CHAPTER II

RETAIL MARKETING SERVICES: A THEOROTICAL FRAME WORK

2.1. INTRODUCTION

In this chapter a theoretical outlook of Retail Marketing Services is presented. This includes “Retail Marketing” and “Services in Retailing”, growth and development of retail marketing, strategies on services in retailing, quality of services in retailing, factors influencing services in retailing, problems on services in retailing.

2.2. DEFINITION OF RETAIL MARKETING

Retail is a kind of channel in which a link is made between wholesaler and ultimate consumer. This is meant for selling anything in small quantity as requested by consumers. This is otherwise known as corner shop. Retail marketing is an activity marketing product or services to final consumers or users for personal or household use. In this, a large quantity of commodity is purchased from wholesaler, or directly from manufacturer and resell it in small units to the consumers or users. According to Philip Kotler the retail marketing is defined as “Retailing includes all the activities involved in selling goods or services to the final customers for personal, non-business use”(Vijaya Kumar, 2012). It is also noted from Omar’s definition of retail marketing that it is “any business that directs its marketing effort towards satisfying the final consumers based upon the organization of selling goods and services as a means of distribution”. Further the Andrew J Newman and Peter Cullen define retail marketing as “Retailing is a set of activities that market products or services to final consumers for their own personal or household use. It does this by organizing their availability on a relatively large scale and supplying them to consumers on a relatively small scale”(Newman, 2002). From these, it is surmised that the retail marketing is a system of service to deliver the needed commodity or service to the consumers in a required form available at their door steps.

2.3. ORIGIN OF RETAIL MARKETING

In the year 1365, the word Retail originated from the old French word tailor, which means “to cut off, divide” in terms of tailoring. It was first recorded as a noun with the
meaning of a “sale in small quantities”. Like in French, the word retail in both Dutch and German also refer to the sale of small quantities of item." 

Retailers are classified into two categories such as organized and un-organized. Organized retailing refers to trading activities undertaken by licensed retailers, which means those who are registered for sales tax, income tax and the like. These include the corporate backed hypermarkets and retail chains, and also the privately owned larger retail businesses. Un-organized retailing, on the other hand, refers to the traditional formats of low cost retailing, for example, the local kirana shops, owner manned general stores, convenience stores, hand cart and pavement vendors and the like (Puranik, 2014)

2.4. FUNCTIONS OF RETAILER

Retailers provide important functions that increase the value of the products and services they sell to consumers and facilitate the distribution of those products and services for those who produce them. These functions provide an assortment of products and services, breaking bulk, holding inventory, providing services. (Newman, 2002)

Providing assortment means all retailers offer assortment of products, but they specialize in the assortments they offer. Supermarkets provide assortments of food, health and beauty care, and household products. Most consumers are well aware of the product assortment the retailers offer. Even small children know where to buy different types of products. Breaking bulk refers to reduction in the transportation costs, and manufacturers and wholesalers typically ship cases to the retailers.

Retailers then offer the products in smaller quantities based on individual consumers’ and households’ consumption patterns. Breaking bulk is important to both manufacturers and consumers. It is cost effective for manufacturers to package and shop merchandise in larger, rather than smaller quantities. It is also easier for consumers to purchase merchandise in smaller, more manageable quantities.

Major function of retailers is to hold inventory which is already broken into user-friendly sizes, so that the product will be available to the consumers at any time they want, in this way the consumers can keep the products as much as they need.

Retailers provide services that make it easier for consumers to buy and use products. They offer credit, so consumers can have a product now and pay for it later. They display products so consumers can see and test them before buying. Some retailers have salespeople on hand to answer questions and provide additional information about products. Multichannel
retailers offer the flexibility of buying anytime, day or night. Consumers can choose whether they want to pick merchandise up at a store or have it shipped to their home.

2.5. TYPES OF RETAILERS

Based on the space and location of retail stores the retailers are vary from one another. The various types of organized retailers are presented in Table 2.1.

**TABLE 2.1**

<table>
<thead>
<tr>
<th>Types of Retailer</th>
<th>Format</th>
<th>Description</th>
<th>The Value Proposition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Branded Stores</td>
<td></td>
<td>Exclusive showrooms either owned or franchised out by a manufacturer.</td>
<td>Complete range available for a given brand, certified product quality</td>
</tr>
<tr>
<td>Specialty Stores</td>
<td></td>
<td>Focus on a specific consumer need, carry most of the brands available</td>
<td>Greater choice to the consumer, comparison between brands is possible</td>
</tr>
<tr>
<td>Department Stores</td>
<td></td>
<td>Large stores having a wide variety of products, organized into different departments such as clothing, house wares, furniture, appliances, toys, etc.</td>
<td>One stop shop catering to varied/consumer needs.</td>
</tr>
<tr>
<td>Supermarkets</td>
<td></td>
<td>Extremely large self-service retail outlets</td>
<td>One stop shop catering to varied/consumer needs.</td>
</tr>
<tr>
<td>Discount Stores</td>
<td></td>
<td>Stores offering discounts on the retail price through selling high volumes and reaping economies of scale</td>
<td>Low Prices</td>
</tr>
<tr>
<td>Hyper- mart</td>
<td></td>
<td>Larger than a supermarket, sometimes with a warehouse appearance, generally located in quieter parts of the city</td>
<td>Low prices, vast choice available including services such as cafeterias.</td>
</tr>
<tr>
<td>Convenience Stores</td>
<td></td>
<td>Small self-service formats located in crowded urban areas.</td>
<td>Convenient location and extended operating hours.</td>
</tr>
<tr>
<td>Shopping Malls</td>
<td></td>
<td>An enclosure having different</td>
<td>Variety of shops available to</td>
</tr>
</tbody>
</table>
It is inferred from Table 2.1 that there are types of organised retailer such as branded stores, speciality stores, departmental stores, supermarkets, discount stores, hyper market, convenience store and shopping malls.

2.6. SERVICES IN RETAILING

Retailing is a service industry (Newman, 2002). This is because the essential economic function of retailer is to provide their consumers with several basic and important services, including: Accessibility of location, Convenience of timing, Choice of products, Information about the products and Convenience of Size.

These services are part of the basic function of the retailer as the link in the supply chain between the producer and the consumer. They improve the efficiency of consumption and help consumers to be more effective in their working lives (Pradeep Tawade, 2014). Every retailer provides services as part of its retail offering and consumers use them every time they go shopping. Different retailers provide different levels of these services by varying the merchandise stocked, store format, design, layout and other facilities provided (Banabo, 2011). The individual retailer decides on the level of services that can be offered based on retailer’s own target customers according to the various factors, including lifestyle, that affect their shopping behaviour.

The retailer also complements the merchandise offered with an appropriate service style. This includes additional services, such as advice and design, customer assistance, and home delivery that the retailer offers in response to consumer demand and competitive pressures. Retail services are the set of services provided by the retailer to the consumer in addition to the products offered.

The world of retailing and the concept of service are inextricably linked. Conceptually, service in retailing is a broad term; essentially, retailing is itself a service, providing the final consumer with a distribution service that provides efficiency in product retrieval. Retailers also carry out a form of ‘product editing’ service, by formulating product ranges and assortments that are geared specifically to particular consumer needs, and a stock availability service so that consumers buy products in suitable quantities at times when they
need them. Retail service, or perhaps the more commonly used term ‘customer service’, also refers to the variety of ‘add-ons’ to a core product or service purchase that improves the consumer’s experience during a transaction. Customer service refers to the interaction between retail sales personnel and the consumer – giving advice, information and help prior to the purchase, and reassurance and advice afterwards. The term customer service is also be used to include the implementation of a retailer’s policy (for example guarantees, exchanges and refunds) and the provision of facilities such as cafes, family parking spaces and toilets (Michael Levy, 2004).

The relevance and quality of the service mix are the effective way for one retailer to differentiate his or her offer over others. Because good retail service relies on long-term investment in training and developing people within retail organizations. It needs investment in training and developing people within retail organizations. It can be a sustainable source of competitive advantage.

Many retail organizations (for example restaurants, beauty salons, and banks) are in the business of selling services as opposed to tangible products to their customers (Talreja, 2013). This type of retailing presents some additional challenges associated with the purchase, delivery and experience of the service. In this research the researcher does not generally seek to make a distinction between goods and services. The purpose is to explore the scope of service in the retail setting in general, rather than to focus on the retailing of services specifically.

The way retailers use services in their retail offer is divided into a number of categories (Sajal Gupta, 2008). The researcher uses the headings Product-Related Services, Convenience-Related Service, Payment Services, Product-Availability Services, Information Services and Customer Sales Services to categorize the extensive selection of activities that is considered as ‘services’ in the retail industry.

2.6.1. Product Related Services

This is the type of service directly related to the product itself. It is an augmentation or ‘add-on’ to the product that helps consumers feel that their needs have been fully met. For example, if a customer needs to replace a malfunctioning freezer, then the consumer will be completely satisfied only when the new freezer is installed in his or her kitchen. After the consumer has purchased the freezer a delivery time will have been organized, the delivery van will have arrived, the freezer would have been unpackaged, carried to the correct place in
the kitchen and plugged in to make sure it functions. The packaging and the old freezer would then be taken away. The retailer’s relationship with his or her consumer certainly does not end with the close of the sale, but is continued as the product-related services are carried out.

The services that retailers offer to augment their product ranges will vary according to the nature of the products within those ranges. As well as some widely applicable service offers such as gift-wrap and home delivery, Table 2.2 indicates a number of alternatives that are appropriate to specific retail sectors.

Table 2.2

<table>
<thead>
<tr>
<th>Retail Sector</th>
<th>Product-Related Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clothing</td>
<td>Changing Rooms, Alteration Service, Return Policy</td>
</tr>
<tr>
<td>Electrical/Electronic</td>
<td>Service Warranty, Home Installation</td>
</tr>
<tr>
<td>Furniture/Home Furnishings</td>
<td>Home Assembly, Home Trial</td>
</tr>
<tr>
<td>Automotive</td>
<td>Test Drives, Warranties, Insurance, Car Service Packages</td>
</tr>
</tbody>
</table>

Some retailers go a step further by providing an augmented product/service package. They actually differentiate their own retail offer from competitors by offering a higher and sometimes more complex level of services to match the complex and highly involved customer needs. For example, a computer specialist who puts together a customized package of hardware and software for individual consumers; an interior design service offered by a home furnishings specialist; or a personal-shopper service offered by a department store. In a retail environment where consumer needs are growing in their sophistication, it makes sense to be able to match these needs with a finely blended mix of products and services which in the end allows a degree of personal customization of the shopper.

2.6.2. Convenient – Related Services

As consumers are, or at least feel, more time-pressurized by busy lifestyles, retailers have responded by formulating a product and service package that is highly convenience-oriented. The large grocery multiples have been particularly proactive in this area, and the following services indicates a range of convenience-related services that might typically be offered by a superstore retailer: Bag Packing, Home Delivery, Cafeteria, Crèche, Toilets,
Extended opening hours or 24-hour Shopping, Cash Machines, Variety of Trolleys, Parent and Disabled Parking Areas (Marilyn Dunsing, 1958).

Some of the product categories on offer in a supermarket can be considered to be convenience-oriented, in that they save a customer a separate trip to a specialty store; the in-store pharmacy, bakery and delicatessen could be considered in this way. In addition, many superstores offer the customer the opportunity to purchase ‘service products’ within the outlet. A drycleaner, a bank, a post office and a photographic film-processing unit are examples of this of retail service.

In the early 1990’s the leading grocery retailers all gave their service offer something of an overhaul, for a number of reasons. One reason was linked to responding to consumer changes – to keep satisfying the increasingly convenience-oriented supermarket consumer; another was to maintain the image of a high-quality offer-an investment into higher service provision was seen to be a more strategic move than to cut prices; and a third reason was competitive- the supermarkets decided that service was an effective means by which to compete for market share. This resulted in something of a ‘service war’, with each major grocery chain offering their ‘unique’ service bundle that might include bag-packing, carry-to-car service, parent-and-child parking spaces, and even an umbrella service for rainy days! Some of these service offer were short-lived (such as trolley offers), but others, such as parent-and-child parking and the policy of opening more and more check-outs when queues were building (the ‘one-in-front’ policy) became an integral part of grocery supermarket operators’ mainstay. This process, whereby a service provides temporary competitive advantage, before being repeated in a competitor’s offer is described by the service life-cycle.

The service life-cycle is to start with Introduction – a new service is introduced by a retailer giving them a competitive advantage, after that Duplication – other retailers copy the new service, which removes the competitive advantage and Stalemate – all retailers in a particular retail sector offer the service. Provision of the service becomes a cost, but removal of the service would result in competitive disadvantage. The next stage is being Institutionalization – the service is taken for granted and expected by customers. It becomes a basic element of retail operations and finally Replacement – another new service is introduced, or an existing service is improved or updated to provide competitive advantage again.
2.6.3. Payment Services

In order to provide a high level of convenience in the shopping process, more methods of payment a retailer can offer the better. If a customer cannot pay by his or her preferred method, then a barrier is created that might prevent the transaction being competed. This could result in the sale being lost completely. On the other hand, attractive payment methods and terms can be a way of enticing customers to proceed with a purchase. Flexible payment services are especially important for high-value transactions. Increasingly we live in a cashless society, with consumers’ purses housing a proliferation of payment cards. In addition, consumer credit is readily available, and so the methods and terms of payment that retailers offer need to have the flexibility to provide suitable arrangements for individual consumer. The following list outlines some payment arrangements commonly found in retailing: Cash, Cheque, Debit Cards, Credit Cards, Store Account Cards, Hire Purchase, Higher Purchase with Payment Protection, Monthly Payment via Direct Debit, Monthly Payment with Additional Guarantee Period.

Payment arrangements that allow a consumer to complete a purchase over a period of time provide an opportunity for retailers to build a relationship with that consumer. This is one of the strength of mail-order operations, store-card schemes and loyalty cards. Consumer details are collected, which can be used for further marketing initiatives.

Some loyalty cards double up as payment cards, which, in the eyes of the consumer, makes sense because the debits and credits to their account with that retailer can be viewed as different aspects of the relationship between the two parties. On the one hand the card is used to pay for goods; on the other it earns bonus points and relevant product information and offers (Jyothi Kumar, 2013)\textsuperscript{16}.

Payment options are certainly subject to the service life-cycle. Today, the acceptance of debit cards is almost institutional in multiple retailers, and exceptions, who only deal in cash, need to offer a clear benefit in return. One of the many criticisms of the strategy of Marks and Spencer in the late 1990s was their reluctance to move from only accepting their own credit card to a wider range of payment cards, particularly when they were introducing high-value product categories like furniture.

2.6.4. Product – Availability Services

Another aspect of retail service is concerning product availability. When shoppers invest personal resources (time, travel costs and so on) to retrieve products, they expect their
investment to pay off and are disappointed if it has not been worthwhile. If it is the retailer who was out of stock of an item, rather than simply a case of their own indecision, then the feeling of frustration is all the greater. Overall, the supply-chain initiatives have raised the standards of customer service from a logistics point of view, so that as general rule consumers are more frequently able to find goods in stock. The out-of-stock situations that do occur should be viewed as a breakdown on the retailer’s part, and therefore an opportunity for the implementation of an exceptional service to retrieve the situation, for example by making an arrangement to deliver the item to the consumer’s home. The problem that modern retailers face is the high levels of retail provision which allow consumers to switch to a competitor if they do not find a product available. In self-service situations this switching action may go completely undetected. Web-based retailing has experienced a real difficulty in this area; poor order fulfillment and unreliable deliveries have allowed many internet sales and customers to get lost in cyberspace\textsuperscript{17}.

2.6.5. Information Services

The information that retailers provide about their products, and how they operate businesses, can be considered as part of the retail service mix. This information can be imparted in a number of ways, for example in person, by telephone, on a website, in a leaflet or within a catalogue. The criteria for good-quality information are accuracy, and presentation in a manner that is complementary to and consistent with the overall corporate image of the retailer. Most large retailers have an information website even if they do not have a transactional e-retailing operation, and these can be a very cost-effective way of communicating with customers\textsuperscript{18}. Innovative retailers have used their websites to provide links to additional information that they feel is of interest to their consumers, and it is this type of service that helps retailers to build a perception in consumers that they are doing more than the basics in terms of service provision.

Provision of information can be viewed not only as a service, but also as a public-relations exercise. The plethora of leaflets found in supermarkets about health, product safety, environmental issues and so on, are there to reassure customers of the retailer’s social responsibility and the stance on sensitive issues.
2.6.6. Customer Sales Service

One of the aspects of retail service that is most immediately apparent is the contact made between consumer and sales staff within the outlet. The type of contact can vary from a passive approach to a highly interactive one. The passive approach is characterized by customers making their own product choices, with sales personnel only becoming involved at the point of sale or when a customer specifically asks for help. An interactive approach is characterized by extended communication between the customer and the sales person. Typically, this would involve an approach, an exploration of alternative solutions to the consumer’s needs, including information about product-related services on offer, and finally the sale being closed.

2.6.6.1. The Level of Customer Sales Service

Even for the same product item, consumers may encounter very different level of service in different retail outlets. For example, ground coffee may be purchased in a vacuum-sealed package in a supermarket. On the other hand, a consumer may choose to buy coffee from a specialty store, in which case the service encounter might involve talking to the sales associate about the different strengths and aromas found in the various blends, it may include offers related to alternative blends to smell, waiting while the beans are ground, packaged, sealed and placed in an individual carrier bag, and finally being offered the opportunity to place the purchase on their personal account.

The level of service found in a retail outlet is very closely linked to the prices charged. The type of service level described in the specialty store scenario above incurs a hefty labor cost, and in addition sales associates need to have high levels of knowledge and experience. This expertise can only be built in an organization that has a high level of staff retention and good training facilities. It is usual, therefore, for the level of service available in a retail organization to be linked to the retail format used, the staffing provision within the retailer, and the margins applied to the product.

2.7. THE IMPORTANCE OF SERVICE

The responsive retailer recognizes the importance of these additional services for the consumer (Bendapudi, 1997). High standards of living usually bring complex lifestyles, and retailers have an important part to play in helping customers manage their lifestyles. For instance: People need to make major purchases of durable goods such as a car, electrical
appliances and household furniture. However, the complexity of modern technology and the relative infrequency of some major purchases mean that many customers are unsure as to what is appropriate to their own lifestyle. They need to assure themselves that their furniture purchases are value for money through informed selection. So they may gather information from various sources to guide them in their choices, but in many cases they look to retailers for final assurance in their purchases.

Another service often marketed by retailers is the extended warranty on electrical appliances, for many consumers, the pressure of time means that appliance reliability or swift repair is essential (Berry, 2002). Many consumers are also averse to risk and want to be assured that they will not have to make further major expenditures on the item for a given period. These people are often on limited budgets and will willingly pay the retailer a high price to arrange these assurances. These extended warranties, as they are known, are often more expensive than similar ones offered by the product manufacturer or by other insurance providers. Retailers sell many warranties because consumers often do not know which brand they will buy before they enter the store and may not like to ask what the manufacturer is offering. People often feel more comfortable dealing with the retailer and retailers can also offer other advantages such as cover against accidental damage.

Shopping for clothes also requires its special customer service. For instance, the importance of the right dress codes for particular lifestyles and situations mean that customer service must reassure consumers they are making appropriate purchases. Also People want to use their leisure time to shop in comfort and with a sense of individuality.

Competitive pressures force retailers to provide these extra services (Doddy, 1991). However, the focused retailer will be proactive in providing those services that add perceived value for money for the target consumer. The retailer needs to communicate the additional services to the consumers in such a way they identify those services with the retailer. The services then become embedded in the retailer brand and become part of the brand image. Viewed holistically, they guide the consumer’s expectations of the services offered. These services identify the retailer brand and clearly differentiate the retailer from its competitors. The retailer can then enhance and position the brand in the market using these services as part of the overall retail offering.
2.8. GROWTH OF RETAIL MARKETING

Of course, there’s nothing easy about a global expansion strategy in retail\textsuperscript{24}. Every market has unique challenges that require unique strategies for success. In the year 2013 GRDI finds several examples of countries where global retailers are taking a step back from the aggressive expansion of the not-too-distant past in favour of more cautious strategies. For example, as retailers confront challenges in China, many are scaling back plans for new stores and choosing sites more carefully. In some regions, such as Latin America and Central Asia, more retailers are opening in smaller countries to hone their regional strategies before entering larger markets.

South America is blossoming as Brazil, Chile, and Uruguay take the top three spots in the Index. Peru, Colombia, Panama, and Mexico also shine, but some other markets, such as Venezuela, Argentina, and Bolivia have room for improvement. The BRIC markets (Brazil, Russia, India, and China) remain as the magnificent monsters for global retailers- huge, attractive markets – but their paths have diverged. Whereas the BRIC countries were in unison in their growth 12 years ago- when BRIC concept was first conceived by British economist Jim O’ Neil- now each is following different path to the future.

2.8.1. Growth of Retail Marketing In India

India’s Retailing Boom has acquired further momentum, dynamism and vibrancy with international players experimenting in the Indian market and the country’s existing giants taking bold innovative steps to woo the consumer. At the same time, the early entrants are redefining their strategies to stay competitive and suit the new market landscape. The next few years are likely to witness rapid growth in the organized retailing sector with several leading international players establishing their presence in India by adjusting their formats to suit local tastes and buying behaviour while regional players have stepped up their defenses and are striving to gain edge over global players by using their knowledge of local markets. Clearly the next wave of the retail boom is upon us.

Retailing is one of the pillars of the economy in India (Pradeep, 2014)\textsuperscript{25}. Over the past few years, the retail sale in India is hovering around 33-35percent of GDP as compared to 20 percent in the U.S. The Indian retail industry is the fifth largest in the world, comprising of organized and un-organized sectors. Indian retail industry is one of the fastest growing industries in India, especially over the last few years. Though initially, the retail industry in India was mostly unorganized- however with the tastes and preferences of the consumers, the
industry is getting more popular these days and getting organized well. Now with growing market demand the industry is expected to grow at a pace of 25-30 percent annually. The Indian retail industry is currently growing at a great pace and is expected to go up to US$833 billion by the year 2013. In the last four years consumer spending in India has climbed up to 75 percent. In India though, organized retail accounts for approximately 5-6 percent of total retail revenues, however, with the young population increasing, disposable income, changing lifestyle and a robust economy, India is set to emerge as one of the fastest growing organized retail markets in the world.

Growth is slowdown, but still strong (Sunita, 2012). The global slowdown hasn’t spared India, whose GDP growth rate slipped to 5 percent, down from a 10 year average of 7.8 percent. Same sales volume growth slowed in 2012 across retail, particularly for lifestyle and value-based formats. India fell nine spots in the GRDI to 14th; its previous low ranking was 6th place in the inaugural Index in 2002, and it was first as recently as 2009.

High operating costs, low bargaining power with vendors, and heavy discounting to improve sales have affected profits and expansion plans. Real estate cost and space availability also remain important issues. Many players are actively looking at improving sales productivity, cutting operating costs, and reducing store size. However, the long-term fundamentals remain strong: in particular, a large, young, increasingly brand- and fashion-conscious population. Retail growth of 14 to 15 percent per year is expected through 2015. Modern retail remains limited, but it is expected to grow as the country urbanizes and retailers make new investments.

In 2012, India’s retail sector reached an important landmark: the government allowed 100 percent foreign direct investment in a single brand for the first time. Several single-branded retailers entered India in many sectors: apparel and beauty, standalone boutiques and food. Large retailers such as IKEA are finalizing their India entry strategies. In multi-brand retail, the government allowed 51 percent FDI starting in early 2013. However, there are preconditions about investment, sourcing, store locations, and state government approval. Although the government has received multiple investment proposals, many multi-brand players are taking a “wait-and-see” approach due to apprehensions about how the policy will be implemented. Retailers are expanding in tier 2 and 3 cities as real estate costs in major metro areas skyrocket. Carrefour, Metro, and Bharti - Walmart have increased their presence in these markets.
Online shopping is in the early stages, with e-commerce sales equal to less than 1 percent of all retail sales, but growth is expected as more people access the Internet. Mobile phones, electronic appliances, apparel, movies, music, and books are the fastest growing categories. New entrants, new business models, and new niche categories have flooded the market, yet few players have turned profitable.

2.8.2. Growth of Retail Marketing in Chennai

Chennai accounted for 10.1 percent of projects and 13.3 percent of the total capital investment in India. During the period 2007-12, TMT, and TMT and automotive industry sectors dominate FDI in the city. Having positioned itself as the automotive hub, Chennai is commonly referred to as the “Detroit of India”. The city’s appeal as an automotive destination desires from its supportive engineers and factory floor labor. The present of two major ports, coupled with excellent road and rail connectivity, has also made Chennai the hub for export-oriented manufacturing industries. The majority of the projects from the US are in the technological sector, whereas most investment from Europe and Japan is directed toward the industrial and automotive sectors. Renault-Nissan which is aiming to capture a greater share of the Indian automotive market, has recently announced plans to expand its manufacturing facility in Chennai. It is also developing CMF-A Common Module Family affordable in the city.

2.9. DEVELOPMENT OF RETAIL MARKETING

Consumer product companies around the world consider India a good investment destination due to its large, growing population and rising income levels. Rapid urbanization has also spurred the culture of consumerism in the country. India is now the third largest country in terms of Purchasing Power Parity (PPP), and is expected to become one of the largest consumer markets by the end of this decade. Favorable demographic in India outweigh the concerns associated with multi-tier distribution networks and fragmented State-wise tax system. Companies are willing to initiate projects in India, despite the distribution and tax issue. Among corporation, Star Buck Coffee and luxury goods brand Louis Vuitton, are recent examples of FDI through Greenfield investment or expansion in this sector.

Consumer product companies have shown a preference for metropolitan cities in their investments, because of higher levels of disposable income and brand awareness, as well as wider acceptance of western lifestyles. Nevertheless, there are also significant opportunities
in rural areas; however, inadequate infrastructure and the difficulty of creating sustainable channel relationships are obstacles. Despite these challenges, companies such as Unilever have successfully cracked the rural market. Other firms such as Nestle’ and Glaxo Smith Kline Consumer Health care have also been launching products especially for rural markets.

2.10. STRATEGIES OF SERVICES IN RETAILING

Customer satisfaction is a key element of the success of every business (Kathleen Seiders, 2005)\(^\text{29}\). The retailers must satisfy their consumers at the best level to retain them, but it is not an easy task. In order to satisfy the consumers with high quality products at a lowest rate, the retailers need to follow marketing strategies. The strategies followed by the retailers such as attractive merchandise mix, sales promotions, salesmen courteousness, free gifts and discounts, gift wrapping, air conditioning and the like are called retail marketing strategies. In this section the marketing strategies are explained in a detailed manner.

2.10.1. Product Strategies

The effectiveness of planning the marketing mix depends as much on the ability to select the right target market as on the skill in devising a retail offer which will generate high levels of satisfaction (Sjal Gupta)\(^\text{30}\). A product is anything that can be offered to a market that may satisfy a need or a want. This means a combination of goods and services, which includes the store, the staff and the product. In retailing the complete retail offer of location, price levels, product, store layout or method of selling, brand name and services provided play a pivotal role in a firm’s existence and long-term success or survival. The conception of the store has to take into consideration the internal and external design fittings and features as well as the myriad ways the brand, product, and promotional messages communicate with the consumers. The shopper has to believe that the product, or outlet, offers added value in order for it to be successful. Retailing comprises everything an individual or customer receives – both favourable and unfavourable - as part of the total retail transaction.

2.10.2. Price Strategies

Price is the monetary value assigned by the seller to something purchased, sold or offered for sale, and on transaction by a buyer, as the buyer’s willingness to pay for the benefits the product and channel service delivers. Undoubtedly all the elements of the marketing mix, good pricing decisions are the hardest to make. This is because prices for
retail products and channel services have to take into account the complexity created by seasonality of demand and the inherent perishability of the product due to factors related to fashion or being past the sell-by date (Joel E. Urbany)\textsuperscript{31}. There has also been a major influence on the grocery sector by the abolition of resale process maintenance. This in turn has led to the offer of loss and more complex pricing policies, in order to achieve optimal overall profit. In conjunction with this, consumers are now pressurizing retailers to change their pricing policies to offer greater value for money.

A retailer’s pricing policy must be consistent with the overall objectives and reputation of the business (Cenk Kocas, 2005)\textsuperscript{32}. This could be in financial terms such as sales, profits, return on investment, and the like or as pricing’s role in the growth and expansion of the business. There may also be broader objectives such as the number of sales periods, total number and range of process to be made available and positioning of the store and merchandise in relation to process. These pricing goals are important as they provide the consumer with an image of the retail outlet based upon its approach to pricing. In addition, pricing has to be integrated with other aspects of the marketing mix and take account of the target market.

### 2.10.3. Promotion Strategies

Retailers communicate to their customers on a continuous basis through the store atmosphere, the products and services, promotional literature, advertising and other promotional means. Retail promotion is the descriptive term for the mix of communication activities which retail companies carry out in order to influence public on whom their sales depend. Retailing promotion will have the main objective of influencing consumer perceptions, attitudes and behaviour in order to increase store loyalty, store visits and product purchase. However, the important groups which need to be influenced are not simply the target market group of current and potential customers.

### 2.10.4. Place Strategies

The special characteristics of retail businesses and the emergence of major retailers in the marketplace have led to specific forms of distribution or channel service. Prior to consumption, the retail product has to be both available and accessible. This requires a supply chain distribution system. A distribution system is the channel used to bring items to the place of sale, or the means by which a retail supplier gains access to the potential buyers of
the product. With the ever-growing size and dispersal of traditional retail operations, controlling merchandise as part of store operations has been of paramount importance. This goes beyond an administrative system; modern supply chain management can achieve competitive advantage through shorter lead times for restocking, reduced inventory size and costs, improved management information and greater overall control.

2.11. QUALITY DIMENSIONS OF RETAIL MARKETING SERVICES

Retailing in India is growing at the rate of about 18-20 percent per annum. As part of its strategy to gradually open it up to foreign competition, the government is also in the process of increasing foreign direct investment in the retail sector. At the same time, the urban consumer is becoming more discerning and demanding as far as the lifestyle is concerned. Urban Indian household income and purchasing power are also on the rise. Under such circumstances, the success of organized retailing in India mainly depends on delivery of services through quality improvements. In service organizations, customer perceived service quality is considered as one of the key determinants of business performance. So far, in the Indian context, there is a dearth of tested instruments which can measure customer-perceived service quality of a retail store. At the same time, instruments developed in other countries have not been tested for their applicability in the Indian retail industry.

When customers evaluate retail service, they compare their perceptions of the service they receive with their expectations. Customers are satisfied when the perceived service meets or exceeds their expectations. They're dissatisfied when they feel the service falls below their expectations.

Dabholkar, Thorpe and Rentz (1996) propose an instrument based on SERVOQUAL which measures service quality in a retailing environment. This instrument also captures, apart from the common dimensions that are likely to be shared by pure service environments and retail environments, additional dimensions of retail service quality relevant to the retail environment. However, very few studies have utilized the instrument for evaluating service quality of retail stores. Like SERVOQUAL, the reliability and validity of this instrument could also be questioned.

2.11.1 Quality Dimension in Services

Dabholkar, Thorpe and Rentz (1996) proposed that retail service quality has a hierarchical factor structure. While consumers think of retail service quality at three levels -
dimensional level, an overall level, and a sub-dimensional level. Dabholkar, Thorpe and Rentz (1996) proposed five dimensions – physical aspects, reliability, personal interaction, problem solving, and policy. They also gave sub-dimensions of each dimension to combine related attributes into sub-groups.

2.11.1.1 Tangibility

The first dimension – Tangibility (physical aspects) – encompasses the appearance of the physical facilities and the convenience offered to the customer by the layout of the physical facilities. Retail literature suggests that store appearance is important to retail customers (e.g., Baker, Dhruv and Parasuraman, 1994). It also suggests that customers value the convenience of shopping in those physical aspects such as store layout offer (Gutman and Alden, 1985; Hummel and Savitt, 1988; Mazursky and Jacoby, 1985; Oliver, 1981). Therefore the sub-dimensions of this dimension are appearance and convenience.

2.11.1.2 Reliability

The second proposed dimension is reliability. It has two sub-dimensions and other variations. Customers view reliability as a combination of keeping promises (Dabholkar, Thorpe and Rentz, 1996). Westbrook (1981) found that availability of merchandise is also a measure of reliability. So, the sub-dimensions of reliability are promises and doing it right.

“Reliability refers to the promises given by the store. If the store cannot keep or breaks the promises, it dissatisfies consumers and results in negative word-of-mouth. In contrast, when the company is able to keep its promises, it increases consumers’ confidence in the store and creates consumers satisfaction and leads to loyalty.

2.11.1.3 Responsiveness

The third proposed dimension is responsiveness (personal interaction). It has two sub-dimensions- service employees inspiring confidence and being courteous / helpful. These sub-dimensions are very closely related and capture how the customer is treated by the employee.
2.11.1.4 Assurance

The fourth proposed dimension is assurance (problem solving) which addresses the issue of handling of goods returned and exchanges as well as complaints. Service recovery is recognized as a critical part of good service (Hart, Heskett and Sasser, 1990\(^\text{42}\); Kelley and Davis, 1994\(^\text{43}\)). Recognizing and resolving problems should emerge as a separate factor in customer evaluation. Westbrook (1981)\(^\text{44}\) found that customers were quite sensitive to how service providers attend to problems and complaints. Westbrook (1981)\(^\text{45}\) and Mazursky and Jacoby (1985)\(^\text{46}\) also mention that the ease of returning and exchanging merchandise is very important to retail customers. This dimension does not have any sub-dimension.

2.11.1.5 Empathy

The fifth proposed dimension of empathy captures the service quality aspects that are directly influenced by store policy. For example, when customers evaluate a store on the basis of convenient hours, it is viewed as whether the store’s policy is responsive to customers’ needs. Westbrook (1981)\(^\text{47}\) and Mazursky and Jacoby (1985)\(^\text{48}\) report that an important criterion on which customers evaluate stores is the credit and charge account policies of the store. Customers also appear to value parking availability for retail shopping (Oliver, 1981)\(^\text{49}\). This dimension does not have any sub-dimension.

Based on the above dimensions, the proposed measurement tool by Dabholkar, Thorpe and Rentz (1996)\(^\text{50}\) may be suitable for studying retail businesses that offer a mix of services and goods, such as department or specialty stores, gathering benchmark data regarding current levels of service quality, and conducting periodic ‘checks’ to measure service improvement. The instrument could also serve as a diagnostic tool to determine service areas that are weak and that need attention. However, in-spite of its wide applicability and rigorous development, the use of the instrument should be properly tested under different contexts in order to determine its validity and reliability.

2.12. FACTORS INFLUENCING SERVICES IN RETAILING

The Consumer decision process can be influenced by several factors such as marketing mix, psychological factors, social factors and situational factors (F.T. Yuen, 2010)\(^\text{51}\). Firstly, the elements of the marketing mix, such as product, price, place and promotion. Secondly, psychological factors, which influence the consumer internally such as motives, attitude, perception and learning. Thirdly, social factors, such as family, reference
groups and culture, also influence the decision process. Fourthly, there are situational factors such as specific purchase situation, a particular shopping situation or temporal state (the time of day), that affect the decision process.

Every decision that people make as consumers will take them to some form of the consumer decision process. But, like life itself, this process doesn’t exist in a vacuum.

2.12.1. Psychological Factors:

Although marketers can influence purchase decisions, a host of psychological factors affect the way people receive marketers’ messages. Among them are motives, attitudes, perception, learning and lifestyle.

i. Attitude:

An Attitude is a person’s enduring evaluation of the feelings about behavioural tendencies towards an object or idea. Attitudes are long lasting, and they might have been developed over a long period of time, though they can also abruptly change (Lee, 2008)\(^{52}\).

ii. Perception:

Another psychological factor, perception, is the process by which we select, organize, and interpret the information to form a meaningful picture of the world. Perception is in marketing which influences our acquisition and consumption of goods and services through our tendency to assign meaning to such things as color, symbols, taste and packaging, culture, tradition and our overall upbringing determine which shape our perception of the world\(^{53}\).

iii. Learning:

Learning refers to a change in a person’s thought process or behaviour that arises from experience and takes place throughout the consumers’ decision process. Learning affects both attitude and perception.

iv. Lifestyle:

Lifestyle refers to the way consumers spend their time and money to live. For many consumers, the question of whether the product or services fits with their actual lifestyle, which may be fairly sedentary, or their perceived lifestyle which might be outdoorsy, is an important one.
2.12.2. Social Factors:

The Consumers’ decision process is influenced from within by psychological factors, but also by the external, social environment, which consists of the customer’s family, reference groups and culture.

i. Family:

Many purchase decisions are made about products or services that the entire family will consume or use. Thus, firms must consider how families make purchase decisions and understand how various family members might influence these decisions.

When families make purchase decisions, they often consider the needs of all the family members. For example, the husband and teenage child may look through car magazines and consumer reports to search for information about a new car. But once they arrive at the dealership, the husband and wife, not the child, decide which model and color to buy, and the wife negotiates the final deal. Children and adolescents play an increasingly important role in family buying decisions (Julicano, 2010).

ii. Reference Groups:

A reference group is one or more persons whom an individual uses as a basis for comparisons regarding beliefs, feelings and behavior. A consumer might have various reference groups, including family, friends, co-workers or famous people of the consumer world whom they like to emulate. These reference groups affect buying decisions by offering Information, Providing rewards for specific purchasing behavior, enhancing a consumer self-image.

Reference Groups provide information to consumers directly through conversation or indirectly through observation. Some reference groups also influence behaviors by rewarding behavior that meets their approval or chastising behavior that doesn’t. Consumers can identify an affiliate with reference groups to create, enhance or maintain their self-image.

iii. Culture:

Culture means beliefs, morals, values and customs of a group of people. As the basis of the social factor that impact the consumers’ buying decisions, culture or cultures in which the consumers participate or not markedly different from the reference groups. That is, the cultural groups might be as small as reference group at school are as large as the country in which the consumers belong. Like reference groups, culture influences consumer behavior.
2.12.3. Situational Factors:

Psychological and social factors typically influence the consumers’ decision process the same way each time. The situational factor or factor specific to the situation override or at least influence, psychological and social issues. These situational factors are related to the purchase and shopping situation, as well as to temporal states.

i. **Purchase Situation:**

Customers may be predisposed to purchase certain products or services because of some underlying psychological trait or social facts, but these factors may change in certain purchase situation.

ii. **Shopping situation:**

Consumers might be ready to purchase a product or service but be completely derailed once they arrive in the store. Marketers use several techniques to influence consumers at this choices stage of the decisions process. Consider the following techniques.

iii. **Store Atmosphere:**

Some retailers and service providers have developed unique images that are based at least in part on the internal environment, also known as the atmospherics. Research has shown that, if used in concert with other aspects of the retailers’ strategy, music, scent, lighting and even colour can positively influence the decision process (Philip Kotler, 1973)\(^55\).

iv. **Sales People:**

Well trained sales person can influence the sales at the point of purchase by educating consumers about product attributes, pointing out the advantages of one item over another, and encouraging multiple purchases (Sylvie, 2007)\(^56\).

v. **Crowding:**

Customers can feel crowded because there are too many people, too much merchandise, or lines that are too long. If there are too many people in a store, some people become distracted and may even leave. Others have difficulty purchasing merchandise that is closely kept together. This issue is a particular problem for shoppers with mobility disabilities (Dhruv Grewal, 2003)\(^57\).

vi. **In store demonstrations:**

The taste and smell of new food items may attract people to try something they normally wouldn’t, similarly some fashion retailers offer “trunk shows”, during which their vendors show their whole line of merchandise on a certain day. During those well-advertised
events customers are often enticed to purchase because they get some special assistance from sales people and can order merchandise that the retailer otherwise does not carry (Alexander Cherneew, 2009)\(^{58}\).

vii. **Promotion:**

Retailers employ various promotional vehicles to influence customers once they have arrived in the store. An unadvertised price, promotion can alter a person perceived buying plan. Multi-item discounts, such as “buy 1 get 1 free” sales, are popular means to get people to buy more than they normally would. Because many people regard clipping coupons from the newspapers as too much trouble, some stores make coupons available in the store, on the internet, or on customer cell phones. Another form of promotion is offering a “free” gift with the purchase of a good or service. This type of promotion is particularly popular with cosmetics.

viii. **Packaging:**

It is difficult to make a product stand out in the crowd when it competes for shelf space with several other brands. This problem is particularly difficult for consumers packaged goods, such as groceries and health and beauty products. Marketers therefore spend millions of dollars designing and updating their packages to be more appealing and eye catching (Pierre Chandon, 2009)\(^{59}\).

ix. **Temporal State:**

Our state of mind at any particular time can alter our perceived notions of what the consumers are going to purchase. For instance, some people are “morning people”, whereas others function better at night. A purchase situation may thus have different appeal levels depending on the time or the type of person the consumer is, mood swings can alter consumer behaviour.

All the factors that affects the consumers decision process that the researcher has discussed - the marketing mix, psychological factors, social factors, and situation of factors- or factors are impacted by the level of consumer involvement.

**2.13. PROBLEMS ON SERVICES IN RETAILING**

Retail service is a process which occurs during a period of time. It involves a number of steps such as the consumer entering the store, selecting items, purchasing the items and leaving the store. Retailer can draw a map of the process by using a flow chart\(^{60}\). This shows the links between the different steps of the service process and, in particular, the
interrelationships between the service encounter and the activities in the whole service process. Problems on services in retailing mean service recovery of the retailers (Neha Puri, 2013). It is perceived that the retailer will correct a problem in dealing with a particular customer. When something has gone wrong with the services process, the problem becomes very quickly obvious. The retailer needs to respond to those problems promptly and reliably. This means that sales staff should have the power to make decisions on behalf of retailer with little or no referral to their managers except in serious matters. However, the dissatisfied customer needs to be confident that the retailer will listen to and act on the complaint. They should be reassured that any changes taken will be lasting, and management will take the necessary steps to prevent the problem of recurring. The retailer should, however, monitor the services as part of the process of continuous improvement. This helps to identify significant problems and to deal with them.

2.14. SERVICE AND THE SHOPPING EXPERIENCE

Our shopping experience has two basic elements. The first element relates to the outcome of the shopping trip in terms of the products that the consumers buy as these should be appropriate to the lifestyle and current needs, and be of value for the money spent. So the consumers may need a range of relevant services such as information on the product itself, delivery of bulky items, sometimes finance for major items and guarantees that appliances will continue to work.

The second element is the shopping process itself. Many people focus on the products they buy. They are concerned mostly with the outcome in terms of goods that are value for money and appropriate for their needs. So they just want shopping to be as stress-free as possible. Many people, however, particularly when not shopping for essential groceries, see shopping as an important leisure activity. So they positively want shopping to be an enjoyable activity in itself. Depending on what the consumer is shopping for, the consumer wants pleasant surroundings, accessible products, friendly and helpful sales staff, and more.

In order to meet these two customer requirements the retailer must offer two different kinds of services namely Outcome-related services that are related to the products bought and Process-related services that are related to the shopping process.

Outcome-related services include various indirect and direct services to ensure the goods that the consumer buys continue to support the consumer’s lifestyle. They may be offered before or after purchase and include: Pre-purchase design and advice services, such as
for kitchens, Refunds and exchanges for unwanted gifts or change of mind purchases, Extended warranties on appliances, Home delivery services, Arranging credit facilities, Help lines; and customer contact points, particularly through company websites.

Process-related services improve the customer shopping process and are directly linked to the service encounter, which is a vital part of the customer-retailer relationship. They include: In-store service, where sales assistants offer help and advice to come customers, Providing product information, fact sheets and leaflets, Demonstration and video displays, Product testing by the retailers and the customer, such as changing rooms for clothes or hands-on trials by customers of electronic products, Gift-wrapping and A customer help desk.

2.15. USING SERVICES AS PART OF THE BRAND

Customer service is more than just an element of the product mix. It extends the marketing functions after the sale of the product. A customer-oriented retailer embodies the principles and standards of service in its service policy. These policies are an important part of the company’s strategy and help retail firms attain their goals. Some retailers, for example, are well known for the high-quality service they offer. This image helps them to gain significant competitive advantages.

A retailer can often use certain types of additional services to help them increase their market share. For instance, in the grocery sector, firms like Sainsbury introduced finance and mortgages as an additional service benefit for the customer. The issue of ‘copycat’ policies may also contribute to the increasing more towards in-store services. In a bid to out-manoeuvre the competition, retailers frequently use the services they offer to encourage and sustain customer loyalty.

2.15.1. Role of Expectation

Expectations vary depending on the type of store. Customers expect a super-market to provide convenient parking, to be open from early morning to late evening, to have a wide variety of fresh and packaged food that can be located easily, to display products, and to offer fast checkout. They don’t expect the supermarket to have store employees stationed in an aisle to offer information about groceries or how to prepare meals. On the other hand, when these same customers shop in a specialty store, they do expect the store to have knowledgeable salespeople who can provide information and assistance.
Since expectations aren’t the same for all types of retailers, a customer may be satisfied with low levels of actual service in one store and dissatisfied with high service levels in another store. For example, customers have low service expectations for self-service retailers such as discount stores and supermarkets.

### 2.15.2. Perceived Service

Customers base their evaluations of store service based on their perceptions. While these perceptions are affected by the actual service provided, service due to its intangibility is often hard to evaluate accurately. Five customer service characteristics that customers use to evaluate service quality are reliability, assurance, tangibility, empathy, and responsiveness. Some cues that customers use to assess these service characteristics are shown below:

- **Reliability** includes Accuracy of billing, meeting promised delivery dates.
- **Assurance** means Guarantees and warranties and return policy.
- **Tangibility** includes Appearance of store, salespeople.
- **Empathy** means Personalized service, receipts of notes and e-mails, recognition by name.
- **Responsiveness** includes Returning calls and e-mails, giving prompt service.

Customer evaluations of service quality are often based on the manner in which store employees provide the service, not just the outcome.

### 2.16. SUMMARY

The Indian retail market is expected to grow at a much faster rate than the present growth. There have been different predictions on the growth of the retail industry. India’s vast middle class and untapped market are two reasons for interest among the retail players for the Indian market. In view of the importance of retail business to the society, it is important to know the various services related with retail marketing and the consumers’ attitude towards retail marketing services.
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