Chapter 10

Suggestions and Recommendations

10.1 Introduction

10.2 General Suggestions

10.3 Specific Suggestions

10.4 General Recommendations

10.5 SWOT Analysis of Organized Retail Industry of India

10.6 Models showing the organized retail strategies, formats and the impact on consumer behavior.

10.7 Scope for Further Study

10.8 Conclusion
Chapter 10

Suggestions and Recommendations

10.1 Introduction

Organized retail business is a comparatively new phenomenon in India, and is still in the process of finding its feet in terms of location, size, format, product ranges, and segment targeting. Retail Industry in India, contributing over 10 per cent to the country’s GDP and accounting for around 8 per cent of the employment, is the largest among all the industries. Over the years, it has come forth as one of the most dynamic and fast paced industries. More than 95 per cent of the Indian retail sector falls in the unorganized sector category. Organized retail is expected to grow from 5-6 per cent to 14-18 per cent of the total retail market by 2015.

Organized retail sector’s penetration level is 85 per cent in US, 80 per cent in France, 66 per cent in Japan, 20 per cent in China and, merely 5-6 per cent in India. This confirms that India is at an early stage of evolution in the organized retail space and has a huge growth potential.

The retail industry in India is hailed as a sunrise sector, and is estimated to double in value from US$ 411.28 billion in 2011 to US$ 804.06 billion by 2015. Indian retail is still dominated by a large number of unorganized small retailers consisting of the local kirana shops, paan and beedi shops, hand-cart hawkers, pavement vendors, etc. Even today about 93 per cent of retail trade is run by the unorganized retailer and only about 7 per cent of retail trade is organized. In the coming years both unorganized and
organized retail will see a massive scaling up of their activities and are set to achieve rapid and sustained growth. At this juncture both the government and industry circles are taking efforts to boost the growth of the organized retail sector, but little is done for the growth of the unorganized retailers. In spite of this indifference, traditional retailers are making efforts to face stiff competition from organized retailers.

10.2 General Suggestions

1. The Indian market scenario has witnessed a drastic change after globalization and the entry of organized retail outlets made the consumers the king of the market. But the consumers should be careful while making purchase decisions they should not be carried away with the promotional strategies employed by the retailers and make a proper analysis and make a purchase.

2. As far as the organized retail sector is concerned they should make a careful study before making investments because the need of the hour and biggest challenge is the retail space and the cost of rentals.

3. India has a maximum population residing in rural area and it is also observed that the consumers are price sensitive; in India there exist multi dimension cultured people. Therefore a critical analysis needs to be done of all these environmental needs on a continuous basis by the modern retailers before zeroing in on any particular format of organized retail in any part of the Indian market.

4. FDI is another hot booming area which needs attention from the policy makers. The policy makers should take utmost care in arresting the inflow of foreign capital. Therefore the policy makers should plan accordingly to identify the areas as well as product categories where foreign capital may be permitted.

5. The new practices that have emerged such as outsourcing service franchising private labels etc have great potential in generating employment opportunities. Since the requirements of organized retail sector are huge therefore the entrepreneurs should jump at these promising prospects, their liking or
preference. The analysis also showed that the customer’s are saving more in the unorganized retail than the organized retail.

10.3 Specific Suggestions

1. Indian consumers are protected under the Consumer Protection Act, 1986, and the Consumer Protection (Amendment) Act 2002. This Act is outdated. The retail sector is evolving and many new retail formats have developed. These are not explicitly covered under the present Act. The process of registering a complaint and handling of legal cases in India is lengthy. In addition, there is no provision for protecting consumers against predatory pricing. Hence, the Act needs to be modified to ensure consumer protection and welfare.

2. Though the present survey provides an insight into Indian consumer behavior, the sample size is small compared to the Indian population. There is need for a large consumer survey in India, which focuses on the likely impact of FDI retail policies on consumers. Since India is not a homogenous market, a larger sample size will help to capture more variations in consumers shopping behavior and perceptions across different regions of India. This will also help to draw up state-level retail policies.

10.4 General Recommendations

1. A system of licensing should be introduced for organized retail. Any retail outlet with floor area over an appropriate minimum floor area should require prior license from local authorities (city corporations or municipalities).

2. A dedicated committee/board/department should be set up by the urban local bodies, with representation from street vendors and small retailer associations, which should be empowered to grant licenses to organized retailers.

3. Licenses should be given on the basis of a population criterion, i.e. not more than X number of large format retail stores per Y population. The criteria may
vary between states and cities depending upon the nature of the retail sector and needs of consumers.

4. Besides a system of licensing for organized retailers, a number of steps need to be taken by the Government to prevent the emergence of private monopolies in Retail Trade. A single large format retailer should not be allowed to capture a large market share. For this it is important to restrict the number of retail outlets that a single private entity can open in a city, state as well as region.

5. The State Governments or urban local bodies should levy a access on the VAT on all goods sold by large format retail outlets (including those in the public sector) in order to create a level playing field between the organized and unorganized retailers. Revenues generated from the access can be used to create a dedicated fund to provide infrastructure support, financial assistance or cheap credit for unorganized retailers to improve and upgrade their operations.

6. In order to prevent the development of big private monopolies it is also important for the Government to ensure its presence in the market. Several Government marketing agencies exist, both at the Central as well as State levels, which need to be revived and made to reinvest in modernizing infrastructure. Partnerships between existing Government marketing agencies and cooperatives can also be considered, especially in food retail where synergies exist.

7. It has to be ensured that a single corporate retailer does not monopolize procurement operations in a district or area. It is therefore absolutely critical that both public procurement agencies and cooperatives are given support, incentives and freedom to compete with the corporate retailers. This would require special initiatives from the State Governments to reinvigorate the Government agencies. The Central Government should also provide adequate funds required for the purpose.

8. Food retailers or other agribusiness companies should not be allowed to corner and hoard food grains stocks under any circumstances. To prevent cornering of stocks by private players with the associated potential for speculation, there
should be rules for public disclosure of stock holding levels. Public agencies should be empowered to purchase food grains from the private holders at pre-specified prices if their stocks exceed a specified level.

9. Regulations are needed, a list of do’s and don’ts for big retail companies to protect the interest of the small traders and shop-owners. However, we must understand that we do need for better mechanism for developing modern marketing infrastructure and cold chain for perishable goods. The Centre should formulate guidelines and till such time left governments should vest municipal corporations and/or panchayets with the powers to regulate retail players.

10. There is no denying the fact the organized retail has some very positive implications on the system like improving quality, integrating the producers to the marketing system, better accountability, enforcing minimum labour standards, fostering gender equality by employing women, giving consumer wider choices, etc. We cannot afford to shut out these positive externalities that organized retailing brings to the business. Institutional support in the form of credit facilities from Commercial banks have to be provided to traditional retailers to bring certain infrastructural changes, to upgrade their outlets which can increase the business.

11. Traditional retailers should also engage in doing primary market research to understand the pulse of consumers, their buying behaviour and about new brands which they are not aware which will make them aware of their surroundings and help them take corrective measures would help in withstanding competition from the organized retail formats. Traditional outlets should undergo a transformation process, bringing in new changes which in turn increase their competitiveness.

12. Owing to backward linkages and direct contacts the organized retail outlets are in a better position to bargain prices of many of essential products. However, their steep overheads will eat into their profits. Steps should be taken by traditional retailers to cut excess cost.
13. The retail outlets can invest in supply chain, buy directly from the sources and eliminate middlemen and can attempt to obtain volumes in buying by aggregating the requirements of various stores, and bargaining for competitive strength.

14. Retailing should be given the status of an industry. This will help retailers to source funds and upgrade the quality of their products. The retailers should upgrade their outlets, improve the ambience in the shop and stock a wider range of products and provide value added services like home delivery, concentrate on niche markets, etc. The study revealed that income is not an important determinant of where the individual shops. Therefore the traditional retailers should try to attract consumers to their stores.

15. Service not only refers to the in-house services like exchange of products, assisting customers and so on. It also refers to easy accessibility to the store, proximity of store to the residence, credit facility by the store, less traffic in the approach road, free home delivery at the earliest, reducing the lengthy queues at the ticket counter, effective complaint handling system and error free billing.

16. Each and every activity of the store should lead to satisfaction of the customer or even to a higher degree called customer delight. There are factors that define satisfaction like low level prices, high quality, high ethical standards and environmentally friendly products, prompt complaint handling, skillful and professional salesmen, safe mode of payment, better layout of the store, honest dealings by the store, prompt service, early opening of the store and least billing errors. Retailers should consider all these factors to increase the level of satisfaction among the customers.

17. The sales person has major role to attract and retain customers. Stores must take pain to make sure that sales person are educated, experiences, helping nature, has a neat and clean outlook and is cheerful knowledgeable.

18. Good ambiance provided by the retailer helps customers linger around the store for more time. The physical environment has a major influence on the customers.
buying behavior. Therefore, retailers must take utmost care to create a dynamic shopping experience in their stores. This can be done through air conditioning of the store, free parking, proper lighting, good security, neat and clean wash rooms, elevators, cleanliness and proper ventilation or even having play area for children.

19. Promotional activities by the retail stores attract customers to a large extent. Promotional activities are undertaken during special occasions, off seasons, festivals or on a particular day. Major promotional tools used by the stores are discounts and coupons, exchange offers, low priced products and other attractive schemes. Promotional factors do play a major role deciding and choosing a store.

20. Good variety in retail stores acts as a major motivator for customers to visit a store again and again. For majority of customers variety came in the form of having a bakery within the store, food section, more private labels and national brands and finally a lot of fresh fruits and vegetables.

21. A loyal customer reduces the cost of retailer. Therefore the retailer should leave no stone unturned to maintain and increase the loyalty of customers. For the same, loyalty programs needs to be introduced like bonus points, free insurance, preferred customer status, cash back schemes and other special offers which satisfy the customer.

22. Retailers should help customers to explore the store. For this shopping should be made more adventurous by continuously upgrading the product portfolio, by changing the layout and by providing the touch and feel experience.
10.5 SWOT Analysis of Organized Retail Industry of India

**Strengths:**

1. Organized retailing at US$ 3.31 billion, growing at 8 percent.
2. 2nd largest contributor to GDP after agriculture at 20 percent.
3. Pattern of consumption changing along with shopping trends.
4. Consumer spending increasing at 11 percent annually.
5. Almost 25 million sq. ft. retail space available.
6. Paradigm shift in shopping experience for consumers pulling in more people.

**Weaknesses:**

1. Shortage of quality retail spaces at affordable rates.
2. Government regulations on development of real estate (Urban Land Ceiling Act)
3. Need to provide Value for Money-squeezing margins
4. Lack of industry status.
5. Retail revolution restricted to 250 million people due to monolithic urban-rural divide.

**Opportunities:**

1. Increasing urban population-more participants in retail revolution.
2. Increase in consuming middle class population.
3. Social factors, like dual household income has enhanced spending power.
4. Spends moving towards lifestyle products and esteem enhancing products.
5. Average grocery spends at 42 percent of monthly spends-presents a huge opportunity.

**Threats:**

1. Rising lease/rental costs affecting project viability.
2. Poor monsoons and low GDP Growth could affect consumer spending drastically.
3. Archaic labor laws are a hindrance to providing 24/7 shopping experience.
4. Personalized service offered by Kirana stores.
5. Unavailability of qualified personnel to support exponential growth in retail.

**10.6 Models showing the organized retail strategies and the impact on consumer behavior.**

On the basis of the study conducted, the researcher recommended the following models which are expected to show the impact of organized retail outlets on consumer behavior and the reasons for the popularity of organized retail outlets, the models further give a complete view of the concept of retail outlets and its strategies.

Chart: 10.1 give a clear view of the retailing concepts and its strategies. Retailing in India is gradually inching its way toward becoming the next boom industry. The whole concept of shopping has altered in terms of format and consumer buying behavior, ushering in a revolution in shopping in India. Modern retail has entered India as seen in sprawling shopping centers, multi-storied malls and huge complexes offer shopping, entertainment and food all under one roof. The Indian retailing sector is at an inflexion point where the growth of organized retailing and growth in the consumption by the Indian population is going to take a higher growth trajectory. The Indian population is witnessing a significant change in its demographics. A large young working population with median age of 24 years, nuclear families in urban areas, along with increasing working-women population and emerging opportunities
in the services sector are going to be the key growth drivers of the organized retail sector in India. The chart further shows that it is through a proper consumer orientation and coordinated efforts the value could be driven which further will give a clear goal so that the retailing concepts and strategies be developed for the consumer's delightment.

Chart 10.1
Retailing Concepts and Strategies

Chart 10.1 shows the retailing concepts and the strategies to be followed by the retailers in order to be successful. It specifies that it is through proper customer orientation that a retailer can delight his consumers and can have loyal consumers, further a coordinated efforts of marketing variables will help the retailer to have a value driven program and ultimately a streamlined goal orientation will help the
retailer to frame a proper retailing concepts and further a successful strategies can be framed.

Chart 10.2
Framework showing choice of Retail Formats
Chart 10.2 shows the retail strategies which are the result due to various marketing attributes like the retention, price, promotion, competition etc, these further results in choice of retail formats that are made by the Indian consumers as per their demographic necessity and requirement. Indian customer is looking for an emotional connection, a sense of belonging. Hence, to be successful any retail outlet has to be localized. The customer should feel that it is a part of his culture, his perceived values, and does not try to impose alien values or concepts on him. Indian customer is not keen to buy something just because it is sold by an international company. Ultimately, it boils down to how much localization and adaptation the company is willing to do for India. Other than tremendous money power, global companies have nothing extra or special that the Indian retail business does not have. Only two percent of India’s retail market is organized. The future shows tremendous potential for growth in the retail sector. Almost all large companies worldwide are looking to establish a base or stake in the Indian market. In this scenario, the Indian retail sector itself must seize the initiative to realize the dreams of contributing to a prosperous and booming economy. The focus should be on the Indian horizon before looking for retail opportunities in other countries because India itself is a big retail market. In the near future India will see a phenomenal growth of shopping malls and specialty retail stores. The specialty stores will cater for home, electronics, furniture, watches, sunglasses and assorted items. There will be more fashion stores for youth. Specialty retail stores and malls are the future of Indian retail market.
Chart 10.3
Framework showing consumer’s perception of retailing

Chart 10.3 showing the overall consumer perceptions of retailing industry. A customer is someone who makes use or receives of the product or service of an individual or organization the historically derived from “custom” meaning “habit “a customer was someone who frequented a particular shop, who made it habit to good
of the shop sold their rather than elsewhere and with whom the shopkeeper had to maintain a relationship to keep his "custom meaning expected purchases in the future. In psychology and the cognitive sciences perception is the process acquiring interpretation selection and organization sensory information the word perception comes from the Latin perception meaning receiving collection action of taking a possession. Apprehension with the mind or sense. Method of studying perception range from essentially biological or physiological approaches though psychological approaches though the philosophy of mind and in empiricist epistemology. The framework in chart 10.3 gives a clear idea about the perception of a consumer in making choice of the retail outlets.

To have in-depth study of consumer perceptions, the basis on which consumers have been segmented keeping in view the products to be sold need to be understood. Customers of today carry out extensive research in gathering maximum information about product to be purchased, occasion for which the purchase is to be made as well as from where the purchase is to be made. Their evaluative criteria include price, brand reputation, distribution, promotion, personal selling. The factors causing planned vs. unplanned purchasing behavior and consumer decision process model need to be understood thoroughly. The customers remain in dilemma about outlet choice and brand choice.

Retail is an emerging sector in India. Marketers are leaving no stone unturned to influence the customers by offering them in various ways, at various locations, in various forms resulting in emergence of various retail formats throughout the country. Customers are highly influenced by image of the retail outlet, its attributes, product range, variety, services, employee’s behavior, décor, music and marketing strategies. For this, the retailer need to understand the process of outlet selection, consumer choice and shopping behavior, the shopping process, shopper types and shopping strategies, choice decisions during shopping process, attempts made by marketers to close the gap between expectation and performance and so on. This is clearly shown in the framework given in the above mentioned chart.
Therefore the retailers should put in efforts focusing on attracting the customers towards the store outlets on continual basis by focusing on their distinct features, thus, adding to the retail formats, followed by persuasion of paying a visit to the store causing a positive impact on the prospects by their effective formats, convincing them to make first purchase. It is clear that the customers of today are not focusing only on the purchase, however, less it is; they are equally concerned with external as well as internal environment of the retail format. Their pre-purchase experience is highly influenced by family members, friends and channels of communication in comparison to competitive offerings. Moreover, needs, perceptions and experiences of customers vary to a great extent which a marker needs to identify and thus make offerings accordingly.

This can be seen and understood with the help of the following Table 10.1 which show the summary of consumer preferences towards emerging retail formats.
Table 10.1
Summary of consumer preferences towards emerging retail formats

<table>
<thead>
<tr>
<th>Sr.No</th>
<th>Formats</th>
<th>Attributes</th>
<th>Why Consumer’s prefer OR outlets</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Malls</td>
<td>Collection of shops, wide variety, amalgamation of products, service and entertainment, all at one place</td>
<td>Due to variety, different brands of products and services at one place, along with entertainment.</td>
</tr>
<tr>
<td>2</td>
<td>Convenience Stores</td>
<td>Small stores located near residential areas, limited line of high-turnover convenience products, charge high prices due to convenience.</td>
<td>Due to easy availability of products, less time consuming while shopping.</td>
</tr>
<tr>
<td>3</td>
<td>Departmental Stores</td>
<td>Systematic division of products within different departments well managed merchandise and easiness for consumers.</td>
<td>Due to better shopping experience without any inconvenience.</td>
</tr>
<tr>
<td>4</td>
<td>Hypermarkets/Supermarkets</td>
<td>Large self-service outlets carries wide product range- Food and Grocery, Home-ware, Appliances, Clothing, Furniture, Sports etc.</td>
<td>Due to changing lifestyle, better environment of the outlets, better products at normal prices.</td>
</tr>
<tr>
<td>5</td>
<td>Discount Stores</td>
<td>Offer discounts on MRP but lack of variety due to reaching economies of scale and stock cancellation or excess stock left over.</td>
<td>Due to price reduction.</td>
</tr>
<tr>
<td>6</td>
<td>Specialty Stores</td>
<td>Carry a single product line, customers have wide variety to choose due to Specialization in particular product like music stores; apparel Stores, book stores, sporting goods stores etc.</td>
<td>Quality preference and all brands at one place.</td>
</tr>
</tbody>
</table>

Source: primary data.

10.8 Conclusion

The retail sector in India is witnessing a huge revamping exercise as the traditional retailers are making way for new formats. These modern retail formats provide wide variety to customers and offer an ideal shopping experience with an amalgamation of product, entertainment and service, all under a single roof. Now the consumer has multiple options to choose-ranging from the shopkeeper to the most sophisticated supermarkets, departmental stores, plazas and malls which provide the latest, quality
products. The food and groceries; health and beauty; apparel; jewelry; and consumer
durables are the fastest growing categories of organized retail. The hypermarkets,
malls, supermarkets are the preferred kind of stores by consumers. Moreover
consumers’ product preferences of various retail formats are as follows: food and
grocery, health and beauty care services supermarket; clothing and apparels’, catering
services and entertainment - mall; books, music and gifts - convenience store and
malls; watches, mobile, accessories and pharmaceuticals- hypermarket; footwear-
department store. International exposure and availability of products and brands
communication are the attributes that are driving the organized retail in India and
organized retail is preferred due to convenience and variety. The dynamics of the
demographics, double income, urbanization and internet revolution are the factors
contributing to retail growth in India. Many studies highlight that younger generation
prefer to visit malls and hypermarkets more often. The reason for the visit is not
necessarily for shopping but for hedonic pleasure and for stress relieving purpose.