Chapter-I

Introduction

Retailing is one of the largest industries in India and one of the biggest sources of employment in the country. The Indian retail market has around 14 million outlets, the largest retail outlet destiny in the world, (Sinha and Uniyal, 2007). India has been identified as the third most attractive retail destination’ globally from among thirty emerging markets, (AT Kearney, 2010). As per this report Indian retail market is worth about $410 billion, out of which 5% of sales are through organized retail. Though the sale percentage of organized retail in India is less, but the modern retail formats are showing very interesting trends due to changing lifestyle of consumers.

The Indian retail industry has strong linkages with the economic growth and development of the economy. Liberalization of the economy, rise in per capita income, improved infrastructure, growing consumerism, retail attributes and effective marketing strategies of the retailers are the significant factors for the development of organized retail in India, (Aggarwal, 2008; Arshad and Hisam, 2008 and Mishra, 2008). According to Swar (2007), several demographic indicators show favourable trends for the growth of organized trade in India. These are: i) Rapid income growth: consumers have a greater ability to spend, ii) Increasing Urbanization: larger urban population that value convenience, coupled with the higher propensity of the urban consumers to spend, iii) Growing young population: growth of the post-liberalization maturing population, with the attitude and willingness to spend and iv) Spend now vs. save earlier: consumers are willing to borrow for present consumption. Changing taste and preferences of consumers’ are leading to radical transformation in lifestyles and spending patterns and this in turn is giving rise to spurt in new business opportunities. A change is being observed in the shopping pattern of customers, which has resulted in the emergence of big retail chains in most metros; mini metros and towns.
Table 1.1: Share of organized sector in total retail by category of products (%)

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</thead>
<tbody>
<tr>
<td>Food and grocery</td>
<td>0.5</td>
<td>0.6</td>
<td>0.7</td>
<td>0.7</td>
</tr>
<tr>
<td>Beverages</td>
<td>5.0</td>
<td>3.8</td>
<td>3.6</td>
<td>3.1</td>
</tr>
<tr>
<td>Clothing &amp; footwear</td>
<td>21.6</td>
<td>19.0</td>
<td>20.4</td>
<td>18.5</td>
</tr>
<tr>
<td>Furniture, furnishings, appliance &amp; services</td>
<td>13.0</td>
<td>11.4</td>
<td>11.3</td>
<td>10.2</td>
</tr>
<tr>
<td>Non-institutional healthcare</td>
<td>1.5</td>
<td>1.7</td>
<td>1.9</td>
<td>2.1</td>
</tr>
<tr>
<td>Sport goods, entertainment &amp; books</td>
<td>11.6</td>
<td>12.1</td>
<td>14.4</td>
<td>16.0</td>
</tr>
<tr>
<td>Personal care</td>
<td>2.8</td>
<td>3.5</td>
<td>4.7</td>
<td>5.4</td>
</tr>
<tr>
<td>Jewellery, watches etc.</td>
<td>3.3</td>
<td>4.0</td>
<td>5.1</td>
<td>5.6</td>
</tr>
<tr>
<td>Total retail</td>
<td>3.3</td>
<td>3.6</td>
<td>4.0</td>
<td>4.1</td>
</tr>
</tbody>
</table>

Source: Technopak Advisers Pvt. Ltd

The trends of organized retail sector in India from the period of 2003 to 2009 are depicted through table 1.1. The results highlight an increase in the share of organized retail in all the categories of products. The share of total organized retail increased from 3.3 in 2003-04 to 4.1 in year 2008-09.

With this tremendous growth of organized retail sector, global retailers like Wal-Mart, GAP, Tesco, J.C Penney, Sears and Carrefour are trying to establish themselves in the Indian market. Wal-Mart has already opened their stores in partnership with Bharti in Indian market. Despite having emerged as the world’s most attractive market for global retailers, India still faces alarming issues that pose serious hurdles to the growth opportunity that the retail industry promises for the country’s economic progress. These issues are: underdeveloped supply chain capabilities, inadequate utilities, infrastructure, real estate, taxation challenges, limited consumer insight etc. These issues which are universally experienced are also experienced by Indian retailers and need to be addressed to enable this sector to prosper.

In this changing retail environment, consumer behavior, trends and issues of retailing are undergoing a sea change. This demands marketing approaches to be altered accordingly. Thus all retail formats stand challenged to formulate marketing strategies that will ensure them of achieving competitive advantage over other competing formats. Proper marketing strategies will hold the key in this changed scenario, (Gupta 2007 and Kokatnur 2009). Indian retailers are also focusing upon different retail strategies, i.e., pricing, promotion and retention strategies and this is also being covered in this study.
Growth of Organized Retail in 2009-2010:

During the past decade, retail industry has built strong lifestyle brands positioning itself to cater to the tastes and preferences of the consumers. Moreover, there is a massive change in the consumers’ spending patterns. The first quarter of 2010 has witnessed a strong growth in the retail segment. The year 2010 marks the beginning of an important decade which will decide on how much India will develop in the next decade. It is expected that the country will accelerate its GDP growth like never before and will sustain a GDP growth of about 9.6% by 2020.

Table 1.2: Major expansion plan of retailers

<table>
<thead>
<tr>
<th>Company</th>
<th>Format/ Vertical</th>
<th>No. of stores</th>
<th>Deadline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Big Bazaar</td>
<td>Hypermarket</td>
<td>350</td>
<td>-</td>
</tr>
<tr>
<td>KB’s Fair Price</td>
<td>Discount Store</td>
<td>900</td>
<td>-</td>
</tr>
<tr>
<td>Shopper’s Stop</td>
<td>Department Store</td>
<td>18</td>
<td>2012</td>
</tr>
<tr>
<td>Reliance Jewels</td>
<td>Gems &amp; Jewellery</td>
<td>15</td>
<td>2012</td>
</tr>
<tr>
<td>Gloria Jean’s Coffee</td>
<td>Food and Beverage</td>
<td>41</td>
<td>2011</td>
</tr>
<tr>
<td>Maishaa</td>
<td>Home improvement</td>
<td>50</td>
<td>2010</td>
</tr>
<tr>
<td>Major Brands</td>
<td>Fashion Brands</td>
<td>62</td>
<td>2011</td>
</tr>
<tr>
<td>Vision Express</td>
<td>Eyewear</td>
<td>700</td>
<td>2016-17</td>
</tr>
<tr>
<td>Sun Glass hut</td>
<td>Eyewear</td>
<td>30</td>
<td>2012</td>
</tr>
</tbody>
</table>

As a democratic country with high growth rates, consumer spending has risen sharply as the youth population (more than 33% of the country’s population is below the age of 15) has seen a significant increase in its disposable income. Consumer spending rose by an impressive 75% in the past four years alone. Organized retail, which accounts for nearly 5% of the overall retail market, is likely to touch $31 billion by 2012. Retail consumption trends remained upbeat in both rural and urban households in the last quarter of 2009-10. All the top retailers, such as Pantaloon, Shoppers Stop, More, and Reliance Retail have chalked out expansion plans, (Talwar, 2010).
1.1 Rationale for the study:

**Figure 1.1: Forces affecting Emerging Retail Formats**

In India, insufficient work has been done on identifying the consumers’ behaviour towards emerging retail formats, impact of consumers’ demographic profiles, attributes of emerging retail formats, product-wise consumer preferences from different retail formats and retail marketing strategies. The previous studies have covered only one or two aspects of retailing. Thus, it has become imperative to study all the important aspects of retailing together in order to know the latest trends of retailing and changing consumers’ behaviour towards these trends. So the present study proposes to cover consumers’ and retailers’ perspective in Punjab. Currently, it is very important for retailers to understand the need of customers before carrying a product because of changing consumer preferences and lifestyle. The study will also identify the consumers’ behaviour towards emerging retail formats like malls, speciality stores, hyper/supermarkets, discount stores, convenience stores and department stores, impact of demographic factors on consumers’ behavior, and attributes influencing purchasing from these retail formats. A brief of all aspects covered in the study has been explained in section 1.2 to 1.6.
1.2 Emerging Retail Formats:
Emerging retail formats provide a wide variety to customers and offer an ideal shopping experience with an amalgamation of product, entertainment and service, all under a single roof. Indian retail scenario, with the intervention of organized retail in the form of modern retail formats such as one-stop malls, speciality malls, hyper markets and big-box retailing, has witnessed a remarkable shift in the preferences of consumers. According to Hino (2010) the emergence and expansion of supermarkets has gradually decreased the market share of the traditional formats. The factors that helped supermarkets gain consumer preference over the traditional stores are the ‘consumers’ economic ability’ and the ‘format output’. Kuruvilla and Ganguli (2008), Rajagopal (2009), Srivastava (2008) and Jhamb and Kiran (2012) opine that mall development is expected to grow at a frantic pace in metros and mini metros. Malls comprise 90% of the total future retail development. The basic reason for the growth of malls is that it offers an experience and not just goods. There is a wide range of shopping experience - bargains and discounts, high-end brands for couples, gaming and other amusement facilities for kids and the multiplexes theaters, etc. The formats considered in the present study are:

i. **Malls**: Malls ranging from 60,000 sq ft to 7,00,000 sq ft, are the largest form of organized retailing today. These lend an ideal shopping experience with an amalgamation of product, service and entertainment, all under a single roof.

ii. **Convenience Stores**: These are relatively small stores located near residential areas and open for long hours for all seven days a week. These carry a limited line of high-turnover convenience products and fill important consumer needs. People are willing to pay for the convenience.

iii. **Department Stores**: Department Stores are another type of emerging formats and these carry several product lines- typically clothing, home furnishings and house-hold goods - with each line operating as a separate department managed by specialist buyers or merchandisers.

iv. **Hypermarkets/Supermarkets**: Hypermarkets and Supermarkets are the latest formats located in or near residential high streets. Hypermarkets carry a product range varying
from Foods, Home-ware, Appliances, Furniture, Sports, Toys and Clothing; and Supermarkets are large self-service outlets, catering to varied shopper needs and mainly focus on Food and Grocery and personal sales.

v. **Discount Stores:** Consumers preferring to pay a low price can visit the Discount Stores or Factory Outlets, which offer discounts on the MRP, as they sell in bulk and have higher economies of scale.

vi. **Speciality Stores:** These stores especially cater to consumers who are looking for assorted brands at one store. For instance, apparel stores, sporting goods stores, furniture stores and book stores are some of the examples of speciality stores. (Kotler, 2006; Sinha, 2007 and Jasola, 2007)

1.3 Demographic Profile of Consumers:
Age, income, occupation and education are very important demographic factors influencing consumers’ buying behaviour and these have been considered in the present study. Earlier studies have examined the relationship between demographic factors and consumers’ buying preferences. Mishra (2007) is of the view that India is currently in the second phase of evolution, that is, consumer demand organized formats. Retailers need to customize retail models as per the tastes and preferences of the Indian consumer. Arshad et al. (2007), Kaur and Singh (2007), and Ghosh et al. (2010) while highlighting the prospects of retailing in India have opined that 47% of India’s population is under the age of 25 and this will further increase to 55% by 2015 and this young population will immensely contribute to the growth of the retail sector in the country. The studies by Dash et al. (2009), CII (2008) and Jhamb and Kiran (2012) depict that growing middle class, large numbers of earning young customers and increase in spending, are several opportunities for expansion of organized retailing in India. Malls are focused towards catering to the younger population segments (Barak, 1998; Myers et al., 2008) and shopping behaviour of the consumer varies according to their age (Moschis 2003). Shopping behaviour of younger consumers’ would be focused towards seeking entertainment, while older consumer focuses on convenience and leisure (Myers et al., 2008). Benito et al. (2006), Aggarwal (2008) and Bhardwaj and Makkar (2007) highlight that the emergence of organized retailing in India is due to increase in disposable income of consumers and their higher educational levels. Goyal and Aggarwal (2009) and Ali and Kapoor (2010) opine that in India, a consuming class is emerging
as a result of increasing income and education levels, and dual career families with high disposable incomes.

1.4 Attributes of Retailing:
Emerging retail formats like malls, speciality stores, discount stores, hyper/supermarkets, convenience stores and department stores are accepted by consumers due to their salient product and store attributes. This has been verified from the results of previous studies by various researchers. Erdem et al. (1999) examine the linkage between consumer values and the importance of some salient store attributes. The study indicated that the important judgments for store attributes were influenced by the set of terminal and instrumental values viewed as important by the shoppers. Thang et al. (2003) and Dalwadi et al. (2010) supported that consumers’ choice of shopping malls over traditional market stores is influenced by various factors like location, ambience, assortment, sales promotion schemes and in-store services. The facility of one stop-shop had a positive response from the consumers, who found it more convenient, time saving and satisfactory. Mittal et al. (2008) suggest that the retailers’ marketing strategy will have to take into account two sets of attributes: (1) loyalty drivers, and (2) shopping experience enhancers. These attributes will have to be integrated into the retail format. According to Jayaraman and Aggarwal (2001), Rajagopal (2007), Jain and Bagdare (2009) and Jacobs et al. (2010), layout, ambience, display, self service, value added services, technology based operations and many more dimensions with modern outlook and practices are the major determinants of emerging retail formats.

Herpen and Pieters (2000) point out that the attribute-approach captures consumers’ perception of assortment variety better than the product-based approach and it offers new insights into assortment variety. Popkowski et al. (2001) observed that the changing retail structure has provided the consumers with more options in the form of formats and services such as a large variety of products, quality products and less travel time, etc. Gupta (2004) and Urbonavicius et al. (2005) are of the view that consumers prefer emerging retail formats due to its significant product attributes which include product quality, assortment of merchandise, variety and product prices. According to Lather et al. (2006) and Gupta (2007) six main indicators namely, price, sales personnel, quality of merchandise, assortment of merchandise, advertising services and convenience services play a key role for retailers in choosing the type of retail formats. The study by Jackson et al. (2006) demonstrates that consumer choice between stores can be
understood in terms of accessibility and convenience, whereas choice within stores involves notions of value, price, and quality.

1.5 Type of Goods:
To better understand the organized retail scenario in India and the products preferred from emerging retail formats, goods have been classified into two types, i.e., shopping goods and convenience goods. Literature available on type of goods preferred from emerging retail formats is sparse and there are only few studies and these too are only focusing on a particular retail format. Shukla (2007) and CII (2008) described that food and grocery, health and beauty, apparel, jewellery, footwear, home furniture, household goods, personal goods and consumer durables are the fastest growing categories of organized retail. The most appropriate retail formats for various items are: food and grocery- supermarket; health and beauty care services- supermarket; clothing and apparels’- mall; entertainment- mall; watches- hypermarket; pharmaceuticals- hypermarket; mobile, accessories and services- hypermarket; and foot wares-departmental store (Goyal et al., 2009). The results of the study by Mishra (2007) show that consumers buy essentially convenience goods with lower level of risk from organized outlets and essential products with higher risk from traditional retailers. The present study covers this aspect as well.

1.6 Retail Marketing Strategies:
Consumers’ choice is the critical component for success for retailers. It is not easy to satisfy the consumers as they want high quality merchandise at low price. So it is important for retailers to focus upon the attractive marketing strategies to satisfy the consumers’ needs. Retail marketing strategies are playing significant role in the growth of organized retail sector. Retailers are opting for various marketing strategies to attract consumers to buy from emerging retail formats. The study by Mittal and Mittal (2008) suggests that the retailers’ marketing strategy will have to take into account two sets of attributes: i) loyalty drivers and ii) shopping experience enhancers. For apparel shopping the loyalty drivers are: attractive merchandise mix, sales promotions, price, and recommendation/relationship whereas the shopping experience enhancers are store reputation/advertisements, temperature (air conditioning), return/guarantee, and ambient conditions. Dalwadi et al. (2010) identify that variables like i) courteous staff members, ii) customer attention, iii) free gifts and discounts, iv) comfort and elegance, v) proximity, vi) variety, vii) speedy service and viii) assurance must be considered while designing retail
operations. Kokatnur (2009) is of the view that malls, supermarkets and hypermarkets are growing rapidly and adopting aggressive strategies to attract customers.

According to Reichheld and Schefter (2000) and Gupta et al. (2009) retention of existing customers is five times more profitable than adding new ones. The results indicate that customers’ perceived value is an important indicator of their continued intention, and so are the loyalty incentives provided by the store. Customers value convenience more than enjoyment. Organized retailers can improve customer retention by focusing their strategies by adding more value and convenience to customer experience. Grewal et al. (2009) and Ghosh et al. (2010) recommend various strategies for retailers in designing their outlets that would meet the expectations of shoppers and how they can shape customer experiences and behaviours. Promotion, price, merchandise, private label brands, fun and entertainment, effective sales personnel, supply chain and location deliver a superior customer experience and result in higher customer satisfaction, more frequent shopping visits, larger wallet shares, and higher profits.

1.7 Overview of the Research:
The present study takes a holistic perspective of retailing. The study focuses on identifying the consumers’ behaviour towards emerging retail formats, considering the impact of demographic factors on consumers’ behaviour and attributes influencing consumers to purchase from these retail formats. Also included in the study are the types of goods preferred for buying from emerging retail formats. The study takes into account the retailers’ perspective as well by identifying the important retail marketing strategies influencing consumers’ purchase preferences. The study, by taking into account consumers’ and retailers’ perspective, tries to present a holistic picture of retail scenario.
1.7.1 Research Objectives:

Before the start of any research, it is essential to define the objectives of the study. The present study has been undertaken with the following broad objectives:

• To examine the trends in the retail sector.

• To study the attributes that influence consumers’ preferences towards emerging retail formats.

• To study the product-wise preferences of consumers towards emerging retail formats.

• To study the impact of demographic factors on consumers’ preferences of emerging retail formats.

• To suggest marketing strategies to retailers for better management.

1.7.2 Hypotheses of the Study:

H₁: Consumers’ preferences towards emerging retail formats are influenced by product attributes like quality, branding, assortment of merchandise.

H₂: Consumers’ preferences towards emerging retail formats are influenced by store attributes like parking facility, children play area and shopping convenience.

H₃: Consumers prefer speciality stores for buying various shopping goods like clothing, jewellery and furniture.

H₄: Convenience stores are preferred for various convenience goods, i.e., food and grocery, confectionaries and stationery.

H₅: Retention strategies and promotional strategies are more important for emerging retail formats than other marketing strategies used by retailers.
1.8 Significance of the Study:

The present research will help to portray a detailed picture of consumer preferences towards emerging retail formats viz. malls, convenience stores, department stores, hypermarkets/supermarkets, discount stores, and speciality stores. The research will help in segmenting the customers on the basis of their preferences of retail formats for purchasing convenience and shopping goods. Moreover, it will also help the retailers to focus on the factors influencing the preferences towards emerging formats and suggest marketing strategies for better management. The unique feature of this exhaustive study is the coverage of all important aspects of retailing and thus it has relevance for both consumers as well as retailers. Further, the proposed work will also help and guide consumers’ and retailers’ by providing them with a practical framework on consumers’ and retailers’ perspective on emerging retail formats.

1.9 Organization of Thesis:

The thesis is divided into six broad chapters which are:

Chapter I: Introduction
This chapter is introductory in nature that lays down the foundation of the complete research. A broad overview of research aspects is presented with a close look at the present scenario and the objective with which the whole research was carried out is outlined. This chapter covers the scenario of Indian retail sector and the factors responsible for emergence of this sector. The chapter also introduces the retailing perspectives considered in the study.

Chapter II: Review of Literature and Identification of Research Gaps
This chapter presents results of different empirical and descriptive research studies carried out in the area of retailing. The review helps to know emphasis and direction of research being done, the time periods of the studies, the scope and limitations of studies conducted, the conclusions drawn from these studies, the objectives fulfilled and benefits accrued. It helps to identify the gaps in the earlier studies and avoids duplication of results and shift focus of emphasis in the right direction. Basic review of literature is divided into few categories viz. studies relating to overall retail scenario, consumers’ perspective and retailers’ perspective.
Chapter III: Research Methods and Procedures

This chapter highlights the research methodology used for analyzing the collected data. As the present study uses both primary and secondary data, complete description of sample taken, research procedures and measurement tools have been explained in this chapter. This chapter highlights the research plan.

Chapter IV: Results and Analysis of Consumer Preferences of Emerging Retail Formats: Consumers’ and Retailers’ perspective

a) Consumers’ Perspective:
This section uncovers the hidden expectations and preferences of consumers towards emerging retail formats. In order to study the consumers’ preferences from emerging retail formats in Punjab, a questionnaire has been framed covering all the aspects related to consumers’ preferences. Questionnaires were distributed to 1200 consumers on the basis of their demographic profile and 500 filled questionnaires complete in all aspects have been taken up for analysis. Thus, this section highlights the results of primary data collected to analyze the consumers’ behaviour and their preferences towards emerging retail formats.

b) Retailers’ Perspective:
Similarly to enhance the worth of the present study, data has also been collected from the retailers with the help of another questionnaire. It mainly covers the important marketing strategies of retailers which they use to attract the consumers to purchase from emerging retail formats. Data has been collected from 62 retailers of Punjab. Finally the results have been highlighted based upon the primary data. The main objective has been to suggest the marketing strategies to retailers’ for better management.

The study, besides using the descriptive statistics, also uses ANOVA, factor analysis and regression model to analyze the data. Finally the study provides a framework on consumers’ and retailers’ perspective towards emerging retail formats.

Chapter V: Conclusions, Implications, Limitations and Future Study

This chapter provides the summary of research results along with recommendations and limitations. Further, major findings of the study have also been presented. This chapter also covers revisiting of objectives and presents the implications of the study for consumers as well as
for retailers. The study tries to identify and recommend some new area of research and future research can be carried out in these areas.

**Concluding Remarks**

This chapter, after presenting an overview of retailing scenario in India, introduces various concepts of retailing, considered in the present study. The chapter also highlights the objectives and hypotheses of the present study. Chapter scheme describing the organization of thesis has also been presented.