Chapter- I
INTRODUCTION

1. Introduction

1.2. Consumer perception:

1.3. Why consumers’ perception is important for businesses

1.4. Impact factors on customer perception

1.5. Brand perception

1.6. Consumer buying behavior

1.7. Impact of advertising on consumer behavior

1.8. Introductions to Indian textile industry

1.9. Market size

1.10. Apparel retail industries

1.10.1. Export highlights

1.11. Apparel export promotion council

1.12. Indian retail industry

1.12.1. Retail

1.13. Evolution of the Indian retail sector

1.14. Retail industry in India

1.14.1. Market Size

1.14.2. Retailing format

1.14.2.1. Department store

1.14.2.2. Discount store

1.14.2.3. Warehouse store
1.14.2.4. Variety store
1.14.2.5. Demographic
1.14.2.6. Mom-And-Pop
1.14.2.7. Specialty store
1.14.2.8. Boutique
1.14.2.9. General store
1.14.2.10. Convenience store
1.14.2.11. Hypermarkets
1.14.2.12. Supermarket
1.14.2.13. Mall
1.14.2.14. "Category killer" or specialist
1.14.2.15. E-tailer
1.14.2.16. Vending machine
1. INTRODUCTION

There have been paradigm shifts in shopping patterns and retailing practices across different countries. The consumer psyche, needs and expectations have transformed over the last few decades in India. The Indian textile and apparel industries are among the leading industries in the world. Apart from providing basic necessities of life, its role in economic growth is significant. Now shoppers look for brands which reflect their personalities, identities and attitudes, and at the same time they seek greater value in what they purchase. These transformations are natural for a society which is becoming increasingly globalised. Progress the retail sector is a logical extension of ongoing economic and market reforms in an emerging economy like India. Consumerism is fast becoming a way of life. Here in this chapter researcher tried to get some clear idea about the concepts of consumer perception and buying behavior in apparel retail sector.

1.2. CONSUMER PERCEPTION:

To understand the consumer perception and behavior, first it is necessary to understand consumer. “A consumer unit is one or more persons who collectively generate income and allocate it for consumption among the members of the unit”.

Walters et al (1989) define perception as the entire process by which an individual becomes aware of the environment and interprets it so that it will fit into his or her frame of reference. Van der Walt (1991) adds that perception occurs when sensory receptors receive stimuli via the brain, code and categorize them and assign certain meanings to them, depending on the person's frame of reference.

Solomon (2006) defines perception as an analytic and synthetic process where the information is selected out and then synthesized into a world picture using elements taken from our memory. The American Marketing Association (AMA, 2007) defines perception as follows: ‘Based on prior attitudes, beliefs, needs, stimulus factors, and situational determinants (i.e. factors specific to the situation), individuals perceive objects, events or people in the world about them. Perception is the cognitive impression that is formed of reality which in turn influences the individual's actions and behavior towards the object’

Different customers may perceive one and the same product or service in different ways. A customer's perception of an offering may even deviate from what the producer or service provider or marketer had intended. This may cause serious problems in today's attention economy. Everybody is exposed to more and more diverse information than ever before. It is hard enough for an offering to get a potential customer's attention at all. If the customer's perception of this offering is an unfavorable one, it probably will not get a second chance to make a better impression.
1.3. WHY CONSUMERS PERCEPTION IS IMPORTANT FOR BUSINESSES

In today’s globalizing economy competition is getting more and fiercer. That means it becomes more difficult for products and services to differentiate themselves from other offerings than ever before. Not only is the number of competitive offerings rising due to globalization of production, sourcing, logistics and access to information. Many products and services face new competition from substitutes and from completely new offerings or bundles from industry outsiders. Since product differences are closed at an increasing speed and many companies try to win the battle for customers by price reductions, products and services tend to become commodities.

On the other hand, customer behavior becomes more hybrid. On one hand, customers are increasingly price sensitive – searching for bargains at marketplaces like eBay or buying their groceries at discount markets. On the other hand they enjoy branded and luxury goods. One and the same person may plan a weekend trip with a no-frills airline and a stay at a five-star-hotel. In the result, customers have a wider choice of often less distinguishable products and they are much better informed. For many offerings the balance of power shifts towards the customer. Customers are widely aware of their greater power, which raises their expectations on how companies should care for them.

Bringing it all together, it becomes ever more difficult to differentiate a product or service by traditional categories like price, quality, functionality etc. In this situation the development of a strong relationship between consumers and a company could likely prove to be a significant opportunity for competitive
advantage. This relationship is not longer based on features like price and quality alone. Today it is more the perceived experience a customer makes in his various interactions with a company (e.g. how fast, easy, efficient and reliable the process is) that can make or break the relationship. Problems during a single transaction can damage a so far favorable consumer perception.

1.4. IMPACT FACTORS ON CUSTOMER PERCEPTION

Consumer perception is influenced by a variety of factors. Besides the actual outcome – i.e. did the product or service deliver the expected function and did it fulfill the consumer’s need the whole process of consumption and all interactions involved are of crucial importance. In today’s globalised information driven economy this can also comprise issues like

- How other customers or influencing groups perceive the product or brand.
- The degree to which the customer feels the actual marketing campaign addresses the most important issues.
- Responsiveness and service quality of any affiliates, e.g. distribution partners.

Consumer perception is dynamic. First of all, with the developing relationship between customer and company, his perceptions of the company and its products or services will change.

The more experience the consumer accumulates, the more his perceptions will shift from fact-based judgments to a more general meaning the whole relationship gains for him. Over time, he puts a stronger focus on the consequence of the product or service consumption. Moreover, if the consumers’ circumstances
change, their needs and preferences often change too. In the external environment, the offerings of competitors, with which a consumer compares a product or service will change, thus altering his perception of the best offer around. Another point is that the public opinion towards certain issues can change. This effect can reach from fashion trends to the public expectation of good corporate citizenship. Shells intention to dump its Brent Spar platform into the ocean significantly altered many consumers perception of which company was worth buying fuel from.

1.5. BRAND PERCEPTION

Brand owners may feel they understand exactly what their brand represents. However, this image may be more reflective of their aspirations for the brand, rather than the reality of public opinion. Brand perception is owned by consumers, not brands. Regardless of your message, whatever people are thinking and saying about your brand, that is your brand. Surveys and focus groups can form an important part of any strategy in measuring and improving brand perception. One of the easiest ways to research what people are saying about your brand is to use social listening to find relevant brand mentions within the billions of unedited online conversations.

1.6 CONSUMER BUYING BEHAVIOR

The actions a person takes in purchasing and using products and services, including the mental and social processes that precede and follow these actions can be called as consumer behavior.

The consumer behavior refers to the behavior of consumers indeciding to buy or not to buy, use or not to use of certain products which satisfy their needs. It
also refers to the use of scarce resources like (a) time, (b) money and (c) effort on consumption items. Simply, the consumer behavior tries to answer the given below questions.

The consumer behavior is a multi-disciplinary field as an applied science. The marketing offers various needs of human wants satisfying the needs by means of offering them for improving better quality of life rather than a mere standard of living. Put it in other words, the consumer behavior is interwoven with the emergence of marketing discipline and has extended to phenomenon of research. However, Indian consumer demonstrates core values.

Irrespective of education, commitment, etc., every consumer whose decision has wide ranging implications upon the economy whether it is local, national or global. In view of the above, a consumer is defined thus “Display of consumer behavior in searching for, purchasing, using, evaluating and disposing of products and services satisfying their needs”. The study of consumer behavior consists of conflicting needs; crave for new product and service, an increase of indifference towards advertisement, specific preferences and willingness to shift for a product and brand choice.

Knowledge on behavior of consumers helps the manufacturers in strategic marketing decision-making, planning new product introduction and many more activities thereto due to drastic changes which occur with respect to the multiple factors influencing the behavior of consumers. It is fact that the development of consumer behavior was preceded by deviation in the behavior of consumers. The consumer behavior, without any research of its own around sixties, developed by
drawing heavily from the studies of specialists on human behavior in different disciplines like sociology, psychology and cultural anthropology. This has become a base for development of consumer behavior models.

Consumer purchase decision process: Behind the visible act of making a purchase, lies a decision that must be investigated. The purchase decision process is the stages a buyer passes through in making choices about which products and services to buy. Engel, Blackwell and Kollat have developed in 1968 a model of consumer buying decision process in five steps. These are five stages of consumer behavior:

- Problem recognition
- Information search
- Alternative evaluation
- Purchase decision
- Post purchase behavior

The study of consumer behavior is now a full-fledged discipline with strong and growing body of a scientifically meaningful research. The comprehensive presentation of different models dealing with consumer decision-making, the role of family in purchase decisions, extent and varying influence of family members on decision-making, etc., have become imperative as the studies tried to enhance the knowledge of consumer behavior with regard to learn to buy, use and maintain their products.

1.7 IMPACT OF ADVERTISING ON CONSUMER BEHAVIOUR

Advertising is a socio-psychological art and assumed as one of great and increasing aspect. The significance and influence of advertising on consumer behavior or the importance attached to advertising will be evident by the growth in
the size of advertising. Magnificent growth in advertisers' size of operation indicates the significance of advertising to marketer in influencing consumer behavior. Marketer speaks to consumer about the product, price and place with the help of advertising which in turn is controlled by consumer by viewing or not-viewing.

The role of advertising is significant as a communication device in propagation and spread of products and uses by creating awareness, changing attitudes, associate feelings which the brand and precipitating action. Because advertising being an important input of economic growth, major part of consumers time is spent countering advertisement from television, radio, cinema, magazines, hoardings, and display at retail shops.

1.8 INTRODUCTION TO INDIAN TEXTILE INDUSTRY

The textile and apparel industry can be broadly divided into two segments - yarn and fiber, and processed fabrics and apparel. India accounts for ~14 per cent of the world's production of textile fibers and yarns (largest producer of jute, second largest producer of silk and cotton, and third largest in cellulosic fiber). India has the highest loom capacity (including hand looms) with 63 per cent of the world's market share.

The domestic textile and apparel industry in India is estimated to reach US$ 141 billion by 2021 from US$ 67 billion in 2014. Increased penetration of organized retail, favorable demographics, and rising income levels are likely to drive demand for textiles. India is the world's second largest exporter of textiles and clothing.

Textile and apparel exports from India are expected to increase to US$ 82 billion by 2021 from US$ 40 billion in 2014. Readymade garments remain the
largest contributor to total textile and apparel exports from India. In FY15 the segment had a share of 40 per cent of all textile and apparel exports. Cotton and man-made textiles were the other major contributors with shares of 31 per cent and 16 per cent, respectively.

Rising government focus and favorable policies is leading to growth in the textiles and clothing industry. Foreign direct investment (FDI) in textile sector increased to US$ 1,587.8 million in FY15 from US$ 1,424.9 million in FY14. The Ministry of Textiles is encouraging investments through increasing focus on schemes such as Technology Up-gradation Fund Scheme (TUFS). To promote apparel exports, 12 locations have been approved by the government to set up apparel parks for exports. As per the 12th Five Year Plan, the Government plans to provide a budgetary support of US$ 4.25 billion to textiles. Free trade with ASEAN countries and proposed agreement with European Union will also help boost exports.

India's textiles sector is one of the oldest industries in Indian economy dating back several centuries. Even today, textiles sector is one of the largest contributors to India's exports with approximately 11 per cent of total exports. The textile industry is also labor intensive and is one of the largest employers. The industry realized export earnings worth US$ 41.4 billion in 2014-15, a growth of 5.4 per cent, as per The Cotton Textiles Export Promotion Council (Texprocil). The textile industry has two broad segments. First, the unorganized sector consists of handloom, handicrafts and sericulture, which are operated on a small scale and through traditional tools and methods. The second is the organized sector consisting
of spinning, apparel and garments segment which apply modern machinery and techniques such as economies of scale.

The Indian textiles industry is extremely varied, with the hand-spun and hand-woven textiles sectors at one end of the spectrum, while the capital intensive sophisticated mills sector at the other end of the spectrum. The decentralized power looms/ hosiery and knitting sector form the largest component of the textiles sector. The close linkage of the textile industry to agriculture (for raw materials such as cotton) and the ancient culture and traditions of the country in terms of textiles make the Indian textiles sector unique in comparison to the industries of other countries. The Indian textile industry has the capacity to produce a wide variety of products suitable to different market segments, both within India and across the world.

1.9 Market Size

The Indian textiles industry, currently estimated at around US$ 108 billion, is expected to reach US$ 223 billion by 2021. The industry is the second largest employer after agriculture, providing employment to over 45 million people directly and 60 million people indirectly. The Indian Textile Industry contributes approximately 5 per cent to India’s gross domestic product (GDP), and 14 per cent to overall Index of Industrial Production (IIP).

The Indian textile industry has the potential to reach US$ 500 billion in size according to a study by Wazir Advisors and PCI Xylenes & Polyester. The growth implies domestic sales to rise to US$ 315 billion from currently US$ 68 billion. At the
same time, exports are implied to increase to US$ 185 billion from approximately US$ 41 billion currently.

1.10 APPAREL RETAIL INDUSTRY

Apparel is one of the basic necessities of human civilization along with food, water and shelter. The Apparel Industry reflects people’s lifestyles and shows their social and economic status. The Apparel and Textile industry is India’s second largest industry after IT Industry. At present, it is amongst the fastest growing industry segment and is also the second largest foreign exchange earner for the country. The apparel industry accounts for 26% of all Indian exports.

The growth of the domestic demand for clothing in India is linked with the success of the retailing sector. India presently has entered the second phase of growth and is witnessing a massive rise in the domestic demand. This is primarily due to the rise in the standard of living caused by the rise in the middle-income groups. In our present economic world of demand and supply, price and quality are the key factors, which determine the success of any business.

Indian textiles and apparels have a history of fine craftsmanship and global appeal. Cotton, silk and denim from India are highly popular abroad, and with the upsurge in Indian design talent, Indian apparel too has found success in the fashion centers of the world.

India is the world’s second-largest producer of textiles and apparels, with a massive raw material and manufacturing base. The industry is a significant contributor to the economy, both in terms of its domestic share and exports. It
contributes about 14 per cent to industrial production, 4 per cent to the GDP, 13 per cent to the country's total export earnings, and employs about 45 million people.

1.10.1 Export highlights

- Exports constitute almost 37 per cent of the textile and apparel industry
- India is one of the leading exporters of ready-made garments (RMG) in the world.
- Main markets for Indian textile and apparel exports are:
  - The US
  - European Union
  - Parts of Asia
  - Middle East
- In the near future, India's apparel exports to developed markets are expected to increase considerably. Total exports of textiles and apparel are expected to touch US$ 65 billion by March 2017.

1.11 APPAREL EXPORT PROMOTION COUNCIL

The Apparel Export Promotion Council (AEPC) is the official body of apparel exporters that provides assistance to Indian exporters as well as to importers/international buyers choosing India as their preferred destination for sourcing garments.

The textile and apparel industry can be broadly divided into two segments - yarn and fiber, and processed fabrics and apparel. India accounts for ~14 per cent of the world’s production of textile fibres and yarns (largest producer of jute, second largest producer of silk and cotton, and third largest in cellulosic fibre). India has the
highest loom capacity (including hand looms) with 63 per cent of the world’s market share.

The domestic textile and apparel industry in India is estimated to reach US$ 141 billion by 2021 from US$ 67 billion in 2014. Increased penetration of organized retail, favorable demographics, and rising income levels are likely to drive demand for textiles. India is the world’s second largest exporter of textiles and clothing.

Textile and apparel exports from India are expected to increase to US$ 82 billion by 2021 from US$ 40 billion in 2014. Readymade garments remain the largest contributor to total textile and apparel exports from India. In FY15 the segment had a share of 40 per cent of all textile and apparel exports. Cotton and man-made textiles were the other major contributors with shares of 31 per cent and 16 per cent, respectively.

Rising government focus and favorable policies is leading to growth in the textiles and clothing industry. Foreign direct investment (FDI) in textile sector increased to US$ 1,587.8 million in FY15 from US$ 1,424.9 million in FY14. The Ministry of Textiles is encouraging investments through increasing focus on schemes such as Technology Up-gradation Fund Scheme (TUFS). To promote apparel exports, 12 locations have been approved by the government to set up apparel parks for exports. As per the 12th Five Year Plan, the Government plans to provide a budgetary support of US$ 4.25 billion to textiles. Free trade with ASEAN countries and proposed agreement with European Union will also help boost exports.
1.12 INDIAN RETAIL INDUSTRY

1.12.1 RETAIL:

Retail comes from the Old French word *tailler*, which means "to cut off, clip, pare, divide" in terms of tailoring (1365). It was first recorded as a noun with the meaning of a "sale in small quantities" in 1433 (from the Middle French *retail*, "piece cut off, shred, scrap, paring"). Like in French, the word *retail* in both Dutch and German also refers to the sale of small quantities of items.

Retail is the selling of goods to consumers; usually in small quantities and not for resale. Retail involves the sale of goods from a single point (malls, markets, department stores etc) directly to the consumer in small quantities for his end use. In a layman's language, retailing is nothing but transaction of goods between the seller and the end user as a single unit (piece) or in small quantities to satisfy the needs of the individual and for his direct consumption.

Retailing: Commercial transaction in which a buyer intends to consume the good or service through personal, family, or household use.

1.13 EVOLUTION OF THE INDIAN RETAIL SECTOR

The origins of retailing in India can be traced back to the emergence of Kirana stores and mom-and-pop stores. These stores used to cater to the local people. Eventually the government supported the rural retail and many indigenous franchise stores came up with the help of Khadi & Village Industries Commission. The economy began to open up in the 1980s resulting in the change of retailing. The first few companies to come up with retail chains were in textile sector, for example, Bombay Dyeing, S Kumar's, Raymond's, etc. Later Titan launched retail showrooms
in the organized retail sector. With the passage of time new entrants moved on from manufacturing to pure retailing.

Retail outlets such as Food world in FMCG, Planet M and Music world in Music, Crossword in books entered the market before 1995. Shopping malls emerged in the urban areas giving a world-class experience to the customers. Eventually hypermarkets and supermarkets emerged. The evolution of the sector includes the continuous improvement in the supply chain management, distribution channels, technology, back-end operations, etc. this would finally lead to more of consolidation, mergers and acquisitions and huge investments.

1.14. RETAIL INDUSTRY IN INDIA:

Introduction

The Indian retail industry has emerged as one of the most dynamic and fast-paced industries due to the entry of several new players. It accounts for over 10 per cent of the country’s Gross Domestic Product (GDP) and around 8 per cent of the employment. India is the world’s fifth-largest global destination in the retail space.

1.14.1 Market Size

The Boston Consulting Group and Retailers Association of India published a report titled, ‘Retail 2020: Retrospect, Reinvent, Rewrite’, highlighting that India’s retail market is expected to nearly double to US$ 1 trillion by 2020 from US$ 600 billion in 2015, driven by income growth, urbanization and attitudinal shifts. The report adds that while the overall retail market is expected to grow at 12 per cent
per annum, modern trade would expand twice as fast at 20 per cent per annum and traditional trade at 10 per cent.

Retail spending in the top seven Indian cities amounted to Rs 3.58 trillion (US$ 57.6 billion), with organized retail penetration at 19 per cent as of 2014. Online retail is expected to be at par with the physical stores in the next five years. India is expected to become the world’s fastest growing e-commerce market, driven by robust investment in the sector and rapid increase in the number of internet users. India’s e-commerce market is estimated to expand to over US$ 100 billion by 2020 from US$ 3.5 billion in 2014.

1.14.2 RETAILING FORMAT

1.14.2.1 Department store

Department stores are very large stores offering a huge assortment of "soft" and "hard" goods which often bear a resemblance to a collection of specialty stores. A retailer of such store carries a variety of categories and has a broad assortment of goods at average price. They offer considerable customer service.

1.14.2.2 Discount store

Discount stores tend to offer a wide array of products and services, but they compete mainly on price. They offer extensive assortments of merchandise at affordable and cut-rate prices. In the past, retailers sold less fashion-oriented brands. However, in more recent years’ companies such as TJX Companies (Own T.J. Maxx and Marshalls) and Ross Stores are discount store operations increasingly offering fashion-oriented brands on a larger scale.
1.14.2.3 Warehouse store

Warehouses that offer low-cost, often high-quantity goods piled on pallets or steel shelves; warehouse clubs charge a membership fee.

1.14.2.4 Variety store

Variety stores offer extremely low-cost goods, with limited selection.

1.14.2.5 Demographic

Retailers that aim at one particular segment (e.g., high-end retailers focusing on wealthy individuals).

1.14.2.6 Mom-And-Pop

A small retail outlet owned and operated by an individual or family. Focuses on a relatively limited and selective set of products.

1.14.2.7 Specialty store

A specialty store has a narrow marketing focus either specializing on specific merchandise, such as toys, shoes, or clothing, or on a target audience, such as children, tourists, or plus-size women. Size of store varies — some specialty stores might be retail giants such as Toys "R" Us, Foot Locker, and The Body Shop, while others might be small, individual shops such as Nutters of Savile Row. Such stores, regardless of size, tend to have a greater depth of the specialist stock than general stores, and generally offer specialist product knowledge valued by the consumer. Pricing is usually not the priority when consumers are deciding upon a specialty store; factors such as branding image, selection choice, and purchasing assistance are seen as important. They differ from department stores and supermarkets which carry a wide range of merchandise.
1.14.2.8 Boutique

Boutique or concept stores are similar to specialty stores. Concept stores are very small in size, and only ever stock one brand. They are run by the brand that controls them. An example of brand that distributes largely through their own widely distributed concept stores is L'OCCITANE en Provence. The limited size and offering of L'OCCITANE's stores are too small to be considered a specialty store proper.

1.14.2.9 General store

A general store is a rural store that supplies the main needs for the local community.

1.14.2.10 Convenience store

A convenience store provides limited amount of merchandise at more than average prices with a speedy checkout. This store is ideal for emergency and immediate purchase consumables as it often works with extended hours, stocking every day.

1.14.2.11 Hypermarkets

Provides variety and huge volumes of exclusive merchandise at low margins. The operating cost is comparatively less than other retail formats.

1.14.2.12 Supermarket

A supermarket is a self-service store consisting mainly of grocery and limited products on non food items. They may adopt a Hi-Lo or an EDLP strategy for pricing. The supermarkets can be anywhere between 20,000 and 40,000 square feet (3,700 m²). Example: SPAR supermarket.
1.14.2.13. Mall

A shopping mall has a range of retail shops at a single outlet. They can include products, food and entertainment under one roof. Malls provide 7% of retail revenue in India, 10% in Vietnam, 25% in China, 28% in Indonesia, 39% in the Philippines, and 45% in Thailand.

1.14.2.14. "Category killer" or specialist

By supplying wide assortment in a single category for lower prices a category killer retailer can "kill" that category for other retailers. For few categories, such as electronics, the products are displayed at the centre of the store and sales person will be available to address customer queries and give suggestions when required. Other retail format stores are forced to reduce the prices if a category specialist retail store is present in the vicinity.

1.14.2.15. E-tailer

The customer can shop and order through the internet and the merchandise is dropped at the customer's doorstep or an e-tailer. Here the retailers use drop shipping technique. They accept the payment for the product but the customer receives the product directly from the manufacturer or a wholesaler. This format is ideal for customers who do not want to travel to retail stores and are interested in home shopping.

1.14.2.16. Vending machine

A vending machine is an automated piece of equipment wherein customers can drop the money in the machine and acquire the products. Some stores take a no
frills approach, while others are "mid-range" or "high end", depending on what income level they target.
References


2. The American Marketing Association (AMA, 2007), https://www.ama.org/resources


4. Technopak’s Textile & Apparel (T&A) Compendium 2015, Amit Gugnani | Sr. Vice President, KantiPrakash Brahma| Principal Consultant, p.29-42


6. AEPC Vision 2015 for the Apparel Sector, p. 3-4

7. Apparel industry to triple revenue by 2020: Report Clothing Manufacturers Association of India (CMAI)
