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2.1 INTRODUCTION

This chapter throws light on Evolution of Indian Retail Market. It also specifies Development and Growth of Retail Marketing. It Recent trends in Retailing and Emergence sectors in Retailing can be described in detail. Challenges and Opportunity of Retail Marketing can be viewed with necessity of the subject.

2.2 EVOLUTION OF THE INDIAN RETAIL MARKET

Retailing goes back to centuries. It started as a very primitive business but today has grown tremendously. First people were doing businesses with their neighbors. Goods were exchanged between them. Gradually people began to collect themselves to a given neighborhood, which provides a geographical place to do the exchange. This not only increases the exposure of a given good but also helps a lot towards the development of a more formalized system. Gradually, a few more start to get together to a place that in turn creates a need for a common place. Later this common place was called a fair. With the passing of time the number of people doing businesses in a given fair increased, issues like security, transportation becomes a matter of concern. This semi-formalized system then gave birth to small-scale groceries, where people start to provide more combinations in their own neighborhoods.

Then came the issue of choice in given grocery, the choices the customer had was limited, this was the beginning of the concept of everything under one roof. As time passes, joint family changes into nuclear family. There too both members started earning which resulted into a new way of lifestyle. From then instead of mom-and-pop type of stores organized retail stores came into existence.

2.3 DEVELOPMENT OF RETAIL MARKETING

Since last some decades, in India it was seen that organised retail market contributes only 6% of the retail trade. On the other hand unorganised retail market contributes the largest 94%. But since 1991 the Indian retail marketing registered a huge growth. At the globe Indian retail is the 5th largest industry. It is said that over the last few years organised and unorganised retail market in India has the one of the fastest growing industry. Eventhough the retail industry in India was mostly unorganised at initially. But however with the change of preferences and test of the customers the industry is growing more popular at present time.
Retail Industry

Graph 2.1: Development of Retail Industry
(Source: Saxena Ranjan, Marketing Management, Tata McGraw Hill)

Retail Marketing can improve the development of rural areas under various options such as increasing in job opportunities, change in lifestyle, increasing in literacy rate, rising incomes, infrastructure development & technological improvements.

2.4 GROWTH OF RETAIL MARKETING

Retail Marketing in India growing day by day. It is the largest private sector in the world and contributes 8% of the GDP. It further employs the one 6th of the labourforce. Increasing income, small families, and middle class families required organised retail formats for their development in urban as well as in rural areas. Opening of retail organised markets at rural areas develop the society and economical improvement of the country. Development of rural areas is so necessary at this stage. It is observed that modern retail marketing has contributes to economic development, employment generation and change in lifestyle at urban as well as rural areas in India. So prospects of retailing and its modern retail formats is good. Following table 1 proves growth of malls at major cities in Maharashtra.
<table>
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<tr>
<td>Nashik</td>
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<td>1</td>
<td>4</td>
</tr>
</tbody>
</table>

Table 2.1: Number of Malls at major cities in Maharashtra
(Source: www.wikipedia.org)

It is one of fundament building block for the Indian economy. It is prospected that retailing in India will comprise a $500 Billion industry by 2015. But it is necessary that economy has to continue register six percent annual growth in GDP account. The retail sector is ever more gorgeous now because score of player leaping into the action and many more testing the waters.

2.5 RECENT TRENDS IN RETAILING

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

Rural markets emerging as a huge opportunity for retailers reflected in the share of the rural market across most categories of consumption.

Mahamaza is leveraging technology and network marketing concepts to act as an aggregator and serve the rural markets.

IT is a tool that has been used by retailers ranging from Amazon.com to eBay to radically change buying behavior across the globe.

2.6 CHALLENGES TO RETAIL DEVELOPMENT IN INDIA

Since last decade in India organized retailing running successfully. Retailing sector is the largest urban phenomenon but the growth is slow. There are some issues for this slow which is called challenges to retail development in India are shown below.

- **The Kiranas Continue:** The very first challenge facing the organized retail industry in India is competition from the unorganized sector. Traditionally retailing has established in India for centuries. It is a low cost structure, mostly owner operated, has negligible real estate and labor costs and little or no taxes to pay. Consumer familiarity that runs from generation to generation is one big advantage for the traditional retailing sector. On the other hand, organized sector have big expenses to meet and yet have to keep prices low enough to compete with the traditional sector.

- **Retail Not Being Recognized as an Industry in India:** Lack of recognition as an industry hampers the availability of finance to the existing and new players. This affects growth and expansion plans.

- **The High Cost of Real Estate:** Real estate prices in some cities in India are amongst the highest in the world. The lease or rent of property is one of the major areas of expenditure; a high lease rental reduces the profitability of a project.

- **High Stamp Duties:** In addition to the high cost of real estate the sector also faces very high stamp duties on transfer of property, which varies from state to state. The problem is compounded by problems of clear titles to ownership, while at the same time land use conversion is time consuming and complex as is the legal process for settling of property disputes.
2.7 OPPORTUNITIES OF RETAIL MARKETING

Retail marketing gets various opportunities to grow up in the Indian market. Not only retailing but Manufacturers as well as suppliers, and buyers have various opportunities, some of which are described as follows.

❖ **Lack of Adequate Infrastructure:** Poor roads and the lack of a cold chain infrastructure hampers the development of food and grocery retail in India. The existing supermarkets and foods retailers have to invest a substantial amount of money and time in building a cold chain network.

❖ **Multiple and Complex Taxation System:** The sales tax rates vary from state to state, while organized players have to face a multiple point control and system there is considerable sales tax evasion by small stores. In many locations, retailers have to face a multi point octroi with the introduction of value Added Tax (VAT) in 2005, certain anomalies in the existing sales tax system causing disruption in the supply chain are likely to get corrected over a period of time.

❖ **Price war between different retail organizations:** Each and every one is saying to provide goods at low cost and offers various promotional schemes. In such a case it is difficult to keep one’s customers with oneself.

❖ **What is in Store:** Organized retailing provide brand visibility which is much needed. Store is very useful platform for customer interaction. It also helps in launching of new product or product variant and in market penetration. It has wider product range and more frequent, speedier deliveries.

❖ **Urbanization:** Increased urbanization has shifted consumers to one place and thus a single retail can catch more customers.

❖ **Nuclear Family:** As the time passed away joint families came in a new form i.e. nuclear family. Again the income level of these nuclear families increases because both members started earning. This results into increased power of purchase and lack of time. Now they want everything under one roof. This brought the concept of organized retailing.

❖ **Plastic Revolution:** Increased use of credit cards is in favor of retail marketing. It creates requirement even when it is not necessary.

❖ **Promotional Schemes:** Organized retail stores put stress on proper infrastructure like well maintained building, air conditioning, trained employees, electronic machine, parking facilities and proper display of goods category wise. Here
customers feel comfort, joy and entertainment. Purchasing becomes joy for him. Self-selection saves time and gives more opportunities and satisfaction. Fix cost removes the threat of misleading. They avail various discounts and promotional schemes presented by the manufacturers. They also get product of different varieties and of proper quality.

- **Employment:** Retail marketing is one of the largest employments generating industry. It provides employment to skilled, semi-skilled as well as to unskilled persons. Thus it helps in the socio-economic development of the society.

- **Price War:** Increase in the no of retail outlets increases competition among these retailers. To attract customers they give various promotional schemes as various discounts, buy one get one free, another product with any particular product, festival special, etc.

- **Contract Farming:** The retail marketers directly purchase from farmers and reducing middlemen, thus provide proper cost to farmers and also set proper price for consumers. They also make contract with farmers to get proper amount of crops and vegetables.

- **Reduces Supply Chain Management:** The big players of retail marketing and the manufacturing companies directly come in contact thus reducing many intermediary chains. Manufacturers also give many promotional schemes for their product that is beneficial for consumers.

**2.8 FACTORS AFFECTING CONSUMER**

Marketing starts with the requirement of the consumers. It is further closes with consumer satisfaction. Now a days it is seen that everything revolved with round the consumer. Therefore it starts the necessity of consumer behavior study. It is a complex, multidimensional process, dynamic and all marketing decisions are based on assumptions about consumer behavior. But it is strongly influenced by psychological, social, personal and culture factors. Detail factors shown in figure 2.1.
Figure 2.1: Factors effecting consumer behavior

1. **Psychological Factors**: A person’s buying choices are influenced by four major psychological factors i.e. motivation, perception, learning and benefits attitudes. A person has many needs at any given time. Some are biological, arising from states of tension such as hunger, thirst or discomfort. Other psychological, arising from need. A need become motive when it is aroused to a sufficient level of intensity. A motivated person is ready to act which is influenced by his or her perception of the situation. When people act they learn from it. Learning describes changes in an individual behavior arising from experience. Through doing and learning, people acquire beliefs and attitudes.

2. **Social Factors**: A consumer’s behavior also is influenced by social factors such as consumer’s small groups, family and social roles & status. A person’s behavior is influenced by many small groups. Some of them are primary groups with whom there is regular but informal interaction i.e. family, friend etc. Some are secondary groups which are most formal and less regular interaction i.e. religious group, professional group etc.

3. **Personal Factors**: A buyer’s decision may also influenced by personal characteristics, such as the buyer’s age and life-cycle stage, occupation, economic situation, lifestyle, personality and self-concept. Buying is also shaped by the stage of the family life cycle. Today marketers are increasingly catering to a growing number of alternative, non traditional stages for understanding consumer behavior. A person’s occupation affects the goods and services bought as well as economic situation will affect product choice.

4. **Cultural factors**: A Cultural factors exert the broadest and deepest influence on consumer behavior. The marketer needs to understand the role played by the buyer’s culture, subculture, and social class. Cultural is the most basic because of a person’s wants and behavior. Each cultural contain a smaller subcultures, or groups of people with shared value systems based on common life experiences and situations.
2.9 UNDERSTANDING CONSUMER BEHAVIOR

The business always moving around the consumer. Understanding Consumer Behaviour means why, when, how and where consumer do or do not buy a product. The study and understanding of consumer behavior is become necessary. In order to operation alive this concepts, management attempts to solve some consumption problems of consumers. However, no organisation can possibly help consumers solve their consumption problems unless he understands them and unless he makes an attempt to comprehend the buying process and the factors influencing it.

There are many factors which influence consumer behavior. There may be categorized under the heading of marketing motivation and other incentive comprising of Economic, Psychological, Socio Cultural, Technological and Political. Marketers are doing a lot of research to understand the relation between marketing incentive and consumer response. Further there are also various consumer models and theories which help in understanding consumer buying behavior. A model for Consumer Buying Behavior presented in figure 2.2 in an understanding format.

2.10 IMPORTANCE OF RETAILING

Consumer is always benefit from retailing. Retailer performing marketing function which helps consumers to access variety of products and services. It also helps to time, place and possession utility. A retailer services also help to enhance a product images. In general, retailers perform four distinct functions as mentioned in figure 2.3 as follows.

![Figure 2.2 : Model for Consumer Buying Behavior](image-url)
2.11 ROLE OF PRICING IN RETAIL MARKET

A simple definition of price says it is the monetary value assigned by seller. The definition indicates how the retailers consider pricing, as a cashflow or income generating function from the view of the customer who views price more than money. For the customer, the price value is a complex set of perceptions. Moreover, the purchase will include the complex emotional and functional benefits derived from the product and the brand. Consumers have convinced retailers to adopt pricing policies which offer greater value for money. Thus, retailers are forced to price their products and service channels.

Retailers have realised today’s growing pricing importance. Consumer also looking for good value when they purchase goods or services. To some customers a good value means getting merchandise at a low price. While there are others who do not mind paying extra or more as long as they feel they are getting their money worth in terms of product quality or service. Retailers have responded suitably, keeping in mind the role of pricing in the growth and expansion of the business. The long-term pricing objectives may include the number of sales periods, the range of prices and total number to be made available and the positioning of the store and merchandise in relation to price. Such pricing goals will convey an image of the retail outlet to the consumer, based on its approach to pricing.
2.12 FACTORS AFFECTING RETAIL PRICING

There are several factors which can influence retail pricing, and they shown in figure 2.4 as follows.

- **Perception of Substitutes Effect:** Buyers have the tendency to compare the product with its substitute, especially in case of high priced products. They may select a substitute or even forgo purchasing the product.

- **The Unique Value effects:** Buyers will be less sensitive to the products price, the more they consider its value to be unique and differentiating it from competing products. For example, customers are loyal to Hindustan Levers or Procter & Gambles products because they are perceived to be offering better and superior products.

- **Difficult to Compare Alternatives:** Consumers show less sensitivity to the price of the product when they find it more difficult to compare alternatives. This can even lead to an increase in demand of more established brand.

- **The Price Quality Effects:** A greater price may indicate that the product is of a superior quality. One of the consequences of this may be that customers may be less sensitive to prices. For instance, increase in price of Lakhani footwear may signal improved quality but not many customers would accept increase in price of Speed Petrol to indicate a quality advantage over than competing petrol brands.

- **Effect on Expenditure:** Customers are more price sensitive, when the expenditure is quite huge in absolute terms or as a percentage of their household income. In such cases, the household expenditure is carefully controlled.
➢ **Perceived Fairness Effects:** Consumers always more sensitive with price. They perceives the price of products to be beyond what is considered to be reasonable and fair. In case of household products such as disinfectants, bedspreads, toothpaste, soap etc. it will be relatively easier for the customer to compare the offer among alternative brands and with over to cheaper alternative. Since price is associated with both the quality and status aspects by customers, retailers will have to understand the way in which perceived price changes can affect the customers demand pattern.

➢ **Other Factors Influencing Retail Pricing:** There are several other factors which can affect the retailers pricing policy. These aspects include.

a) The perishable or durable nature of the product.

b) The level of competition in the industry can influence the retailers pricing decision.

c) Volatility of the market: At times forward planning may be required when there are short run fluctuations in international costs, need to stock saleable items, take care of shortage in supply or shrinkage rates so on.

The customers choice of products based on retailers pricing decision is quite a complex issue because many issues can affect the consumers choice process. This is because on one hand price may be an indicator of quality but on the other hand a whole lot of issues such as company reputation for branded products, after sales service guarantees number of competing brands, urgentness of the situation etc. can all influence the consumers choice of the brand or product.