CHAPTER 10
SUMMING UP AND END NOTES

Trends Observed in the Kolkata Retail Industry with special emphasis to Apparel Retail Industry

Store Location:

With primary locations becoming exceedingly scarce, many mall developers and management teams have opted to revitalize their existing facilities in the central shopping zone of the city. Many single storey configurations have added second and third levels, and outdoor environments have become enclosed structures. With this expansion, the two traditional two anchor concept will gradually give way to malls with as many as five or six anchors. Today, with a great resurgence in Kolkata city living, the downtown areas are reinventing themselves to become the thriving shopping attraction. Instead of using all of the available space in a mall to house stores, the trend is for different types of facilities to be interspersed among the retail operations. For example, more shopping centres are incorporating multiplex movie theaters, restaurants, attraction, and even housing complexes into their locations. Off-price centres have developed in every part of the city as places where bargain – hunting shoppers can satisfy their purchasing needs. Freestanding stores can only be successful if the retailer is a high-profile operation that will draw consumers without the aid of other retailers. Specific site selection should based upon such factors as leasing or outright ownership cost, neighbouring tenants, competition, transportation accessibility, pedestrian traffic and entertainment facilities. Although the top locations in downtown shopping districts are also earmarked for the big retailers, smaller stores can sometimes find sites on side streets where the rents are relatively lower. Smaller-city downtown areas or secondary central downtown areas often have spaces the small fashion merchants can afford; also there are many mini-malls throughout the city, usually composed of boutiques and speciality shops that are perfect for small retailers. These locations often provide sufficient traffic in the mid market. Neighbourhood clusters, small strip centres and suburban main streets are usually good choices for small fashion retailers as because they attract a significant amount of local traffic and consumer interest.
Customer Service:

Personal Shopping Service: The number of personal shoppers, both on- and off-site, is increasing nowadays. Recognizing the fact that time limitations are often the cause of decreased customer patronage, more retailers are increasing the size of their personal shopping staffs. The retailers should design individual rooms where personal shoppers can be served refreshments while they examine merchandise selected especially for them and the fashion retailers should also provide interactive service on their websites to offer this personalized shopping experience to off-site shoppers.

Expansion of dining facilities: Retailers are installing different types of eating establishments, ranging from the quick-snack variety to the full service restaurant, so that customers don't have to leave the retail premises to satisfy their hunger. Those who do not offer dining run the risk of customer not returning to the store after they leave it to eat and consequently making fewer purchases.

Concierge service: The retailers should make the shopping experience more pleasurable one by offering such services as obtaining cab and cars, assisting shoppers by carrying heavy packages to their cars, and arranging for their theatre tickets or dinner reservation.

Corporate buying programme: With many large companies in the market to purchase gifts for their staffs and clients, retailers should establish special corporate buying programmes that address their needs and should try to offer special discounts to their corporate accounts.

Promotion:

Increase in direct mail usage: Fashion retailers should make significant use of catalogs to reach their clientele which should be read more frequently by the customers. And at the same time the retailers should try to combine product advertisements with news information.

Decrease in Institutional Advertising: In place of institutional advertising, the success of which is difficult to measure, retailers are turning more to the promotional types that if successful, immediately translate into sales. Although the in-store promotions are still very important to fashion retailers, the storewide events have decreased considerably.

Cooperative advertising advances: As the costs of advertising continue to upwardly spiral, fashion retailers are demanding that their merchandise resources share expenses before they place their orders. To compete in the highly competitive fashion arenas, where retailers are
reducing their advertising budgets, the sharing of these expenses is the only way many can continue their promotional campaigns.

*Decrease in major fashion show presentations:* While fashion shows continue to play an important role in the retailer's promotional endeavour, the use of the extravaganza has significantly decreased. Instead of spending large sums for these events, more fashion retailers are implementing runway parades and informal in-store modeling.

**Private Labels and Brands:**
An increase in the proportion of private labels in the merchandise mix can be observed. Most every major department store is increasing its proportion of private label merchandise to the national brands. With private label business now at an all time high of around thirty-five percent, it's obvious that the trend is likely to continue. Licensing agreement between the brands and the retailers are on the rise. Partnering is becoming an important factor in private retailer relationship. With the departments store's continuing decline in importance in apparel fashion retail industry, some of the major companies are entering into agreements with other retail operations to compete with speciality stores. Expansion of established "store in the brand" concepts can be observed and many successful retailers of this type of private branding are expanding their operations to capture other segments of the fashion market. Resident buying office expansion in private label offerings can also be observed. With many of those in retailing either too small to engage in their private label programs or not sufficiently experienced to compete with others in the field, many of the fashion marketing specialists are either adding private labels to their offerings or expanding those programs that are already in place to handle the increasing needs of their clients.

**Inventory Pricing:**
Retailers in every level of fashion merchandising are experiencing higher cost of operation. To cover these rising expenses, many are increasing their markup percents. Where keystone markups were once considered standard practice, this approach is fast becoming a dinosaur in fashion retailing. Retailers are also using the larger initial markups in anticipation of the markdowns that will eventually take place.

With fashion retailers introducing more of their exclusive private brands and labels, the prices they are able to charge for them are on the increase. Without the fear of competition for their own products, many continue to use these brands and labels as a means of bringing greater profits to their organisations.

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One of the major concerns of retailers is the amount lost to shoplifting, internal theft and internet fraud. These losses have caused many retailers to increase their prices. The greater markups do not bring extra profits to the company, but merely cover the losses. Rather than wait for traditionally established periods in which to take markdowns, the vast majority of fashion retailers are reacting quickly to shoppers rejection of certain styles and are reducing their prices as deemed necessary by the merchandising team.

Decrease in uniform companywide markups is observed. Where some fashion operations once used a uniform approach to marking up their goods, the practice has become less prevalent. Competition among different product classifications has led buyers and merchandising managers to a system that addresses each item more carefully and is assigning prices that meet the competition.

Organisational Structure:
The retailers should do restructuring to accommodate multichannel expansion. When department stores in particular expanded their catalogue operations, many initially opted to make this division part of their brick-and-mortar operations. Similarly, those retailers who saw that the internet had the potentiality or those who identified rural retail market in the apparel division as a potential market to increase revenues, they tried to change their organisational structure to make the overall operation function more efficiently.

Today the trend is for the major multichannel retailers to adjust and expand their tables of organisation and separate their three functions into separate channels. The acquisition of department stores by major retail groups has become a dominant trend and for which staff consolidation is likely to continue as well.

Much of the growth in large-scale retailing has come about by expansion into new trading areas. Although centralization was once the forte of the chain organisation, this expansion has necessitated some decentralization of functions. Merchandise distribution, for example has now been decentralized to include regional operations. If the stores are far from the single distribution centre, the time it will take for the merchandise to reach many of the units was both inefficient and costly.

Most of the Indian retailers and brands have grown up from small business units and they are not professionally managed enough to successfully manage the growth of the business, so as a result more systematised and professional approach are required.

Challenges Ahead in front of the Retailers
Infrastructure

Even though there is huge investment coming especially in the area of retail space development in the form of mall development, the challenges remain same from a retailer's view point as the cost to acquire retail space in mall is increasing. Researchers from Knight Frank India, a real estate consultancy, cipher that rentals in established malls in top metros have jumped by 20-30% in the last six months. Generally retailers work out a rent-to-revenue ratio with developers at which they feel they can sustain their business. Normally, this figure varies between 4% for a hypermarket (that is, rent will constitute 4% of revenues) and 10% for a department store, to nearly 20% for very niche retailers. But, at a monthly rate of Rs 200 per sq ft, a department store might have to make Rs 2,000 per sq ft per month just to break even. In such a scenario the reality of retail business could change and sustaining profitable business could pose the highest threat of its kind.

Technology

Technology is going to play a major role in retail development in India. Retailers are going to experience the impact of technology in retail. Currently most of the retailers are operating almost everything manually. A country where almost 97 percent of retailing is in the hand of unorganized retailers it is predictable that the retailers are going have operational inefficiency. They face several challenges like maintaining inventory, ordering and above all keeping track of customer by maintaining consumer database. Technology can be useful in this aspect. Most of the organized retailers are using available and affordable technology to capture consumer information. Modern retailers are using scanner data to figure out answer to lot of questions. Through technology retailers can capture a whole lot of segmentation variables and subsequently use them for shopper segmentation. Technology helps to take better decision in some critical areas such as new product introduction, suitable product offering, quicker ordering and assortment planning. Retailers use shopper's loyalty data to design customized promotional offering for different set of customers.

Supply chain

Till now most retailers in India have invested majorly into the front end but relatively little on the back end and supply chain. Even in countries like the USA, Germany and England where organized retail is highly developed supply chain efficiency is a concern. The nature of retail sector in India is different from other countries around the world. The biggest retailer in India, Pantaloons Retail is yet to open stores in each & every major city in India. Probably that is an
indication of how the retail concentration is happening mainly in big cities. The sector is highly fragmented and organized retail contributes hardly 3-4 percent of total retailing pie. There are huge inefficiencies in the supply chain. The most important part of retailing business is to find a balance between investing in front-end and back-end operations. The channel dynamics is going to change over next couple of years the retailers start growing in size and their bargaining power is likely to increase. Probably that would bring some kind of mutual understanding between manufactures and retailers to develop strong supply chain network. In such a scenario, both the existing operators and new operators must put collaborative efforts to phase out inefficiencies in the supply chain network.

**Consumer Trend**

India is currently having the largest young population in the world and 54 per cent of India’s population is below 25 years of age and 80 per cent are below 45 years. As per India’s *Marketing Whitebook* (2006) by Businessworld, India have around 192 million households. Of these only a little over six million are ‘affluent’ – that is, with household income in excess of INR215,000. Another 75 million households are in the category of ‘well off’ immediately below the affluent, earning between INR45,000 and INR215,000. This is a sizable proportion, which offers excellent opportunity for organized retailers. The retailers should go for more trend forecasting sensing the pulses of the consumer tastes and preferences and adding up more in their service offerings.

**Drivers of Retail**

On one hand favorable demographic and psychographic changes in the Indian consumer class, rising income, international exposure, availability of quality retail space, wider brand choice and better marketing communication are some of the factors driving Indian retail. On the other side a lot depends on the preparedness of Indian retailers in terms of having suitable formats, scalable business model, appropriate technology and relevant organization capability for the success. Currently the country has a population of over one billion, 60% of which is under 30 years of age. This means majority of the population is young and working class with higher purchasing power. The low median age of population means a higher current consumption rate which augurs well for the retail sector. Consumer spending in India has grown at over 12 percent since mid-1990s and 64 per cent of Indian GDP is accounted for by private consumption. Over the last decade, the average Indian spending has gone up from INR 5,745 in 1992-93 to INR 16,457 in 2003-04 and is expected to grow around its trend rate of 12%.
There are fundamental but significant changes underway in this country. In January 2006, the government announced that foreign companies could own up to 51 percent of a single-brand retail company, such as Nike or Adidas. This decision would certainly encourage retailers such as Zara and Gap to enter this market. Tesco is planning to enter the market through a partnership with Home Care Retail Mart Pvt Ltd and expects to open 50 stores by 2010 (Source: "Marketing Whitebook (2006) Consumers & Markets, Marketing Whitebook (2006), p.109.)

Each and every square foot of retail space has become very much valuable to the retailers because of rising real estate cost and operating costs as a result the store managers, the category managers and the retail merchandisers have to very much planned and systematized in selecting the merchandise to be stored in the shelf space and at the same time they have to keep into consideration that they have to store maximum number of varieties regarding style, design, size and fit as per the popular customer demand all across the price point. This makes the menswear retailing more challenging and encashable.