Chapter 2

Conceptual Framework

2.1. Introduction.

2.2. Concepts relating to retail marketing.

2.3. Concepts relating to organized retailing.

2.4. Concepts relating to consumer behavior.

2.5. Concepts relating consumer behavior in retail marketing.

2.6. Concepts on Theories of Retailer strategies and related hypothesis.

2.7. Conclusions.
Chapter 2

Conceptual Framework

2.1 Introduction

The Retail Sector of Indian Economy is going through the phase of tremendous transformation. The retail sector of Indian economy is categorized into two segments such as organized retail sector and unorganized retail sector with the latter holding the larger share of the retail market. At present the organized retail sector is catching up very fast. The impact of the alterations in the format of the retail sector changed the lifestyle of the Indian consumers drastically. The evident increase in consumerist activity is colossal which has already chipped out a money making recess for the retail sector of Indian economy. With the onset of a globalized economy in India, the Indian consumer's psyche has been changed. People have become aware of the value of money. Nowadays the Indian consumers are well versed with the concepts about quality of products and services. These demands are the visible impacts of the Retail Sector of Indian Economy. Since the liberalization policy of 1990, the Indian economy, and its consumers are getting whiff of the latest national and international products, the with help of print and electronic media. The social changes with the rapid economic growth due to trained personnel’s, fast modernization; enhanced availableness of retail space is the positive effects of liberalization.
2.1.1 The Growth Factors of the Retail Sector of Indian Economy

- Increase in per capita income which in turn increases the household consumption
- Demographical changes and improvements in the standard of living
- Change in patterns of consumption and availability of low-cost consumer credit
- Improvements in infrastructure and enhanced availability of retail space
- Entry to various sources of financing

The infrastructure of the retail sector will evolve radically. The emergence of shopping malls is going steady in the metros and there are further plans of expansion which would lead to 150 new ones coming up by the year 2008. As the count of super markets is going up much faster than rate of growth in retail sector, it is taking the lions share in food trade. The non-food sector, segments comprising apparel, accessories, fashion, and lifestyle felt the significant change with the emergence of new stores formats like convenience stores, mini marts, mini supermarkets, large supermarkets, and hyper marts. Even food retailing has became an important retail business in the national arena, with large format retail stores, establishing stores all over India. With the entry of packaged foods like MTR, ITC Ashirbad, fast foods chains like McDonald's, KFC, beverage parlors like Nescafe, Tata Tea, Café Coffee and Barista, the Indian food habits has been altered. These stores have earned the reputation of being 'super saver locations'.

With the arrival of the Transnational Companies (TNC), the Indian retail sector will confront the following round of alterations. At present the Foreign Direct Investments (FDI) is not encouraged in the Indian organized retail sector but once the TNC'S get in they would try to muscle out their Indian counterparts. This would be challenging to the retail sector in India.
2.1.2 The Future Trends of the Retail Sector of Indian Economy

- The retail sector of Indian economy will grow up to 10 percent of total retailing by the year 2010.
- No one single format can be assumed as there is a huge difference in cultures regionally.
- The most encouraging format now would be the hypermarts
- The hypermart format would be further encouraged with the entry of the TNC's

India is witnessing an unprecedented consumption boom. The economy is growing between 8 to 10 percent and the resulting improvements in income dynamics along with factors like favorable demographics and spending patterns are driving the consumption demand. Retail Industry of India is ranked among the ten largest retail markets in the world. The shift of attitude of the Indian consumer in terms of "Choice Preference", "Value for Money" and the emergence of organized retail formats have transformed the According to the report of Global Retail Development Index (GRDI), India is on the first position, continuing for two years (2005 and 2006), among 30 countries as the world's most attractive market for mass merchant and food retailers seeking overseas growth.

Organized retail represents a large untapped market in India that is likely to see tremendous growth in the coming years. New entrants are bound to see large returns. However, they must adapt themselves to the unique state of retail in India where infrastructure and regulations provide little support. They must also understand the tastes of the Indian consumer who has only recently started treating retail as a form of leisure. Meanwhile organized retail will continue to displace many unorganized retailers who are no competition for the large-scale corporations. Those street-vendors of the bottom or unorganized retail will be forced to turn back to agriculture or some other form of livelihood. Yet, corner-stores and hawkers will continue to be a part of the Indian retail experience. These retailers have always survived on small, diverse sales with small margins. In that regard, they do not compete in the same market as organized retail. The Indian consumer may have undergone a transformation, but the
transformation is only partial. His higher income, increased exposure and greater willingness to spend will spur the organized retail sector. Meanwhile the conveniences of home-delivery, purchases on credit and proximity offered by the unorganized sector will drive him to the nearest corner store or street vendor for his small, just-in-time purchases. Organized retailers are unlikely to worry about the threat of unorganized retail as both forms of the retail business cater to different preferences.

The theoretical framework of this study is represented as follows:
2.2 Concepts Relating to Retail Marketing

The central idea behind retail marketing is ensuring that a company creates products a customer needs or wants, products the customer is willing to pay to own. Some companies have retail marketing departments within their office while others outsource marketers to research and market their product. Using diverse approaches to
studying consumer behavior, marketers inventing creative ways to attract shoppers to a product.

1. Basics

The essence behind retail marketing is to develop merchandise and services that satisfy particular customer needs. Beauty travel clothing and food products advertised online, in print and on TV undergo marketing analysis and research to find out if consumers will want the product and how much they are willing to spend to have it. Retail marketers must supply the product or service at prices that will produce profits for that brand.

2. Customer Needs

Retail marketers make customer needs their priority. If shoppers seem to only be interested in environmentally friendly makeup products, any cosmetics company still selling animal-tested products will go under. Retail marketing researchers study how customers use products and how they like to shop. Retail marketing is only profitable through correctly anticipating, identifying and satisfying customer needs and wants.

3. Strategies

According to Lars Perner, Ph.D., in the department of marketing at the University of Southern California, market research ensures that companies produce what customers really want and not what companies think they want. New products generally start off slow in the marketplace before spreading to more consumers.

Retailer marketers keep in mind that, when introducing a new product, companies need to be financed enough so that they can remain in business until their product hits big. Retail marketers understand the importance in pleasing initial customers because shoppers are, in turn, responsible for spreading the word about a brand.

4. Research

Two kinds of market research help companies and advertisers decide what to create and how to attract an audience to it. Primary research is research a marketing firm
designs and administers itself. Having volunteer taste-testing kinds of chocolate or makeup brands, for instance, tells marketers which types consumers prefer overall.

Secondary research involves using information that others have already put together, such as demographic statistics showing what age group watches the most television in the evening. Retail marketers use that information to sell their product at those commercial time slots.

5. Making Profit

The most important concept behind retail marketing is that the product sells and creates a profit. If production exceeds demand, or the product advertising makes false claims a consumer will spread bad press about, the project fails and lots of money is lost. Retail marketing mixes both an urgency to sell a product and a tasteful and a truthful—though often exaggerated—communication with the public.

2.2.1 Retail Format

a. Hypermarket: Big Bazaar

Big Bazaar stocks all household products under one roof, spreading over an area of 30,000 sq. ft. Big Bazaar is India’s first hypermarket in discount format. It provides more than 200,000 items, which include food, grocery, utensils, kitchen needs, home needs, bath needs, toys, stationary, electronics and white goods. As it has adopted the format of a discount store hypermarket, it has price as its principal value proposition. Big bazaar targets upper-, lower- and middle-class customers and offers the lowest available price without coupon clipping for discount. Big bazaar operates under three formats, namely the hypermarket spread over 30,000 to 60,000 sq. ft., the express format that spreads over 15,000–20,000 sq. ft. and the super format that spreads over 100,000 sq. ft. These stores are normally located in high-traffic areas.
b. Departmental stores: Shoppers Stop

Shoppers Stop is an Indian departmental store promoted by K Raheja Corp group. The store offers a complete range of apparel and lifestyle accessories for the entire family. With its wide range of merchandise, exclusive in shop counters with international brands and world-class consumer service. Shoppers Stop's core customer represents a strong section a and b+ segment. It operates with several departments handling around 450 brands.

c. Supermarket: Spinach

Spinach is the retail brand of Wadhawan Food Retail Pvt. Ltd, which is owned by Delhi-based Dewan Housing Corporation, having interest in real estate and housing finance. Spinach is a pioneering concept of a neighbourhood supermarket in the city of Mumbai dealing essentially with neighbourhood food and grocery retailing. They stock fruits, vegetables, stationary and OTC medicines. It has refrigerated space for meat and fish products and also has a centralized bakery to supply bakery products. Spinach stores are located in and around residential complexes to provide easy accessibility to customers and also offer the ease of home delivery of their products.

The retail environment is dynamic with changing consumer needs, technological development, increasing competition etc., In order to attract more foot fall and to serve the customers better new retail formats are evolving. Retail format refers to the place, physical or virtual where the vendor interacts with the customers. It is a store ‘package’ that the retailer presents to the shopper. The origin of retail format can be traced back to the era of barter system. Later the development took the form of merchandise sold by peddlers and sales in the common marketplace. The social changes leading to the developments of infrastructure and transportation led to changes in the retail formats too. With the advent of travelling salesman the wholesale business took momentum. The success of the wholesale business led to the development of the department stores.

The industrial revolution, increase in the urban population, increase in the middle class income group, clustering of people in small geographical area, mass
transportation, mass manufacturing etc were conducive to the increased retail sales and retailing evolved with new dimensions in the twentieth century. The self service concept helped retailers to reduce cost as fewer sales assistants were only needed to service the customers. Further the retail boom contributed to the development of supers markets, discount stores, specialty shops, malls and e-tails.

One of the main reasons for the retail formats assuming new dimension is the consumer.

The consumers today are more challenging, demanding and is very sure of what they need. From the retailers perspective the factors like the escalation of real estate cost, increase in the prices, the challenge of retaining the customers, pressure on the need to earn more revenue have all contributed to the development of new formats.

Understanding retail formats is needed to develop strategies to achieve the objectives.

The retail formats discussed below do not fall under watertight compartments, they may overlap too. The store formats are discussed on the basis of type of ownership, store based, nonstore based and other nontraditional new formats.

d. Ownership based classification
On the basis of ownership the retail firms can be classified as independent store, chain stores, franchise, leased departments, owned by manufacturers or wholesalers or consumer cooperatives. Each ownership format differs in terms of their positioning and operating strategy. While making the decision regarding the retail format the strength and inherent weakness should be given due consideration.

e. Independent retailer
An independent retailer is one who owns and operates only one retail outlet. The outlet is usually owned by the owner cum proprietor and/or few other hands or family members working in the retail shop. Usually paid employees would be very rare or kept to minimum numbers. Many stores are passed on from generation to generation. In India a large number of retailers i.e. more than 80 percent of the total retail establishment are independent retailers called popularly as the local baniya/kirana
store. In United States these firms account for just 3 percent of the total US store sales. In India the number of independent retail stores is high due to the reasons; lack of regulations, low capital requirement, lack of other employment opportunities and employable skill set. Most the retail units have very basic offerings and over the counter service. They are highly competitive due to less cost of operation compared to large scale retailing.

f. Franchising

Franchising is one of the most common modes of expansion in retailing. A franchise is a contractual agreement between the franchiser and the franchisee which allows the franchisee to conduct a business under an established name, as per a particular business format, in return for a fee or compensation. It allows the franchisee to operate a retail outlet using the name and format of the franchiser. The franchiser provides assistance in locating and building the store, developing the products and services sold, management training and advertising.

The franchisee operates the outlet based on the norms and practices laid down by the franchiser. Franchising may be of two types; product or trademark franchising and business format franchising. A product or trade mark franchise is a case where the franchisee sells the product of the franchiser and/or operates under the franchisers name. Apart from following certain operating rules, the franchisee operates rather autonomously. The franchisee can set the operating hours, select the location, and determine the facility and the display. In business format franchising, there is a more interactive relationship between franchisor and franchisee. The franchiser draws strategic plans and lays down the procedures for operation so as to ensure that the similar service is provided across all the retail outlets. The franchisee is responsible for the operations and the profitability of the stores under the given guidelines. This sort of arrangement is common for restaurants and other food outlets, real estate and service retailing. In both the methods of franchising, the franchise may be for a single store, a multiple number of stores for a region or country.
Nontraditional form of retailing

This section deals with some of the emerging trends in retailing viz., automated vending, video kiosks, airport retailing, cash and carry outlets and shopping malls/multiplex.

Automated vending

Selling through automated vending machines gained momentum after the Second World War. There are now about 4.5 million vending machines in the US one for every 55 people. Compared to store selling vending machines offer greater convenience by being available 24 hours per day and have replaced many services requiring human intervention for eg., banks, gas station etc. The products usually dealt in vending machines are soft drinks, candy, cigarettes and newspapers. Tea and coffee machines are popular sight at the airports in India. The expensive equipment and labor required to stock and service vending machines makes this a costly channel of distribution and the prices of vended goods are often 15-20 percent higher than those in retail stores.

Video Kiosks

Video kiosks are an interactive electronic computer terminal that displays products and related information on a video screen. It has a touch screen which enables the consumers to make selection. The video kiosks are used in some store to enhance customer services whereas it can also be used to place orders and complete transactions. In a store where a number of items of stored , the video kiosks enables the shoppers to easily find what they want without moving around and hence it makes shopping easy and enriches the experience.

In case of placing orders through video kiosks, the kiosks are connected to retailer’s computer networks or to the web. There are 1.5 million video kiosks in use throughout United States and they account for $3 billion in annual sales.
Airport retailing

There is a spur in the number of passenger in airways. Subsequently the airports have moved a long way from merely being a transportation hub to providing greater ambience to the passengers. Airports now hosts a number of retail outlets dealing with apparels, jewellery, food marts, bookstores etc. Inside the flight too, catalogues are present wherefrom the customers can choose and order the product. The facility to bid for the products is available too.

Cash and Carry outlets

In cash and Carry outlets the customers do their own order picking, pay in cash and carry the merchandise away. It is a wholesale format aimed at small retailers and businessmen. It provides one stop shopping experience offering a wide assortment of goods both food and general merchandise. The shops are open for longer business hours enabling the customer to do shopping at a convenient time. Metro AG, Germany and Shoprite of South Africa have recently started their operation India.

Shopping Malls

Shopping malls are not retail stores in the real sense. It is a common mall in which a large number of stores are located. The shopping mall has one or even a couple of anchor stores. The varieties of retailers that are located within them are usually quite different from each other. The anchor stores are usually given the sites at much subsidized rates as the promoter of the shopping mall has a lot to gain from their mere presence. The anchor stores bring in substantial customer traffic which attracts other retailers to the open the stores in the mall. Usually promoters of malls prefer to give out various stores of different sizes at a fairly low lease rental for first few years. Apart from fixed monthly rental, the promoter may also take a percentage of sales from each of their tenants. It provides a win-win situation for the retailer and the promoter.
Multiplex are also making a foray in India. The multiples host a number of cinema theatres along with retail stores dealing with food and general merchandise along with services like personal care, ATM centers.

**Isolated store**

An isolate store is a free standing retail outlet located either on a highway or a street.

There are no adjacent retailers with whom the stores share the shoppers’ traffic. There are various advantages in choosing such retail location. The competition in location is less and the retail cost is relatively low. There is flexibility in terms of space, parking lots, choice of location and operation as no group rules need be followed. The facilities can be designed to individual specifications. There are also various disadvantages in selecting an isolated location. They are less popular and it may be difficult to attract initial customers. The variety seeking customers may not be willing to travel to shop in one store only. Operating costs such as the outside lighting, maintenance, security charges has to be borne by the individual store as it cannot be shared. Large amount may have to be spent on advertising to inform and attract the customers.

**Direct marketing**

Direct Marketers are retailers who are principally selling via direct methods. They may have a primary location that receives orders but does not host shopping visits. Orders are received via mail or phone. It involves various non personal methods of communication. Although direct marketing initially consisted mostly of direct mail and mail-order catalogs, it has taken on several additional forms, including telemarketing, direct radio and TV, and on-line computer shopping. The growing use of direct marketing is largely a response to the “demassification” of mass markets, which has resulted in an increasing number of fragmented market segments with highly individualized needs.
The following aspects have led to the popularity of direct marketing:

- Higher cost of driving including traffic congestion and parking problems
- Longer waiting time, checkout lines
- Availability of toll-free numbers
- Availability of credit through increased use of credit cards
- Increase in use of computer and internet
- Increased time pressures on consumers Direct marketing has the following advantages;
  - The cost is lesser due to the need for fewer inventories, lack of need for display to attract the customers, lack of need for prime location. These aspects will lead to low startup cost.
  - Customers can do the shopping conveniently due to lack of crowds, parking congestion or checkout lines. They can visit the shop at their convenient time.
  - Due to reduced startup costs the products are priced lesser.
  - Specific consumer segments could be targeted through database marketing efforts which will result in more successful efforts.

However it has to be kept in mind that the Indian consumers like to touch and feel the product. Shopping is a leisure time activity and a therapy. In direct marketing the products cannot be examined before purchase. More attention and cost is spend on catalogue preparation and mailing, keeping track of shipments, monitoring purchases and returns and updating the mailing list. The conversion rate of catalogue marketing is very much lesser. Sometimes the delivery of products ordered through internet, telephone or telemarketing efforts may be delayed or goods may be delivered in damaged conditions which will affect the image of the firm. The various forms of direct marketing viz., the catalogue marketing, television shopping and electronic shopping are discussed below;
Catalogue retailing

The catalogue retailing focuses on specialty products. Catalogue is sent to customers from whom the products are chosen and orders are placed. The products are delivered to the customers without them having to visit the shop. It offers greater convenience to the shoppers. However, the catalogue should reach the target customers in which the customer database plays a key role. Many firms have shifted their focus on printing ‘specialogs’ in addition or in the place of catalogue. The ‘specialog’ focuses on a particular consumer segment, emphasizes a limited number of items which is of interest to the consumers. To reduce the cost, some companies accept advertisement of related but non-competing concerns. The catalogues are also sold in bookstores, supermarkets, airports apart from hosting the same in companies’ websites. The chances of a shopper ending up in purchase of a product or otherwise, the conversion rate is more in case catalogue bought rather than in case of mailed catalogue.

Television shopping

The product is advertised on television along with the details regarding product features, price, guarantee/warrantee etc. The toll-free number in various cities is given through which the buyer can make a call and place the order. The products will be delivered home. TV retailing has two components; shopping networks and infomercials. On shopping network, the program focuses on merchandise presentations and their sales usually through telephone orders. For e.g., Home shopping Network. An infomercial is a lengthy commercial typically for 30 minutes or more for a specific good or service. As the program is aired, the shoppers can call in orders which are delivered to them.

E-tailing

It’s not just brick and mortar retail stores that are booming in India, e-commerce is also seeing a surge and sales are expected to reach $100 billion in 2008. The reduced cost of computers, broadband connection and increased computer literacy makes e-tail a reality. The shoppers use the web to surf information regarding products they want to buy. The percentage of shopping on the internet is very less due to security
issues and reduced credit card usage. However the sale of books, CD, services like air ticket, train ticket, hotel reservations are preferred by the shoppers.

**Unplanned Business District**

An unplanned business district is a type of retail location where two or more stores are situated together in such a way that the total arrangement or mix of stores is not due to prior long range planning. Stores are located in close proximity due to the advantages they can reap together and not for the district. There are four types of unplanned business districts viz. central business district, secondary business district, neighborhood business district and string.

**Central Business District**

A Central Business District (CBD) is the hub of retailing in a city. It is that part of the town or city which has the greatest density of office building and stores. It has high vehicular and pedestrian traffic and draws shoppers from whole urban area including all class of people.CBD has at least one major department store and a broad grouping of specialty and convenience stores. The arrangement of stores does not follow any preset format. It depends on first come first located basis and the trends in retailing.

CBD draws large number of shoppers due to the following attractions; access to public transportation, excellent goods and services assortments, wider range of prices, a variety of store types and customer services, a high level of pedestrian traffic and proximity to commercial and social facilities. However it suffers from the drawbacks like inadequate parking, traffic, congestion, high rents and taxes, more travel time etc. The CBD can be unattractive to people living in suburbs. Some examples of CBD are the Fountain area in Mumbai and Teen Darwaza in Ahmedabad. While a city may have a single CBD, metros have several.

**Secondary Business District**

A secondary business (SBD) district is an unplanned shopping area that is located on service roads at the intersection of two major streets in a city. They deal in similar goods and services as sold by the CBDs. However the CBDs have smaller stores, less
width and depth of assortment and a smaller trading area, so that the consumers do not have to travel far. The SBD sell a higher proportion of convenience oriented items. The SBD enjoys the benefits like good product assortment, access to thoroughfares and public transportation and more personal service. The major weakness of secondary business districts are discontinuity of offerings, parking difficulties and fewer outlets than in CBDs.

**Neighborhood business district**

A neighborhood business district (NBD) is an unplanned shopping area that appeals to the convenience shopping and service needs of a single residential area. An NBD contains several small stores, such as the dry cleaners, stationary shop, personal care centers, restaurants and the like. The leading retailer is typically a supermarket, a large drugstore or a variety store. Neighborhood business districts are situated on the major street(s) of residential areas.

The major advantages offered by NBD’s are convenient location, longer hours, good parking and a relaxed atmosphere. The drawback is that they offer a limited selection of goods and services and prices are generally higher because the competition is lesser than in the case of CBD or SBD.

**String**

A String is an unplanned shopping area comprising a group of retail stores often with similar or compatible product lines, located along a street or highway. There is little extension of shopping onto perpendicular streets. A string may start with an isolated store the success of which may bring competitors in the latter stage. The retailers situated in the string include the restaurants, gift shops and music stores and the like.

The string location enjoys the advantages of an isolated store such as lower rent, more flexibility, better road accessibility, parking facilities and lower operating costs.

However it suffers from less control over prices, lower store loyalty and limited product variety.
Planned shopping centre

A planned shopping center consists of a group of architecturally unified commercial establishments on a site that is centrally owned or managed, designed and operated as a unit, based on balanced tendency and accompanied by parking facilities. Balanced tendency means the stores in the planned shopping center complement each other as to the quality and variety of their product offerings and the kind and number of stores are linked to overall population needs. In order to ensure the balanced tendency the management usually allocates the total space available to each retail proportionately and limits the product lines that be sold by every store. A cooperated and cooperative long-run retailing strategy is followed by all the stores.

A planned shopping centre enjoys a number of benefits like cooperative planning and sharing of costs, assortments of goods and services, unified shopping center images, maximum pedestrian traffic and access to highways and parking lots. The limitations associated with the planned shopping center includes reduced flexibility of operation for the retailers as they have to cooperate with the policies, higher rent than the isolated store, restrictions on goods sold, and the prevalent competitive environment.

There are three types of planned shopping centers viz., regional, community and neighborhood.

The regional shopping center is a large, planned shopping facility catering to a geographically dispersed market. It has at least one or two department stores and 50 to 150 or more smaller retailers. It offers a very broad and deep assortment of shopping-oriented goods and services so as to attract more foot fall.

The community shopping center is a moderate-sized, planned shopping facility with a branch department store and /or a category killer store as well as several smaller stores. It offers a moderate assortment of shopping and convenience oriented goods and services to consumers from one or more nearby well populated residential areas. The community shopping center has a better long-range planning than the neighborhood shopping center. Two types of community center are the power center and the life-style center. A power center is a shopping site with a number of category
killer stores and small stores. Several complementary stores specializing in one product category may also be situated. A lifestyle center is an open-air shopping site with a 1, 50,000 to 5, 000,000 square feet of space and has upscale well-known specialty stores. The stores mainly focus on apparel, home products, books music and restaurants.

The **neighborhood shopping center** is a planned shopping facility with a supermarket and other retail stores including a bakery, dry cleaner, stationary, personal care center, restaurant, hardware shops and petrol pumps. The center mainly focuses on people living or working nearby.

**Bargain branding**

The private label is aimed at capturing the price conscious customers. The products are offered at a discount price. The products do not have any frills ie it is not advertised and it is unbranded. The brand is usually referred to as house brand. The brand is perceived by the consumers as of lower quality and the packaging is used to identify the brand as that of the retailer.

**Premium branding**

Here the retailer prices the brand at a higher price than the competing brands. This is generally done to attach a snob value with the Private Label. The quality will be comparable to that of the manufacturer-brand quality. The premium brands try to match or exceed the product standards of the manufacturer’s brand. In order to succeed the competitors the retailer should concentrate on market research, product development, quality control and promotion.

**Copycat branding**

The retailer imitates the manufacturers brand in appearance and packaging. The products are perceived to be generally of lower quality and are offered at lower price. The retailer does not invest as much in advertising the brand at a national or international level so it can afford to price it lower than others. Care should be exercised to see that the products are not close copies inviting patent laws. At the
same time if it is not imitative that the customers may not be drawn towards the brand.

**Parallel branding**

Parallel branding is used as the leveraging strategy to boost the sales of the private labels. The private labels closely imitate the packaging and product attributes of the manufacturers brand but with a clear difference in the merchandising approach and on its product label. The products will be closer in terms of logo, labeling and packaging such that they are considered as substitutes. Parallel brands attempt to produce a product and packaging that are similar to the manufacturer’s brand. The difference is shown in price so as to promote the view that the parallel brand provides better value for the consumer.

The five forces together determine the intensity of industry competition and profitability and also help us understand the forces which are critical from the point of view of strategy formulation. The five forces with respect to the Indian retail sector:

1. **Threat of New Entrants**
   
   In the case of the Indian retail sector, there exists a high threat of new entrants as the sector itself is in a nascent stage and is growing. Limited barriers to entry exist. Government regulation on FDI in the country can be seen as a barrier to entry. Other barriers to entry may be the inability to build economies of scale, substantial capital requirements in terms of investment in store locations, limited access in terms of distribution and high costs in terms of supply chain efficiencies. Product differentiation or the lack of product differentiation could also be seen as a threat to entry.

2. **Threat of Substitutes**
   
   The presence of substitute products can lower the attractiveness and profitability because they limit price levels. The threat of substitute products is a function of the buyer's willingness to buy a substitute product and is influenced by the relative price and performance of substitutes and the costs of switching to substitutes. In
Indian retail, the threat of substitutes is very high. The unorganized retailing in India is still the largest wherein cheaper versions of products are available. This still services most of the middle and poor income families in the country.

3. Bargaining Power of Suppliers

The price at which the product is available to the retailer for selling to the end consumer is very important in retail, as it plays a large role in the actual profitability. If suppliers have high bargaining power over a company, then in theory, the company's industry is less attractive. The number of buyers and the existence of a few dominant suppliers influence the bargaining power of suppliers. The availability of undifferentiated, highly valued products and suppliers who can integrate forward into the industry (e.g. brand manufacturers threatening to set up their own retail outlets) can be seen as a threat. The suppliers to the retailing industry are the companies who provide the finished products to make various retail products. The bargaining power of suppliers varies from the products supplied. The bargaining power of suppliers is low because there are a large number of potential suppliers in the market. Therefore the prices become competitive. The emergence of private labels in apparel and food has in fact played a key role in controlling the bargaining power of suppliers.

4. Bargaining Power of Buyers

The bargaining power of buyers is greater when there are few dominant buyers and many sellers in the industry, the products are standardized and the suppliers do not threaten to integrate forward into the buyer's industry. In Indian retail, the bargaining power of buyers is fast increasing and can be termed as moderate to high, depending on the product or service. The buyers are the most powerful in the retailing industry. In an age of the informed consumer, meeting the buyer's expectations in terms of product, price and service is increasingly becoming difficult.
5. **Intensity of Rivalry**

The intensity of rivalry between competitors in an industry depends on the structure of competition, for example: rivalry is more intense where there are many small or equally sized competitors; rivalry is less when an industry has a clear market leader. The structure of industry costs, the degree of differentiation and the switching costs determine the intensity of rivalry in any industry. The competition among the existing firms in the Indian market is not very high as there are few players in the market. High product differentiation is a major factor that intensifies the competition (although, it differs from product to product).

2.3 **Concepts Relating to Organized Retailing**

The Indian retail industry has experienced high growth over the last decade with a noticeable shift towards organized retailing formats. The industry is moving towards a modern concept of retailing. The size of India’s retail market was estimated at US$ 435 billion in 2010. Of this, US$ 414 billion (95 percent of the market) was traditional retail and US$ 21 billion (5 percent of the market) was organized retail. India’s retail market is expected to grow at 7 percent over the next 10 years, reaching a size of US$ 850 billion by 2020. Traditional retail is expected to grow at 5 percent and reach a size of US$ 650 billion (76 percent), while organized retail is expected to grow at 25 percent and reach a size of US$ 200 billion by 2020.

The US-based global management consulting firm, A T Kearney, in its Global Retail Development Index (GRDI) 2011, has ranked India as the fourth most attractive nation for retail investment, among 30 emerging markets.

As India’s retail industry is aggressively expanding itself, great demand for real estate is being created. The cumulative retail demand for real estate across India is expected to reach 43 million square feet by 2013.

Around 46 per cent of the total estimated demand between 2009 and 2013 will be come from Tier-1 cities. For instance, Pantaloon Retail added 2.26 million square feet
(sq. ft.) of retail space during the fiscal 2011 and booked over 9 million sq. ft of retail space to fructify its expansion plans in future.

Due to the growth of middle class and upper middle class segment in Indian economy retail market is booming. Middle class ownership patterns and increasing disposable and dual family income is the main cause for the growth of retail industry in Indian market.

Earlier in India traditional kirana shops were the main choice of buyers. Now due to socio economical changes this study is an attempt to understand the changing consumer buying behavior. The Indian market is currently witnessing a retail boom with organized retailers offering a whole assortment of goods and services to consumers under one roof with congenital shopping ambience. Retail business is the largest private industry, ahead even of finance and engineering, and contribute more than 10 percent to Indian GDP (Marketing White Book, 2009-2010). India is having more than 12 million retail outlet and known as country of shopkeepers. But as far as growth of organized retail is concerned, this is comparatively very low in comparison to other country. For instance in US share of organized retail is 85 percent, Taiwan 81 percent, Malaysia 55 percent, Thailand 40 percent, and Indonesia 30 percent, China 20 percent while in India this is just 5 percent (Marketing White Book, 2009-2010).

2.4 Concepts Relating to Consumer Behavior

Consumer behavior analysis is the use of behavior principles, usually gained experimentally, to interpret human economic consumption. It stands academically at the intersection of economic psychology on one hand, and marketing science – the study of the behavior of consumers and marketers, especially as they interact – on the other. Whilst behavior principles are central to its theoretical and empirical research programme, its quest to interpret naturally occurring consumer behaviors such as purchasing, saving, gambling, brand choice, the adoption of innovations, and the consumption of services raises
2.4.1 Consumer Demographics

- Gender

It is understood from the existing literature that shopping attitude is influenced by the sexual category. Consumption, product choice and response to advertisements will differ based on gender. When compared to males, females will pay more attention to advertisements and collect relevant information before purchasing the products. Depend upon the work status of the spouse married men will show involvement towards shopping. It is observed that the spouses of the working women are extremely interested in shopping.

Shopping activities could be successfully predicted based on sexual category. It is identified that when compared to males, females are highly interested in shopping and browsing. It is also identified that females tend to give more preference for gifts than males. It is also identified that females will pay more attention to the commercial ads and product specific information, when they plan to purchase holiday gifts and males have a tendency to get information from salesperson regarding the same.

Few researchers have focused on the shopping attitudes and behaviours of males and females. Furthermore, some of them have compared their shopping attitudes and behaviors. The way of evaluating the attributes of value-oriented retailers will also differ based on gender. Moreover, the way of evaluating the store type will also differ based on sexual category. It is identified by Raajpoot that females give more importance to product assortment and accessibility whereas males give more importance to customer service. So the researcher has proposed the following:

---


Hence it is justified that,

H1: There is a difference in consumer behavior towards organized retail (mall) across gender

Age:

Youngsters are the major target of shopping malls, Moschis\(^\text{21}\) identified that age is an effective predictor of shopping behavior. Myers and Lumbers\(^\text{22}\) identified that expectations and preferences of customers will differ based on their age. Purpose of shopping, personal characteristics, and social influences could influence mall shopping. Shopping behavior and values will differ from one segment of customers to another. For example, youngsters give more importance to entertainment value whereas elders give more importance to convenient access and relaxation.

Hence, it is proposed the following:

H2: There is a difference in consumer behavior towards organized retail (mall) across age

Social class

Many researchers have given definitions for the term social class. But the widely accepted definition is the condition wherein the status of certain societies or social groups is categorized based on wealth, social evaluation, or psychological satisfaction\(^\text{23}\). Index of Status Characteristic (ISC) of Warner, Computerized Status Index (CSI) of Coleman, the Socioeconomic Status (SES) of the US Census Bureau, and the Index of Social Position (ISP) of Hollingshead are the most widely used indexes in the context of social class.


The customer will choose the products and shops based on their social class. For example, working class customer will choose the products based on sturdiness or comfort and give less importance to elegance of the products. Furthermore, they won’t be interested in modern furniture and colored devices and to change their choices. But, rich people from suburbs will give importance to their appearance and body image and they would prefer to purchase diet foods and drinks.

Customers’ product preferences in terms of clothing, spare time activities, and automobiles have also been determined by their social class. As a result, most of the researchers have discussed about the influence of social class over customers’ shopping preferences regarding clothing. It was identified that the people whose social class is right below the highest class will prefer to purchase most expensive dresses as they think that their dress will expose their wealth to others. So it is understood that people belong to this social class are extremely interested to follow trends.

It is identified that the perceived value of the clothing will also differ based on the social class of the customers. Furthermore, views about price of the product, designer brands, convenient clothing and others’ comments will also differ based on the social class of the customers. While examining the lower class, it is identified that they attempt to imitate the dressing style of middle class families so as to be recognized by the society.

It is identified that women whose husbands are I Workers and whose socioeconomic status is high, will be interested to take part in social organizations and they would consider clothing as a symbol of status,

____________________________________


There has been a study on the clothing preferences of manual laborers and their wives\textsuperscript{26}. It was identified that they would give importance to convenience and cost of the clothing rather than fashion trends. Preferences regarding, place of shopping and brands will depend upon the social class of the customers. So the researcher has proposed the following:

**Hence it is specified that,**

**H3: There is a difference in consumer behavior towards organized retail (mall) across social class**

- **Income:**

If the influence of social class differences over the preferences of the customers is well understood, it would be useful to improve the retail strategies. So it becomes a prevailing subject in the field of marketing. Few researchers proved that social class of the customers will determine their consumption patterns. Following this study, many researchers have done studies in this context. For example, Coleman identified that based on income, the customers can be categorized.

Anand and Sinha \textsuperscript{27} stated that customers may switch not only within formats but also across formats. Various demographic factors such as rise in income, urbanization concept, increasing young population and revolution in education field have become responsible for the changes in the spending pattern of the customers. As there is an increase in the disposable income of the younger population, there have been many changes in spending patterns of the consumers.

Over the past ten years, there have been many changes in the behavior of the Indian consumer. The consuming behavior and pattern are extremely influenced by the large


assortment of major products. Most of the customers have started to purchase the products from shopping malls. Especially, most of youngsters prefer to do shopping at malls.

It is identified that shopping behavior of the customers could be successfully predicted based on the age of the customers. Younger population segments will give more importance to entertainment value whereas older population always concern about convenience and leisure. Mishra\textsuperscript{28} identified that there is a second phase of evolution in India, in terms of consumer demand organized formats. It was identified that changes in lifestyle, modern retail formats, foreign direct investment and demographic factors are responsible for the changes in the shopping behavior of the Indian customers.

The prospects of retailing in India have been highlighted by Arshad and Hisam,\textsuperscript{29} in their study. They have identified that 47 percent of the Indian population are below the age of twenty five years. By 2015, this population will become 55 percent overall populations. This rise in the young population will serve best for the growth of retailing in India.

The customers are categorized into three classes such as consuming class, the serving class and the struggling class by Pantaloons Retail India Limited (PRIL). It is identified that around fourteen percentage of the overall population will come under the category of upper-middle and the lower-middle class. This population is found to have substantial disposable income and it becomes the target market for most of the modern retail formats. Remaining 55 percent of the population (i.e., serving class) includes drivers, household helps, office peons, liftmen, washer men, etc\textsuperscript{30}.

\textsuperscript{28}Mishra M.S., The consumption pattern of Indian Consumers: choice between traditional and organized Retail, 2007.


Over the past decade, the population of three income classes — rich, middle and aspirers has increased from 20 percent to 48 percent. During this period, twenty eight percentages of poor families have become aspirers. Due this mobility from poor to aspirer — and from aspirer to middle class, the growth opportunities for retailers have become high. So it becomes necessary to examine the demographic factors, taste and expectations of customers and the purpose of shopping so as to get clear idea about the underlying factors of consumer behavior.

Hence it is specified that,

H4: There is a difference in consumer behavior towards organized retail (mall) across income.

2.5 Concepts Relating to Consumer Behavior in Retail Marketing

2.5.1 Shopping Value

- Shopping trip value

As defined by Holbrook\(^3\) the major outcome of shopping experience is shopping value. They added that on the whole worth of a shopping experience is known as shopping value. The two dimensions of shopping value such as hedonic and utilitarian value have identified by Babin et al. In the case of utilitarian value, shopping will be considered as a task and defined as “an errand” or “work”.

On the contrary, the factors such as fun, playfulness, and sensory reactions that indicate the entertainment value and experience from shopping will come under the category of hedonic value. This value will also represent the satisfaction with shopping experience. It is identified that retail outcomes as well as satisfaction of the customers will be extremely influenced by shopping. It is also identified that share of

the customers patronage intentions\textsuperscript{32}, as well as word-of-mouth and store loyalty are also influenced by shopping value.

Consuming behaviour of the customers could be well explained with the help of hedonic and utilitarian shopping values. However, Rintamäki et al.\textsuperscript{33} pointed out the importance of social shopping value in estimating the shopping value. So in accordance to them, the three dimensions such as utilitarian value, hedonic value, and social value could explain the overall shopping value.

From this concept, it is understood that money saving attitude and expediency are the sources of utilitarian value. They have also identified that exploration and entertainment value are the sources of hedonic value and socio-economic status and self-esteem are the sources of social value. In Finland, there has been a study on shopping experience of the customers. It was identified from this study that social value is an independent factor and it won’t come under the category of hedonic value.

\subsection*{2.5.2 Shopping Experience Value and Store Value}

Few studies have examined the shopping value with the use of Holbrook’s value typology so as to analyze the purchasing pattern and experiences in specific shopping contexts. Three key dimensions of consumer value have been identified by Holbrook\textsuperscript{34}. They are extrinsic versus intrinsic, self-versus other-oriented, and active versus inactive.

Four categories of shopping value such as economic value (self-oriented/extrinsic), hedonic value (self-oriented/intrinsic), social value (other-oriented/extrinsic), and

\begin{thebibliography}{9}
\end{thebibliography}
deontological value (other-oriented/intrinsic), have been derived from the first two dimensions. Holbrook derived eight types of sub-dimensions such as efficiency (convenience), excellence (quality), play, esthetics, status, esteem, ethics, and spirituality from active versus inactive dimensions. Among them, efficiency, excellence, play, and aesthetics will come under the category of self-oriented value.

Few researchers have considered self-oriented value from Holbrook's value typology in their studies so as to assess the shopping experience in the Internet and catalogue shopping contexts. Mathwick et al. explained that the factors such as escapism and enjoyment would reflect playfulness and entertainment and visual appeal would reflect aesthetics. They have added that shopping efficiency and economic value of product would reflect return and quality of service would indicate excellence.

Kim has also examined the shopping value gained by the customers in the mall and Internet shopping contexts. In accordance to him, the factors such as sensory stimulation, entertainment, and social interaction would be responsible for playfulness. He added that ambience would influence aesthetics; expediency and resource allocation (time, effort, and money) would improve shopping efficiency and quality of product and service would improve gratification.

A valuable framework for assessing the shopping value could be developed from Holbrook's value typology. However, most of the researchers don’t agree with the sub-dimensions proposed in the value typology.

The necessity to evaluate the store value has been discussed by Diep and Sweeney. They have also represented the store value in two dimensions such as hedonic and utilitarian value. In accordance to them, the ability of the stores in fulfilling the


expectations of the customers in an effective way will determine the utilitarian value of the store whereas its ability in offering fun, excitement and entertainment will determine its hedonic store value.

They have also focused on the interrelationship among product value, store value and shopping value. The relationship among utilitarian and hedonic values and these three factors has also examined by them. From this study, they have identified that the overall shopping value is extremely influenced by product value and store value.

**Hence it is specified that,**

**H5: Shopping value has an impact on consumer behaviour towards organized retail.**

### 2.5.3 Values and Lifestyle

Lifestyle activities, part of the AIO (activities, interests, opinions) analysis may be defined as patterns of activities on which consumers spend their time and money. An analysis of the activities as well as the influences on their lifestyle can be helpful to clarify the target markets and promote the malls offerings. The basic premise of lifestyle research is that more you understand about the consumers, the more effectively you can communicate and market to them\(^\text{38}\).

It is stated that culture and ethnicity can be highly influenced by personal values. So it becomes necessary to examine the influence of personal values of the Indian customers over mall patronage. Various researchers have discussed the influence of personal values on decision making and purchasing behavior of the customers\(^\text{39}\). But these studies are not enough to understand the concepts thoroughly.


Besides the personal values of the customers, the shopping mall management should also get clear idea about the responses of the customers to commercial ads, their shopping activities and attitudes towards shopping so as to develop attractive promotional themes.  

So it is proposed that:

**H6: Consumer lifestyle has an impact on consumer behavior towards organized retail.**

**Mall perception and Mall shopping attitude**

Shopping mall attributes could be standards for the attitudes of shoppers towards mall. The definition of shopping mall attribute was proposed by Shim and Eastlick that the attitudes of shoppers towards a variety of dimensions include location, parking facility, variety of stores, behaviour of mall employee, quality, price, promotional activities, environment, food and refreshments, customer service, mall amenities and safety.

The attitudes of shoppers towards mall could be determined by means of evaluating the cognitive belief of shoppers regarding the shopping mall. This can be confirmed from the seminal work of Martineau where he insists the importance of tangible as well as intangible traits of a shopping area with respect to consumer attitudes.

Lindquist developed a list of factors in his detailed review of retail store image, which influence the customers perceived store image. Subsequently, Nevin and Houston was extended, modified and refined the work of Lindquist (1974). Several researchers

---


used these studies as base for recognizing the patronage of customers regarding the retail store image\textsuperscript{42}.

- **Mall behaviors**

The shoppers can be classified into groups on the basis of underlying behavior such as browsing, shopping and so on. The motives of shoppers while purchasing the pattern of products have been studied by Yavas\textsuperscript{43} with a set of twenty one products. From this study, he concluded that the mall patrons are often purchased clothing, shoes, gifts and other accessories in mall.

The intention for purchase could be differ from person to person. For example some people may visit the mall just for window shopping and not for real purchase whereas other may have some purposeful activities like dinner or watching movies and so on. This could also support in this study.

Apart from product consumption, customers also have to visit the mall to feel the shopping experience. In addition, mall could act as an important meeting place for most of the young people. In most of the studies, the frequency of shopping centre visit has been used as a dependent variable. This will make clear about the fact that the shoppers have often visited the shopping centre for experiencing the shopping environment. Even time spend has also used as a depended variables. It was confirmed by Underhill and proposed that the time spent by customer at mall is directly proportional to money they spent at mall.

As stated by Brown\textsuperscript{44}, most of the customers in US have spent approximately twenty percent of the time in shopping mall. Nearly sixty percent of visitors spending this time not for real shopping but for just window shopping. Here this study examines


\textsuperscript{44}Underhill Paco, Call of the mall/. Profile books, London, 2004.
the customer’s activities, their purchase intention, purchase pattern, frequency of visits and time spent in mall and their purchase behavior.

**Hence it is specified that,**

**H7: Consumer perception of mall attributes has an impact on consumer behavior towards organized retail.**

### 2.5.4 Retailer Interest

Retailer’s interest can be viewed as general characteristics of retailers and not focused on any individual characteristics of the retailer. But we predict that the customers will have more interest on the store if the retailer has more number of product categories in their shops.

As in the traditional context, the product involvement has not been fully incorporated but it has been completely included in the proposed model so as to characterize the retailer’s interest from relevant constructs. Consequently, the product involvement can be defined from Zaichkowsky\(^{45}\) as a preference of customers regarding particular product or object. Customers who are highly interested in shopping are likely to browse more around the retail stores and their range of products. Moreover the customer’s motivation as well as the attraction towards the retail stores is highly associated with the range of product carried by the associated retail stores\(^{46}\). The customers who are extremely impressed by a particular product category will be interested to do shopping at a store wherein the product is available. So the extreme interest of the customers towards a particular product is found to influence the interest towards a particular store. A non-balanced cognitive construct is considered to be as a

---


retailer interest. Customers who are having positive feelings towards the retailers are likely to have higher level of interest towards that retailer.

Such relationship has been supported by Cohen’s\(^{47}\) model of affect because the affect and affective traces in the model are likely to have direct influence on mental structure as well as process. Interest towards retailers is highly motivated by both positive as well as negative feelings of customer. So the retailers must be more concerned on developing interest regarding the positive response of customers and this is the main focus of this research.

These positive responses were identified as a precursor for both psychological\(^{48}\) as well as marketing literature. For instance, Izard indicated that recreation and enjoyment has a great impact on overall interest on shopping intention of customers. Machleit et al in marketing context, pointed that the advertisement should be promoted in a way that it should create positive feelings to customer on viewing an advertisement.

Hence it is justified that:

**H8: Retailer interest has an impact on development of organized retail.**

### 2.5.5 Store Loyalty

Store loyalty is considered to be an important issue for several retailers. Store loyalty was defined as the responsibility of the store which is influenced by trust as well as satisfaction of customers towards the stores\(^{49}\).

Another definition of store loyalty as a biased response of the customers expressed over time on considering a particular store within a set of store while decision making


and evaluation that resulted in a commitment towards particular brand\textsuperscript{50}. Hence the store loyalty is the commitments of the store that can be determined with the help of two main traits include store image and shopping mall loyalty. Lavayssière and Mullen\textsuperscript{51} indicated the positive effects of store loyalty include positive word-of-mouth and increased customer retention that lessening the marketing cost. This empathy paves the way for cross selling as well as the sales of additional products.

Most of the stores motivate their employees to be actively participated in the loyalty program sponsored by organization so as to build relationship with customers\textsuperscript{52}. Moreover, the customers are more loyal to a store if they have relationship with employees. For this reason, the retailers motivate their employee to make relationship with customers.

Such loyalty program provides values to the customer and as a result the customers become more loyal to the stores. As making shopping decision, loyal customers consider patronizing a store as one of the highest priority even if any complication presented in the store\textsuperscript{53}.

Therefore it can be justified that,

\textbf{H9: Consumer store loyalty has an impact on development of organized retail.}

\textbf{2.5.6 Mall Image/Self-image Congruence}

It is understood that consumers will have stereotypic images of different stores. For example, upscale shoppers will prefer to do shopping at a particular mall and


working-class consumers or a particular ethnic group will be interested in another. So it is understood that image of the malls will differ based on the characteristics of typical customers. It is also understood that based on the mall cues, the shoppers will develop an impression in terms of typical shopper or patron of the store. The researchers have defined the term retail patron image as the stereotypic image of a store or mall perceived by the shoppers. The customers would compare the store patron image with their own perceptions while making decisions. This process is known as “self-image congruence,” “self-image/store image congruity,” or “self-congruity”.

The researcher has discussed the concept of self-congruity in this study. As explained earlier, self-congruity is the process of comparing the actual self-image of the customers with the personality of the typical customers who purchase in the store. It can also be defined as the degree to which the customers consider themselves eligible to do shopping in a particular mall.

Retailing research in terms of self-congruity is an emerging field. As a result only few researchers such as Samli and Sirgy, Sirgy et al., and Chebat et al. have discussed the relationship among store image, self-congruity, and consumer behavioral responses (e.g., store or mall preference, patronage, loyalty).

Samli and Sirgy identified a strong correlation between social congruity (e.g., others’ views about an individual) and ideal social congruity (e.g., the individual’s expectations in terms of others’ views about him/her). Sirgy et al. developed a model so as to illustrate the relationship among retail environment, self-congruity, and retail patronage. This model is found to be useful for the future studies those focus on the impacts of self-congruity on retailing. It is identified from this study that store image


will be determined by the retail environment that includes surrounding, site, available brands, cost of brands and product promotional activities.

In order to determine the impacts of self-congruity, the researchers have evaluated the patron image of the retail based on the perceptions of the consumers. However, they could develop a theoretical model from this study and not any empirical evidence.

Chebat et al. have examined the influence of mall image over mall patronage. They have identified that self-congruity will be used to explain this influence. It is understood from this study that upscale malls could develop higher levels of self-congruity when compared to downscale malls. It is also identified that shopping at upscale malls will enhance the self-esteem of the customers.

Only few researchers have focused on the marketplaces influence on self-congruity. But, it is assumed that the shopper will be interested in malls whose image is more or less similar to their own self-image. Consistent with Sirgy et al. it was identified that mall cues such as location of the mall, mall design, quality of available brands and services can be used to understand the personal characteristics of the shoppers. This will be useful to classify them as classy shopper, working class, etc.

So, it is understood that the attitudes and personality of the customers who purchase at the store in question could be identified with the use of mall cues. Then the typical image of the customers should be compared with their own self-image. From this comparison, the shopper will experience self-congruity or self-incongruity with the help of selected mall cues.

Hence it is justified that,

**H10: Mall image has an impact on development of organized retail.**
2.5.7 Location of Retail Outlet

Gosh\textsuperscript{56} suggested that location is very important for store so as to attract several customers. Such variations in location can be highly influenced by the characteristics of the spatial structure of mall or the retail store. Hence, the customers could select the mall on the basis of spatial distance of mall located in the residential area\textsuperscript{57}.

For instance, a study by Clark and Rushton\textsuperscript{58} on grocery purchase behaviour indicated that the greater distance to the nearest alternative, the lower the impact of distance and the higher the tendency to choose closer alternatives. The aforementioned opinion suggested that the locality of retailing outlet is very important to attract shoppers. Hence the retailers should be aware of proximity strategy while determining location strategies.

Becker's\textsuperscript{59}, in the theory of allocation of time suggested that while shopping the impact of distance could be weighed by customers in various manner as of due to demographics divergences. Moreover the distance of retail outlet may influence the customer’s outlay such as transportation cost and search cost etc. But the cost of the shopping for same kind products are drastically reduce for those with shorter travel of distance.

These cost variations have been varied from different trade areas. This is mainly because the costs are valued in terms of consumers opportunity cost of time\textsuperscript{98}. While determining the relationship between cost with range and enjoyment in comparison shopping, it was identified that the income of customers are directly proportional to the value of price comparison shopping time\textsuperscript{60}. Such relationship has found to be more in high income individual than low income individuals.

---


As a result, the value reduction of shopping cost is highly noted in individual with higher income than individual with lower income. This is mainly due to the adoption of proximity strategy by the broad line specialist. From this it is recognized that, the border line specialist utilized proximity more in areas with high income population and distancing in areas with lower income population. Congestion is one of the main problems which would inhibit the shoppers from extra miles for shopping. It should be noted that the areas with higher population are more likely to have congestion and traffic when compared to areas with lower population.

In line with these contexts, it is recognized that the congestion will have positive influence on retail structure. So the broad line retailers are always likely to adopt a proximity strategy in the area with dense population and use distance strategy in the area with low population.\(^{61}\)

Search and shopping time may vary among different customers. Carlson\(^{62}\) stated that the search competes with other use of consumer’s will take only the short duration of time. In line with these arguments, it is evident that the consumers in area with high retail expenditure will take more time for shopping and less time for other activities. As a result, the consumers in high retail expenditure area are likely to save time in shopping cost compared with consumers in lower retail expenditure domain.

**Minimum differentiation**

Considering minimum differentiation, Hotelling\(^{63}\) stated that the retailers gained their net benefits of agglomeration as it results in uncertainty reduction, reduced consumer time along with shared infrastructure. This has also supported by specialized areas of functionally related deeds like restaurant rows and auto alleys and so on. The customer travel time and search can be reduced by these agglomerations as well as

---


facilitates the comparison shopping. Hence the broader line specialist suggests the proximity strategy on the basis of minimum differentiation.

Therefore, it is predicted that,

**H11: Mall location strategy has an impact on development of organized retail.**

### 2.6 Theories of Retailer Strategies and Related Hypothesis.

Very few examples for the strategic behavior of the organizations within the retailing industry have been discussed from the perspective of structural contingency in the literature review. Most of these studies have focused on a particular sector (e.g., grocery shops) while determining the generic strategic types post hoc with the use of inductive methodologies (e.g., clustering).

In the US, there has been a study on strategic behavior of the grocery store sectors using inductive approach; later, Lewis and Thomas have performed the same with UK grocery stores. In the first study, generic product marketing was assessed with the use of retail/marketing dimensions. Furthermore, this study by Hawes and Crittenden didn’t focus much on actual strategic direction of the firms. In the second study the link between strategy and performance has been assessed based on dimensions of retailer structure such as size and number of stores and dimensions of resource allotment such as expenses with respect to store promotion. It was identified from this study that in the UK grocery industry, there are different types of strategic behavior. However, these types are not homogenous within groups.

Marketing strategies of small and independent retailers in the United States have been assessed. It was concluded that the marketing strategic behavior of the firm could

---


extremely influence the performance of the firms. Among these studies, only Lewis and Thomas focused on the corporate strategy-oriented factors and their influence on the performance of retailing firms.

Based on the typologies given by Miles, snow and Mintzberg the retail strategies have been compared by Segev. It was identified from this study that the typology given by Miles and Snow is more suitable for studies than Mintzberg typology that generates data in a simulated retail environment. In this study the author gathered data from computer simulated retail firms. This study proved the efficiency of Miles and Snow typology in describing retail strategy in a controlled environment. However, it’s ability to explain the same in an original retail context remains unknown.

The theories of retailing are commonly recognized as the primary retail evolution theories. The basic premise of these theories is that a force (e.g., environment, conflict) causes a retail institution type to change and evolve into a new institution type or a new institution type will emerge as a result of need, conflict or other forces.

**Following are the retail theories:**

**A. Wheel of Retailing Theory**

Figure 3.2 the Wheel of Retailing theory is an example of retail evolution determined through the price aspect. It is marketing process whereby original low-price discounters upgrade their services and gradually increase prices. As they evolve into full-line department stores, a competitive opportunity develops for new low-price discounters to develop, and the process continues with the next generation.

Wal-Mart is a classic example of this theory. K-Mart deserves credit for having created the category that has challenged traditional department stores. Wal-Mart took it to new heights. It is clear that Wal-Mart is even now setting itself up for the

---


entrance of an entirely new form of retailing: an innovative, more cost-effective, new entrant.

Many retailing innovations are partially explained by the **Wheel of Retailing** concept.

The **Wheel of Retailing** concept states that new types of retailers usually begin as low margin, low-price, low-status operations, but later evolve into higher-priced, higher-service operations, eventually becoming like the conventional retailers they replaced. According to this concept, new types of retailing forms challenge established retailers that have become “fat” by letting their costs and margins increase. The new retailers’ success leads them to upgrade their facilities and offer more services, increasing their costs and forcing them to raise prices. Eventually the new retailers become like the conventional ones they replaced, and the cycle begins again when still newer types of retail forms evolve with lower costs and prices. The Wheel of Retailing concept seems to explain the initial success and later troubles of department stores, supermarkets, and discount stores and the recent success of off-price retailers. To be successful, retailers of the future will have to choose target segments carefully and position themselves strongly. Essentially, retailers can no longer sit back with a successful formula. To remain successful, they must keep adapting to the changing scenario.

**Criticisms**

1. Not all retail institutions start with low margins and low prices. (E.g: boutiques)

2. Lack of universality of the theory. (Example, In Turkey, supermarkets were imported and positioned as a retailer providing high price and high margin products at the entry phase).

3. The consecutive cycles support evolution of retail formats in a particular order.
A. Retail Accordion Theory

This is a theory of retail institutional change that suggests that retail institutions go from outlets with wide assortments to specialized narrow line store merchants and then back again to the more general wide assortment institution. It is an example of retail institutions’ evolution in terms of product assortment.

Criticisms

1. Small specialty retail institutions tend to resist expansion of their merchandise lines

2. Only retailers, who can withstand competition and have the financial resources to respond and react, evolve through this theory.
3. When a retailer has business partners and is bound to them with contracts and regulations, retail evolution is limited.

4. The theory focuses on merchandise assortment, which is only one aspect of retail evolution.

5. Lack of experimental or causal research to support the theory.

**B. Dialectic Theory**

Gist (1968) replaced the “situation” from Karl Marx’s Theory of Evolution with a “retail institution” in the Dialectic theory. He proposed that an existing retail institution is challenged by its competitor because it has competitive advantages over the existing retail institution. As time passes, the first retail institution imitates the characteristics of competitor to upgrade its existing characteristics and creates a new retail institution. According to him, the discount store is a synthesis of department stores and wholesale stores. Discount stores offer a variety of products in one place by dividing the store into many departments and selling directly to the final consumer (i.e., characteristics of department stores). At the same time, discount stores have reduced prices and limited services (i.e., characteristics of wholesalers). According to the theory, when introduced into retailing in the 1950s, discount stores were considered a new institution type created by blending these two retail institution types.

**Criticalisms**

1. Original retail institution types may not change.

2. What retail operations and how these operations interact between two retail institutions and how anew operation is finally created are difficult to explain in a discrete step-by-step process.

**C. Environmental Theories**

The common concept is that the retail environment is the key influence to retail changes, and to survive change and competition, retail institutions need to evolve by
adapting or adjusting to the environmental changes (Blizzard, 1976; Brown, 1987; Gist, 1968; Oren, 1989). This theory proposes that only a retail institution, which is most effectively adapted to environmental changes could survive. Variables such as consumers, economy, technology, and competitors and social, cultural, and legal conditions exist in every environment and a retailer must be able to adapt to the dynamic changes occurring within the environment. Across countries, environment variables affect retailers at various levels and thus have significant bearing on retail change and evolution.

**Criticisms**

1. Environmental changes are not synonymous with required retail evolution. Retail institutions are not legally required to be evolved, even when their environments change.

2. Researchers could not confirm that all retail evolutions followed the pattern that the Environmental theory proposed. Some environmental influences, which significantly influenced on some retail evolutions, could be a non-significant influence to other retail evolutions.

**2.6.1 Correlates of Retail Strategy**

The theoretical framework of this study is based on the studies that discuss the influence of price and format strategies on store preferences of the customers. There have been many studies on retail pricing strategies; these studies have classified strategy components based on competitor, category, store, and customer factors. Furthermore recent studies reported the influence of upstream (i.e., manufacturer/brand, category) and downstream (i.e., customer) factors on pricing strategies of retailers.

---


Messinger and Narasimhan\textsuperscript{71} reported the increase in the assortments of supermarkets with the increase in the per capita disposable income. The influence of purchasers ‘demands in terms of time-saving and convenient shopping on the prevalence of one-stop shopping is also discussed in this study. Furthermore, recent reports represented the retail formats based on functions of costs (e.g., travel, inventory holding), consumption rates, and product perishability.

Thus, the characteristics of store and market and competitive atmosphere are identified to influence the retail strategy choices (Ingene and Brown 1987). Furthermore, based on the information obtained through these characteristics, the firms will decide their pricing and format strategies. By following Ingene and Brown (1987) model that focuses on the retail structure of the gasoline industry, the researcher of this study designed the theoretical framework that includes retailer pricing, format, and combination strategies.

### 2.6.2 Role of Store Characteristics

Preferences as well as shopping behavior of the customers can be predicted with the help of store characteristics. From the recent reports on retailer environment, it was understood that the shopping behavior of the customers and service quality expected by them are influenced by socio-economic status of the customers, design and ambience of retail store\textsuperscript{72}. Furthermore recent studies explained how the retail service characteristics (example, more checkout personnel) enhance the convenience in shopping. It was also identified that the retailers could improve competitive advantage and sustain customer base by enhancing the shopping environment such as by offering bank facility inside the shop or restaurant services. Through these services, the shops could distinguish themselves from competitors\textsuperscript{73}.


Hypermarket stores are usually preferred by the large basket customers as it provides more products at lower per product costs. So such stores should satisfy the expectations of the shoppers who value time very much in order to compete with kirana retailers. Furthermore, time saving factors, service quality and accessibility of hypermarkets stores will attract more and more customers than hypermarket retailers. This is because; nowadays the customers are ready to pay for better service.  

**Hence it is specified that:**

**H12: Higher service levels are associated with hypermarkets and are the main retailer strategy.**

### 2.6.3 Role of Market Characteristics

In accordance to Reilly’s law of gravitation, the attractiveness of a retail store is directly correlated with the population around the location of the store and indirectly proportional to the distance to the store. The role of store characteristics such as population, household income, distance of the store and other socio-demographic factors in influencing the preferences of the customers has been examined in recent reports.

The role of different market characteristics could be understood through Becker's theory of time. As the customers always give importance to time, they will be interested to purchase varieties of products/services under a single roof to save time. Furthermore, the customers who value time and not interested to travel longer distance to do shopping, will choose the store accordingly. Furthermore upper-class households will choose the stores that offer convenient shopping environments and

---

saves time\textsuperscript{77}. Thus the factors such as time and travelling expenses are found to influence the choices of the customers.

**Hence it is specified that:**

**H13: Variety and location of store are important retailer strategies.**

### 2.6.4 Role of Competition Characteristics

The influence of retail competition on retail pricing has been discussed in recent studies (Lal and Villas-Boas, 1998). Most of the firms are extremely sensitive to the activities of their competitors\textsuperscript{78}. Thus, the activities of the competitors could extremely influence the pricing strategy of a firm. The extent to which these activities influence the market share of firm has also been reported recently\textsuperscript{79}

The competition between the stores within a similar format and same geographical region is found to be higher than between different store formats\textsuperscript{80}. If there is a competition between firms in terms of price or format, there will be change in competitive pricing and shared profits of the firms. This will be helpful to differentiate one firm from the other. Hence it is specified that:

**H14: Stores within a particular geographic area differentiate themselves on either their pricing strategy or format strategy or both.**


Conclusion

Comprising of organized and unorganized sectors, the 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 change of tastes and preferences of the consumers, the industry is getting more popular these days and getting organized as well. The retail industry in India is currently growing at great pace and is expected to go up to US$ 833 billion by the year 2013. It is further expected to reach US$1.3 trillion by the year 2018 at a CAGR of 10 percent. As the country has got a high growth rates, the consumer spending has also gone up and is also expected to go up further in the future. In the last four year, the consumer spending in India climbed up to 75 percent. As a result, the India retail industry is expected to grow further in the future days. By the year 2013, the organized sector is also expected to grow at a CAGR of 40 percent.