers have put much time and effort in the development of their own brands and there by increased their margins.

In India, the Government run supermarkets has been big successes. Nilgiris and Ready money supermarket chains in the south are successful examples in the private sector. Nilgiris is adding more stores to the chain and is planning to sell textiles and other consumer durables through the chain. It also has plans to start restaurants in the supermarket premises. Recently some well known business houses of the country have taken to the retailing, business through the supermarket/chain store concept. The supermarket chain promoted by Escorts in an example. Escorts has promoted a joint venture of Escorts-Goetze India and the MNC supermarket chains, Nanz Food Products (NFP) of Germany and Marsh of USA.

Supermarkets are the most frequently shopped type of retail store. Today however, they are facing slow sales growth because of decreased
population growth and heightened competition from convenience stores, discount food stores and superstores in advanced countries. Supermarkets have also been hit hard by the rapid growth of out-of-home eating. Thus most supermarkets are making improvements to attract more customers. In the battle for "Share of Stomachs," some supermarkets have moved upscale, providing their own on-the premises bakeries and gourmet deli counters, as well as fresh seafood departments and prepackaged take out food. Others are cutting costs establishing more efficient operations, and lowering prices in order to compete more effectively with food discounters.

Retailers are no longer passive players, and they are dictating how little or how much space they will give products and will continue to demand a growing list of fees and discounts and more of a partnership role with manufacturers in planning product offerings. Retailing decisions will then occupy centre stage and retailing revolution is bound to occur. New retail institutions are going to appear. We are already seeing a growth of these institutions. Some of these are rural van distribution programmes of leading consumer product companies, cooperative stores like Apna Bazaar, Sahakari Bhandar in Bombay and Maharashtra, farmers cooperatives, and more upbeat kind of outlets like Shoppers Stop, Benzer in Bombay, Big Kids Kemp in Bangalore, Heritage in New Delhi and retail chains like Benetton, Van Heusen, Park Avenue, Louis Philip, etc. in metro and mini metro cities in India. Departmental stores like Akbarallys in Mumbai and food stores are perhaps the future retail outlets in metros and mini metros as also in other industrial towns.
The study conducted by the Knight Frank India Research Mumbai throws light on the recent trends in retailing as \(^5\) "The larger organised retail players such as the department store operators have witnessed a dip in sales in the last six months due to the slowdown in the economy. The consumer sentiment has also suffered a major set back after the terrorist attacks in the US. The off take of luxury goods has been poor and it does not seem likely to improve in the near future. Traditional retailers selling low priced goods are doing marginally better than their counterparts. There is a distinct change in shopping habits with people seeking maximum value and waiting for discounts to make their purchases. These discounts are hurting the margins of the organised retailers."

The present scenario of the supermarkets has been rightly expressed as.

"Serious doubts are expressed regarding the long term commercial viability and hence continuity of the supermarkets over a long period of time. It is alleged that since supermarkets are operating at a very low profit margin it may be able to thrive only for a short period. When we observe the world at large it may appear that the prediction regarding the short life of supermarkets is coming true. Super markets have given way to Super stores, Hyper Markets, Discount Houses, Specialty Houses etc. in developed countries. But as it is often said, appearances are deceptive. All these modern retail outlets are nothing but old wine in new bottle possessing the same essential features of super markets."

67
The heavy competition in the retail sector results in low margins and new innovative techniques are being practiced. As William J. Stanton has observed "Retailers are facing challenges perhaps unequaled since the Depression of the 1930s. Many trends represent threats to retailers. But as we know, a threat perceived and handled properly is really an opportunity." The shape of organised retailing in India has undergone a sea change over the last few years and a more radical change is expected in the near future.

4.3 Direct Marketing

Non-store retailing is the selling of products outside the confines of a retail facility. This form of retailing accounts for an increasing percentage of total sales. Three factors are spurring its growth. Consumers—especially women, because of their increased participation in the work force—have less time for shopping in retail stores. Some retail store sales people are poorly informed and therefore less able to assist shoppers. Finally, the number of older consumers is rising, and they are less prone to shop in stores. Approximately 15 percent of all consumer purchases are made through non-store retailing. The three major types of non-store retailing are direct selling, direct marketing, and automatic vending.

Direct Selling

Direct selling refers to any sales situation in which one human being is selling and another one is buying, and the two come in to direct personal contact. However direct selling isn’t necessarily limited to direct channels, it can occur between producers and customers, between producers and
intermediaries and between intermediaries and customers. If one sales person visits your office from the Apple computer factory and another visits from a retailer such as Computer Land, both are engaged in direct selling, even though one is in a direct channel and the other is in an indirect channel.

The predecessor to modern direct selling is the itinerant peddler who sells his goods at the customer’s doorstep. Today direct selling take place in goods like cosmetic, female hygiene etc. at home and offices and even to sales parities. In India the originator of the concept is Eureka Forbes who were the first to sell their vacuum cleaners on a door-to-door basis. Though this is an expensive alternative, it has been preferred to store retailing primarily because the firm is able to compete more effectively in the market place without having to give into the trade’s demands.

**Direct Marketing**

Where data are used systematically to achieve quantifiable marketing objectives and where direct contact is invited or made between a company and its customers, the process is termed as Direct Marketing. It uses the telephone and non-personal media to communicate product and organizational information to customers, who then can purchase products by mail, E-mail, or telephone. Direct marketing can occur through catalogue marketing, direct-response marketing, telemarketing, home shopping, and online marketing. Direct marketing has emerged as an important part of many companies marketing plans. Rapid developments in information technology have helped companies and sales personnel.
The direct marketers can build a continuous relationship with each customer. For instance, the parents of the newborn baby will receive periodic mailings describing new clothes, toys, and other goods as the child grows. (For example, Nestlé’s baby food division continuously builds a database of new mothers and mails six personalized packages of gifts and advice at key stages in the baby’s life.) Direct marketing can be timed to reach prospects at the right moment, and direct-marketing material receives higher readership because it is sent to more interested prospects. Direct marketing permits the testing of alternative media and messages in search of the most cost-effective approach. Direct marketing also makes the direct marketer’s offer and strategy less visible to competitors to decide which have been the most profitable.

Direct marketers use a wide variety of channels to reach prospects and customers. The oldest form of direct marketing is the sales call. Direct-mail marketing involves sending an offer, announcement, reminder, or other item to a person at a particular address. Catalog marketing and telemarketing are very popular forms of direct marketing. Growing in importance are television direct-response marketing and infomercials, as well as home shopping channels and videotext/interactive TV marketing. Other forms of media, such as magazines, newspapers, and radio are also used in direct marketing, as are kiosks and online services.

**Automatic Vending**

Automatic vending is the use of machines to dispense products selected by customers when money is inserted. It accounts for less than 2% of all retail
sales. Video game machines provide an entertainment service, and many banks now offer automatic teller machines (ATM), which dispense cash or offer other services. Automatic vending is one of the most impersonal forms of retailing. Small standardised routinely purchased products (chewing gum, candy, newspapers, cigarettes, soft drinks, coffee) can be sold in machines because consumers usually buy them at the nearest available location. Machines in areas of heavy traffic provide efficient and continuous service to consumers. Such higher volume areas may have more diverse product availability - for example hot and cold sandwiches as well as soups. Since vending machines need only a small amount of space and no sales personnel, this retailing method has some advantages over stores. The advantages are partly offset however by the high costs of equipment and frequent servicing and repairs.

There are two types of online marketing channels: commercial online services and the Internet. Online advertising offers convenience to buyers and lower costs to sellers. Companies can choose to go online by creating electronic storefronts; participating in forums, newsgroups, and bulletin boards; placing ads online; and using e-mail. However, not all companies should go online; each company must determine whether the revenues gained from going online will exceed the costs of doing so.

Online marketing offers great promise for the future. Its most ardent apostles envision a time when the Internet and electronic commerce will replace magazines, newspapers, and even stores as sources for information and buying. Yet despite all the hype and promise, online marketing may be years
away from realizing its full potential. Even then, it is unlikely to fulfill such sweeping predictions. Instead, eventually, online marketing will become another important tactical tool that works along side other tactical elements in a fully integrated marketing mix. More than the latest fad, online marketing will prove to be a powerful tool for building customer relationships, improving sales, communicating with company and provider of product information, and delivering products and services more efficiently and effectively.

4.4 Home Delivery

The longest established means of selling to the consumer at home is through door-to-door selling, where the representative calls at the house either trying to sell from a suitcase (brushes, for example), or trying to do some preliminary selling to pave the way for a more concerted effort later (with higher cost items such as double glazing, burglar alarms, and other home improvements).

A more acceptable method of in-home selling that has really taken off is the party plan. Here, the organisation recruits ordinary consumers to act as agents and do the selling for them in a relaxed sociable atmosphere. The agent, or a willing friend, will host a party at a house and provide light refreshments. Guests are invited to attend, and during the course of the evening, when everyone is relaxed, the agent will demonstrate the goods and take orders.

Since the pioneering days of the Tupperware party, many other products have used the same sort of technique. Cabouchon sells jewellery across Europe in this kind of way. With a more down market product range,
Ann Summers is an organisation that sells erotic lingerie and sex aids and toy through parties. The majority of the customers are women who would otherwise never dream of going into 'that kind of shop', let alone buying that kind of merchandise. A party is an ideal way of selling those products to that particular target market, because the atmosphere is relaxed, the customer is among friends, and purchases can be made without embarrassment amidst lots of giggling. One of the best features of party selling is the ability to show and demonstrate the product. This kind of hands-on, interactive approach is a powerful way of involving the potential consumer and thus getting them interested and in a mood to buy.

The main problem with party selling, however, is that it can be difficult to recruit agents, and their quality and selling abilities will be variable. Supporting and motivating a pyramid of agents, and paying their commission can make selling costs very high. Home delivery retailing is often performed by organisations with several Tupperware-style party merchants. Unfortunately for the many legitimate companies practicing this form of retailing, some unethical sales people have tarnished the image of the door-to-door approach. Home delivery as a mode of retailing is taking place in our country like the Tupperware party merchants. An established retail outlet in an area or locality is successfully performing it.

The manufacturers need to take a holistic view of distribution and adopt a new 'channel vision' to maximise their opportunities to reach the customer. Producers should consider the complex range of channel choices. There are many more options available than merely the traditional retail store.
"Traditional retailers can use direct marketing as an addition to their regular store sales".

Recently there have been serious indications that full-line and specialised-supermarkets are failing to keep pace with other retailing forces. Names like Gimbel's, B. Altman & Company, Garlinkel's A&S, and Banwit Teller that once were legends in the industry have already hung up "going out of business" signs. The shopper has no longer the time necessary to spend making purchases. The supermarket was experiencing difficulty in making profits. Catalog & other types are heading.

Consumers have less time than ever to shop and seem less interested in the shopping experience. Shopping today centers on "needs fulfillment" and thus is more utilitarian and work-oriented, a fact that many major retailing executives have noticed. About 95 percent of all products sold in 1995 did not require the services of a sales associate. As one retail consultant says, "People don't want to be sold anything. All they want is help buying the products they already know they need." Consequently, consumers desire less personal service and more "assisted self-service". These changes in retailing and buying behavior mean retailers must change as well. As consumers have less time to shop, more direct routes to manufacturers, and greater access to more sophisticated technology, retailing venues such as catalog retailing, television home shopping, and the Internet's World Wide Web will take on greater importance. New retailers will evolve to capitalize on these opportunities and respond to these challenges, while those retailers that cannot adapt will not
survive. For the survival some of the well-established supermarkets have adopted home delivery in addition to their store sales.

Agriculture occupies a predominant position in the economy of our country, which contributes to a major portion of our Gross Domestic Product (GDP). But the recession has hit agricultural sector severely. The prices of all agricultural outputs are diminishing forcing people to quit and flee to some other remunerative business activities. Retail trade seems to be a promising option as it requires only limited resources both materially and intellectually for a humble beginning unlike manufacturing and wholesaling. As a result competition is escalating in the retail sector, which steadily erode the profit margin. Consequently survival of the retailers is at stake unless they adopt some imaginative, innovative techniques. Home delivery system seems to fill this gap. As a mode retailing it has won the heart of consumers. For the retailers it will be a new channel choice.
REFERENCES:


***

76