
UNIT 2 EVOLUTION OF RETAIL ENVIRONMENT

Objectives

After reading this unit, you should be able to:

- understand the changing environment of retailing in India;
- identify factors of growth in retailing;
- examine the role of technology in retailing;
- study the emergence of multi channel retailing; and
- understand the importance of "Atmospherics" in retailing.

Structure

- 2.1 Introduction
- 2.2 Industry Dynamics
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 - 2.3.1 Bar Coding and Scanners
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2.1 INTRODUCTION

There has been a tremendous metamorphosis in the retailing environment in India over the last ten years, and the beginning of this evolution can be traced to early years of the liberalization process in the country.

Retailing is the final step in the distribution of merchandise, the last link in the supply chain, the connection between bulk producers of commodities and consumers. Retailing covers a host of diverse products such as food, apparel, consumer, goods and services. In developed countries, the retailing business has developed into a full fledged industry, where over 75% of the total retail trade is handled by the organized sector. Large retail formats, with high quality ambience and courteous, well trained sales staff are regular features of these retailers.

Organized retailing in India was estimated at Rs.18,000 crores in the year 2002-2003



with a phenomenal growth rate of 40% over the last three years. Indian

retail is fragmented, with over 12 million outlets operating in the country of which 98% are in the unorganized sector.

Charles Darwin's theory of Evolution suggests that animals must adapt to their changing environment or perish like the dinosaurs.

In today's retail environment, different evolutionary forces are busy at work. Instead of people adapting to change, the retail environment is adapting to a changing population. With approximately 13% contribution to the GDP and 7% employment to employable adults in the country, retailing in India is poised for growth like never before and is decidedly a very strong pillar of the Indian economy.

2.2 INDUSTRY DYNAMICS

Structurally, retailing in India is still made up of traditional retail store formats like, the 'Kirana' (mom & pop) shops, hardware shops, pan shops, weekly 'haats' and flea markets. This is not to say that large retailing formats, like department stores, hypermarkets, malls and speciality stores are non-existent. Although, large retail formats are still in a very early stage of development, with 2% share of the organized retail sector, it has definitely established a firm base in India.

Till about a few years ago, organized retailing with the exception of BATA, was confined largely to South India. But organized retailing is now experiencing a boom throughout the country.

For Indian retailing, things started to change slowly around the 1980's, when the Government began opening its economy. In the textile sector, companies like, Bombay Dyeing, Raymonds, S. Kumar and Grasim, were the first to set up retail chains. Later, Titan (Tatas) with its premium watches, successfully created an organized retailing concept in India by establishing a series of elegant show rooms.

The latter half of 1990's however, saw a fresh wave of new entrants in the retailing business. This time it was not a manufacturer looking for an alternative sales channel. These were pure retailers with no serious plans of getting into manufacturing. The fields they entered into, were diverse : Food world, Subhiksha and Nilgiri's in food and FMCG, PlanetM and, Musicworld in music, CrossWord and Fountainhead in books.

Retail growth is already gathering momentum and the organized retail industry is expected to grow by 30% in the next five years and is estimated to reach Rs.45,000 crore in 2005- 06.

The forces propelling this evolution spring from increased levels of education, technological change and people's life styles. Discretionary income is there to spend but the time to spend it is not. Shopping once considered a pastime in the era of traditional families is now a time consuming chore.

2.2.1 Factors of Growth

The factors that are expected to contribute to the growth and consolidation of retailing in India are described below:

2.2.1.1 Demographics

Retailing in India is at a very nascent stage of its evolution, but within a short period of time it will be in line with the global experience, going by the emerging trend indicators in the, environment.



During the next ten years, the Indian population is expected to grow by 14 percent. But this increase will not be even across, various segments.

The number of children in the age group, 0 - 15 is expected to remain stable at approximately 30 million. This reflects a lesser demand for toys, games and some apparel segments. Nevertheless these sectors are still expected to offer reasonably high growth, given the nascent stage of the retailing industry in the country.

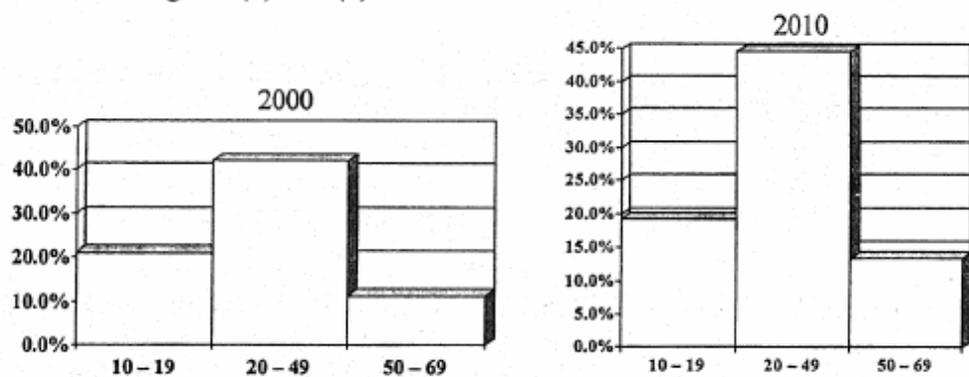
The number of people in the age group 20 - 50 years will, in all likelihood grow by 30%. The sales of cosmetics, skin care, hair dyes and other beauty care products are likely to increase. More consumer resources will be spent on housing and retirement planning. Hence real estate businesses and companies offering financial services are expected to benefit.

The number of middle class households are expected to increase by about 25 percent. This should result in a higher growth in home furnishings and decor, along with personal items like apparel and fashion wear.

Dual income families are on the increase. A dual income family can spend more but has little time for shopping. Therefore speed and convenience will become critical dimensions in the retail business, in the years to come. The increase in population will also accentuate an increase in per capita spending.

According to a leading consulting firm in retail management, a rise in middle income groups will lead to expansion of opportunities for retailing. This is reflected in Figures (1) and (2) below.

reflected in Figures (1) and (2) below.



(Figure 1)

(Figure 2)

Source: KSA Technopak

Urbanization is another factor contributing to the unprecedented growth in retailing. Rural-Urban mobility has led to high customer density areas, which enables retailers to target a larger number of customers with lesser number of stores, thus resulting in economies of scale for the retailer.

An overall improvement in transportation structure and increased number of automobiles, covering distances has become much easier. Now a customer can travel a long distance to reach a particular shop if he/she sees value in shopping there.

2.2.1.2 Government Policy and Infrastructure

Despite the tremendous potential that exists, as stated earlier, retailing is among the lesser evolved sectors in the Indian environment. Given the enormous amounts of investments to be made, Foreign Direct Investment (FDI) is expected to play a very significant role. The Indian economy in this respect is highly regulated.



A strong FDI presence in the retail sector will not only boost main stream retailing but will also provide an impetus to FDI investments in up stream activities. This will be more prominent in food processing and packaging industries, because many large retail chains also promote their own brands by way of backward integration or contract manufacturing.

Taking cognisance of the demands made by the industry and the need to give the retail trade a fillip, the Government is actively considering, removing this restriction. The Ministry of Commerce has proposed permission for 100% FDI, subject to Government approval on a case to case basis.

Land & Property Laws are also not very favourable to retailers, particularly the smaller ones. There is a shortage of good retail space and the rents are very high for what is available.

Only Indians can own property in India. This restricts the entry of foreign players and hence has a negative impact on FDI.

Stamp duties on property deals are significant (its about 8% in Delhi). The lease alone can cost upto 6% - 10 % of sales, while it is 3% - 5% globally, on an average.

The initial urban planning of cities was done with smaller plots, which along with strict building and zoning laws makes the procurement of retail space difficult. The urban land ceiling and rent control acts have had an impact on the property markets, leading to exorbitant property prices.

The Labour Laws meant to protect workers are not flexible enough to support modern formats of retailing. Working hours are restricted, with most shops required to close one day of the week. The corporation tax is 38% and it would be even higher at 45% for a foreign business. Essential basic foodstuff is also taxed- 8% on milk. With the introduction of Value Added Tax (VAT) some of the sales tax anomalies in the supply chain could get corrected over a period of time.

However, VAT will be imposed at every stage between the manufacturer and the final customer. This means that the margin paid to intermediaries, including the retailer will also be taxed.

2.3 TECHNOLOGY IN TAILING

Increasing the efficiency of business processes is a very important part of retailing today. Without accurate data gathering, analysis and the visibility to plan precisely, retailers risk, losing their competitive edge.

Overtime, as consumer demand increased and retailers geared up to meet this challenge, technology evolved rapidly to support this growth. A number of hardware and software tools that have now become essential for retailing are listed below

2.3.1 Bar Coding and Scanners

Bar coding and scanners are used to identify an item at the Point of Sale (POS). The Universal Product Code (UPC) is a black and white bar code (Fig.3) which is used to collect Sales information using computer terminals that read (or scan) the code. The pre-stored data is used to calculate the cost and generate the total bill for the customer.

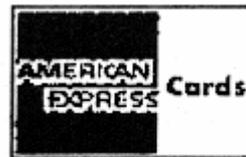
This information can also be transmitted from computer to computer, to buyers, distribution centers and then to vendors who in turn, quickly replenish the merchandise.



Tunnel scanning is a new concept where the consumer pushes the full shopping cart through an electronic gate to the point of sale. The items in the cart are hit by a laser beam and scanned, in a matter of seconds. All the customer has to do, is pay for the goods.

2.3.2 Credit Cards

Payment through credit cards has become extremely widespread and enables an easy payment process. Electronic cheque conversion, a recent development, processes a cheque electronically by transmitting transaction information to the retailer and the customer's bank. The retailer then voids the cheque and hands it back to the customer along with a receipt.



Credit Cards

2.3.3 Electronic Data Inter change (EDI)

This is the computer to computer exchange of information, and business documents, from retailer to vendor and back. In addition to sales data, information regarding purchase orders, invoices and returned merchandise are transmitted from the retailer to the vendor.

Many retailers now require vendors to provide notification of deliveries before they take place. Advanced Shopping Notice (ASN) is an electronic document received by the retailer's computer from the supplier in advance of the shipment. If accurate, the retailer can dispense with opening cartons and checking the merchandise.

2.3.4 Internet

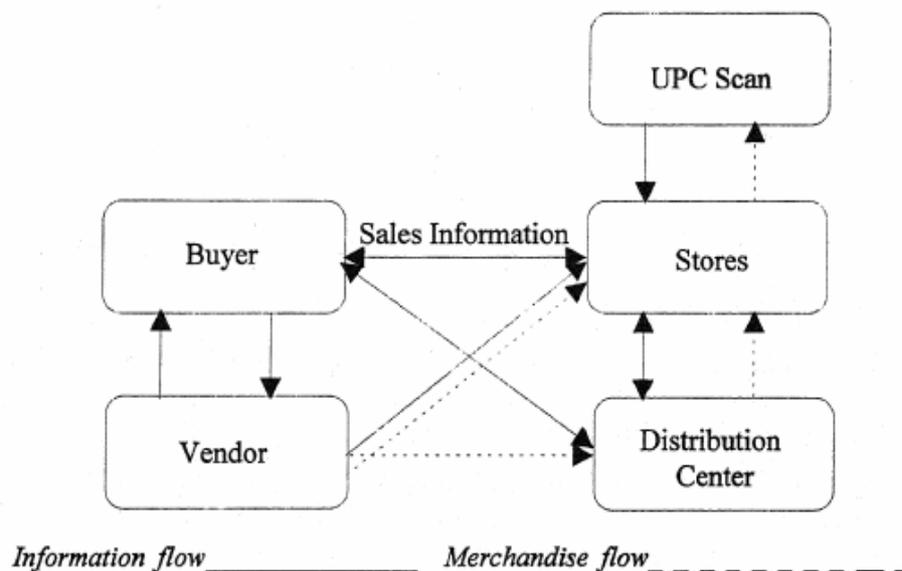
Is very fast emerging as a customer interface, reducing the need for a customer to physically visit a store to view the product's attributes. He/She can do so from the comfort of his/her home and even place an order for the desired merchandise.





2.3.5 The Quick Response (QR) System

In today's retailing environment "you are either quick or you are dead". Many vendors have developed retail specific ERP systems which help to integrate all the function from warehousing to distribution, front and back office store system and merchandising. Such an integrated supply chain, Figure helps the retailer in maintaining his stocks, receiving supplies on time, preventing stock outs and thus reducing his costs and servicing the customer better.



Figure

Quick Response System

2.3.6 Customer Relationship Management (CRM) Systems

Loyalty programs, mail order and the Internet have provided retailers with real access to data. Data warehousing and data mining technologies offer retailers the tools they need to make sense of the consumer data they have access to, and apply it to business. This allows the retailers to study purchases behaviour and identify the value of individual customers to their business and also to improve their offerings to potential customers.

2.3.7 Radio Frequency Identification (RFID)

It is a method of remotely storing and retrieving data using devices called **RFID tags and transponders**. An RFID tag is a small object, such as an adhesive sticker, that can be attached to or incorporated into a product. RFID tags contain antennas to enable them to receive and respond to radio frequency queries from an RFID transceiver.

An RFID system may consist of several components; tags, tag readers, tag programming stations, circulation readers, sorting equipment and tag inventory wands. The purpose of an RFID system is to enable data to be transmitted by a portable device, called tag, which is read by an RFID reader and processed according to the needs of a particular application. The transmitted information may provide location information, or specifics about the product tagged e.g. price, colour, date of purchase etc.

Low frequency RFID tags are commonly used as remote locking devices in cars and as anti theft devices. High frequency RFID tags find application in libraries, book stores, and apparel item tracking etc. RFID tags are being seen as a replacement for UPC or bar codes mentioned earlier. It also has potential



application in POS, store checkout, to replace the cashier with an automatic system which needs no bar code scanning.



RFID Reader and tag

2.4 CONSUMER. TRENDS (INCLUDING CONSUMER BEHAVIOUR)

An effective retail strategy satisfies customer needs better than competitor's strategy. Hence, understanding consumer needs and buying behaviour is critical for effective retail decision making. This calls for differentiation.

The basis of differentiation very clearly lies in the customer. We have some obvious trends such as exposure to brands, the working woman and consequent paucity of time for the dual income metro family, rising personal consumption and changing, shopping basket composition.

Quite obviously the first step is defining the customer. The bulk of today's department store (e.g. Shoppers stop) customer is likely to be in the 25 - 45 year age bracket, middle class urban, and upwardly mobile. But even the discount store (e.g. Big Bazar) shopper has similar characteristics. These customers shop in groups either with their families or friends. Hence, even for the discount store the concept of aisles is not suitable. Therefore store layouts have to change to accommodate groups : L or U shaped designs make more sense. Shopping is habit forming and most people continue to patronise the place they are familiar with, unless there is a meaningful reason for doing so, shopping in India even today, despite modernization, is a relationship issue, where the retailer knows and interacts with the families who shop with him.

This implies that the independent retailer will have to realize the shift in consumer behaviour taking place due to new shopping experiences; locational advantages, assortments, category mix, value propositions, ambience and service. Consequently such independent retailers will have to gather more specific market intelligence, with particular reference to demand forecasting. They will have to thus reinvent themselves constantly.

The Indian customer is strongly value driven, but at the same time enjoys the pleasure of shopping. The retailer, therefore, has to ensure that cost efficiencies do not drive emotions away. The presence and proliferation of malls, all over the country and the increasing number of footfalls at these places, is an indicator that shopping is an event, and must be seen as such.

The vast diversity and changing preferences of the Indian customers, poses further problems for the retailer. The Indian customers has become a "shopper" which is evident from the weekend queues outside various stores and shopping plazas or malls, waiting for parking space.

The factors that need careful analysis are: what products/services do customers buy? How much are they willing to pay? What mode of payment do they prefer?



Do they look for discounts and price offs ? What are the regional differences of customers across the country ? (e.g. Chennai, Kolkata, Chandigarh, Mumbai etc.).

The Consumer Buying Process in Retailing

According to a recent study conducted by A.F. Ferguson & Co; the average monthly income spent on food, grocery and personal care items varied across different segments:

- Upper income households spent on an average Rs.4200/- per month.
- For middle income household the corresponding figure was Rs.2850/- and
- The lower income group spent Rs.1250/- per month.

There is nothing more complex than the human mind. Hence it becomes absolutely critical for a retailer to understand or at least get close to understanding what a customer buys ? why he buys? where he buys from? when he buys ? how often he buys ? and under what conditions he buys ?

According to Michael Levy and Barton A. Weitz, the stages which customers goes through while selecting a retailer and merchandise are as follows : (a) Need recognition (b) Search for information about retailers/merchandise (c) Evaluate retailers and merchandise, (d) Select a retailer/merchandise (e) Visit a store or internet site, or look through catalog and purchase merchandise and (f) Post purchase evaluation of merchandise and retailer - Repeat store patronage.

Retailers try to influence customers through the buying process to motivate them to buy their merchandise and services. The different stages in the buying process are summarized diagrammatically in Figure 5 below:

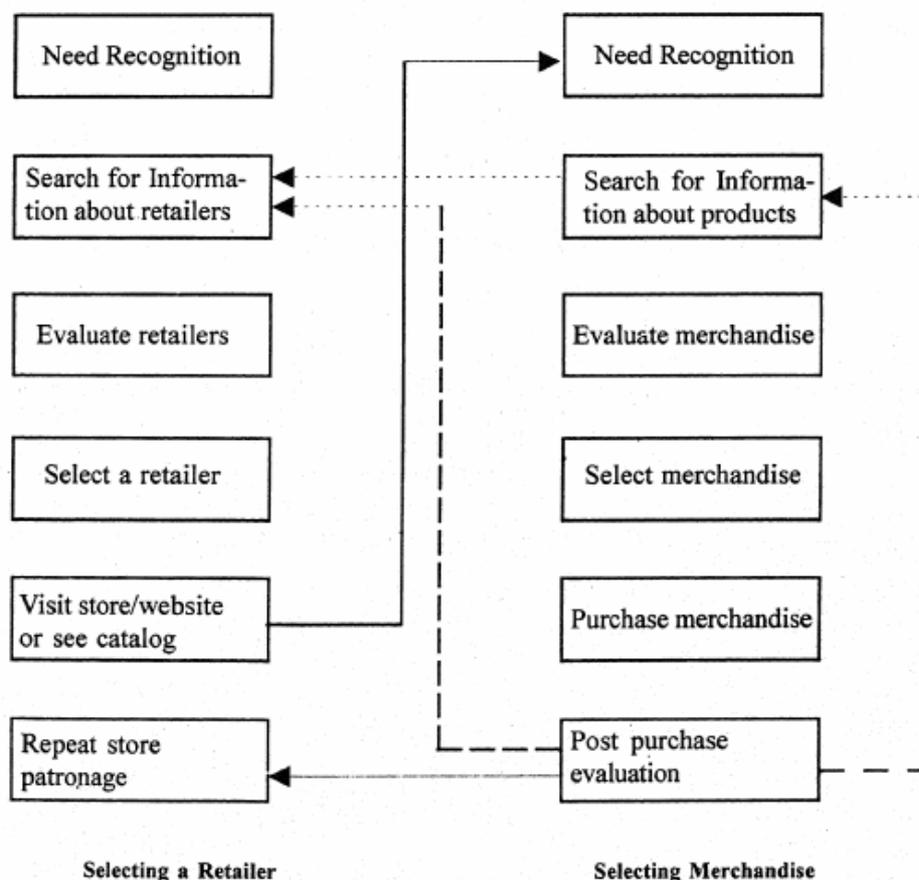


Figure 5:



However, it has to be understood that customers may not go through the stages in the same order as shown in the diagram. For example a person might see an advertisement for a Toshiba e-notebook, decide to buy it, and then search for a retailer, selling the notebook. Here the customer decides the product he wants and selects a specific retailer at the same time.

a) Need Recognition: The buying process is set in motion when a person recognizes an unsatisfied need, which means that, there is a gap between the individual's present level of satisfaction and his desired level. In other words an aroused needs becomes a motive, which requires some form of fulfillment. If a tyre blows out on a car being driven, the need for a new tyre is straight forward and instantaneous. Alternatively, a person who has a car which needs constant repairs and is not very attractive to look at, the need to change the car may be a long drawn and deliberate process.

The needs can be classified into: (i) Rational needs and (ii) Emotional or Psychological needs. For instance a person who buys a digital camera to develop some art work for advertising, the need is largely rational. But a person, who buys a Louis Philippe shirt instead of an in expensive one to satisfy his clothing need, is essentially motivated by an emotional or psychological need for prestige.

Very often, customers have multiple needs which conflict. A grocery shopper for example might buy an inexpensive brand of hand towels and a very expensive brand of orange juice.. This pattern of premium and low priced merchandise or retailer patronage is referred to as, **cross shopping**.

b) Information .Search: Having identified a need, the next step in the process, is to seek information about a product/service and retailers, to satisfy that need.

A buyer may have confidence in a particular retailer or dealer, in terms of quality and pricing of merchandise, although the variety with this retailer may not be too large. Then the decision to buy may be made quickly. On the other hand, while buying a high involvement, expensive consumer durable, where a large number of brand choices exist, the search for information is extensive and time consuming.

The amount of information search depends to a great extent on the value placed on searching by the customer versus the cost of searching. Travelling from one store to another can cost a lot of money but the major cost is the customers' time. The internet, today can reduce this cost, drastically.

The customer may rely on both Internal and External sources of information. Internal sources could include; names, images and past experience with different stores, in the customer's memory, or the buyer may collect information through external sources, such as advertisements, retailer & product ratings, family and friends etc.

c) Evaluation of Alternatives: An individual seeks alternative solutions to a problem (need) with an eye towards reducing risk. Therefore he/she evaluates the located alternative (product and retailer) with the thought of reducing risk.

In the evaluation of alternatives, the prospective buyer likes to employ appropriate choice `criteria in analyzing particular products or retailers. These criteria are those critical attributes utilized to evaluate a brand or retailer. The criteria used, depends upon the customer and the situation in which the customer is placed.

For example, someone who needs a car battery, might buy it at a neighbourhood retail outlet even if the price is marginally higher. He feels that the time saved in not seeking other sources, is worth the extra money spent. But sometimes the choice criteria might be based on the results and conclusives drawn from a study of the relative merits of different brands and retailers of batteries. Some attributes relating to stores could be **price, delivery, travel time, check out**



time, variety, freshness, easy access etc. The customer mentally processes information about each retailer and forms an impression about the benefits the stores provide. This information is then matched with the importance the buyer places on each attribute before coming to a final decision on the merchandise and retailer.

d) *Selecting a Retailer:* A retailer has to ensure that it enters the customer's **Consideration set**. This is a set of alternatives, the customer evaluates when making a selection. The retailer therefore has to develop programs to increase the likelihood that customers will remember it when going shopping. The retailer can influence this top of the mind awareness through effective advertising and locational strategies. Advertising stressing the retailer's name and several store locations in a strategic geographical area can increase the awareness.

e) *Purchase Decision:* Customers do not always purchase a brand or product with the highest overall evaluation. Such an item may not be available in the store, or the customer feels that the risk outweighs the potential benefits.

Hence the retailers can increase the probability, that customers will convert their positive evaluations into purchase by: (i) Stocking a complete assortment of sizes, colours, shapes etc. (ii) Reducing the risk of purchase through liberal return policies and refunds, if the same product is available, at a lower price from another retailer. (iii) Offering credit (iv) Having convenient checkout facilities (v) Reducing the actual and perceived waiting time.

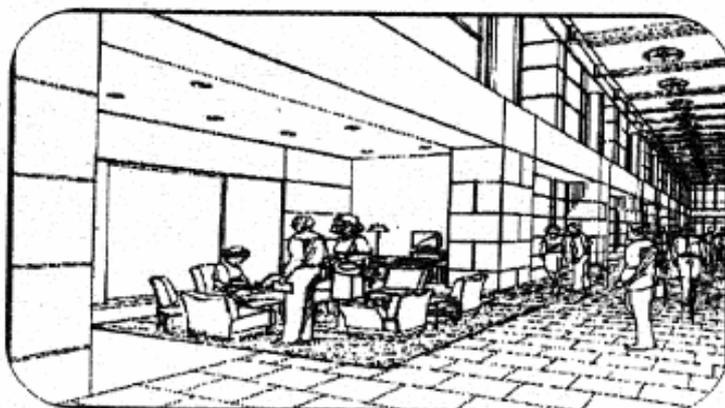
f) *Post Purchase Evaluation:* Having made the purchase, the matter of the customer's satisfaction or dissatisfaction still remains. In some cases the satisfaction is immediate; e.g. in smoking a cigarette, or consuming a soft drink, the customer is pleased that the decision making process is over.

On the other hand the consumer might feel uneasy after the purchase. Is the battery good in winter conditions? Should I have bought (x) instead of (y)? This leads to what is known as "Cognitive Dissonance", an uncomfortable feeling about having made a wrong purchase decision.

Satisfaction is the post consumption evaluation of how well a store or product meets or exceeds the customer's expectations. This can easily affect future, store and product decisions. Consistently high levels of satisfaction result in store loyalty, which can be a tremendous competitive advantage for retailers.

2.5 ATMOSPHERICS -- THE PHYSICAL ENVIRONMENT IN RETAILING

The retail point of sales (POS) represents the time and the place at which the elements of the sale - the customer, the money, and the product come together.



Ambience



“Atmospherics, refers to the design of an environment through visual communication, lighting, colours, music and scent to stimulate the customers' perceptual, emotional responses and hopefully, to affect their purchase behaviour”.

While the graphic representation (especially packing, promotional material and listing etc.) of most businesses improves over time, carelessness almost always creeps into other areas. When the retailers' appearance is not what the customers expect, there is a risk of making them uncomfortable.

Visual Communications: Which include graphics, signs, and theatrical effects both inside the store and in windows help to boost sales by providing information on products and suggesting items or special purchases. They also help the customer find a department or section. Photo panels can add beauty, personality and magic to a store's image.

Signs and graphics should act as a connecting link between the merchandise and the target markets. The colours and other effects of the signs and graphics should complement the merchandise. For example a black and white rectangular sign does not relate well with a children's display, whereas a red-yellow circus tent design will work wonders. Colour combinations must appeal to specific groups of customers, or highlight specific merchandise.

Lighting: Lighting is more than just illumination. It should be used to highlight merchandise and capture a mood or feeling that enhances the store's image. A good lighting system creates a sense of excitement in the store, but at the same time renders products in their true colours. A blue shirt should look blue even in artificial lighting. The cosmetic area of a store requires more expensive lighting, than just plain fluorescent lamps. Another use of lighting is to focus spot lights on special features of products. This is known as "popping the merchandise."

Colour: Colour can go a long way in promoting the retailer's image and help create a specific mood. According to researchers Joseph. A. Bellizi and Robert E. Hite, warm colours, like red and yellow produce opposite physiological and psychological effects as compared to cool colours like blue and green. The colour red has been found to increase blood pressure, respiration and other physical responses.

From a retail point of view, warm colours are supposed to attract attention, but at the same time can be unpleasant. Fast food outlets often use red or other warm colours to facilitate a retail turnover. Cool colours on the other hand are more suitable for anxiety causing products, such as expensive merchandise or consumer durables.

Music: Music, like colour and lighting can either enhance or reduce the retailer's image. However, music, unlike the other atmospheric elements can be changed easily. Like variations in lighting, fixtures and other store design elements, changing music in different parts of a store can affect customers' behaviour, mood or appeal. Music can be used to connect emotionally to customers.

Scent: "Smell more than any other sense, is a straight line to feelings of happiness, hunger, disgust and nostalgia the same feelings marketers want to tap". Scent in combination with music has a positive impact on impulse buying behaviour and customer satisfaction. However, the nature of scent appears to be less important. Customers gave better perception of stores with scent, regardless of the type of scent, than those without any scent.

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1. **Philip Kotler.** "Atmospherics as A Marketing Tool," (Journal of Retailing-1973
 2. **Maxine Wilkie** "Scent of a Market,"- American Demographics, 1995



important thing is that good smells can be an incredibly powerful part of a retailer's image, just as inappropriate ones can ruin it. The smell of a disinfectant in a clinic is positives but in a bakery it can be disaster.

Peets' Coffee stores in America are a famous example of a business that owes a large part of its success to a magnificent aroma. Over three decades ago Mr. Peet opened a tiny neighbourhood shop to sell coffee beans he imported and roasted on the premises. Coffee drinkers could not resist the aroma of fresh roasted coffee that permeated the neighbourhood. When they went inside they were greeted with a pleasant surprise - a little coffee bar where they could enjoy a superior cup of coffee at a reasonable price.

Cleanliness is crucially important to all businesses, particularly, retailing. It is perceived as measure of the retailer's competence. Despite this, most businesses are not as clean as they should be. In a competitive environment, this can seriously damage a retail store's image.

Clutter: Small neighbourhood stores, traditionally have had a problem with clutter, not only because they are inefficiently designed to handle a high volume of incoming products, but also because they are often short of space.

Most book shops in the country are badly cluttered, with inefficiently designed aisles. But "Cross Word" chain of book stores across the nation are a very welcome divergence, with clean, uncluttered arrangement of books, shelves and moving space.

2.6 MULTICHANNEL RETAILING AND OTHER EMERGING TRENDS

The new, demanding consumer has higher needs and expectations from life in general, and retailing in particular. This is the result of a well educated smart shopper, a new communications paradigm, pervasive advertising, and a surplus of just about everything (money, merchandise, retail space, stores etc.) except time. This translates into "I want it better, cheaper, easier, faster and now." The consumer knows that if he/she can not have these demands met by a particular business/retailer, there are a host of alternatives available.

The arrival of **e-tailing** (electronic retailing or shopping on the internet) is shaking up the status quo, because it has tremendous competitive advantages over traditional channels.

A study of this situation clearly indicates that retailers today must adopt a model which meets the demands of the "I want it better, etc." customer. A model that can reach out and touch and be touched at any time or place.

In an effort to dominate the consumer segment and own individual consumers, the critical link is communications - advertising through personal dialogue. Therefore it is important for retailers to ensure that they use all appropriate channel options. In other words, what is needed is a **multi channel strategy**.

A multi channel retailer sells merchandise or services through more than one channel. Many single channel retailers are evolving into multi channel retailers to attract and satisfy' more customers. Through a combination of channels, retailers can offer unique benefits provided by each channel.

In a consumer centric, hyper competitive environment, success in retailing will come from.. giving customers, **solutions** to their needs and wants through different channels. Fig.6, below, highlights the advantages and benefits of various channels in **cross format shopping**.



Stores	Catalog	Internet
Browsing	Convenience	Convenience
Touching & Feeling	Portability, Easy access	Safe Environment
Products	Safety	Wide Selection
Personal service	Visual Impact	Detailed Information
(Cash Payment		Personalized
Immediate Gratification		
Entertainment & social		
Interaction.		

Figure: 6

The benefit to customers from **Bricks & Mortar or Store Channels** include:

- i) **Browsing:** Very often customers only have a general idea about what they want (e.g. a shirt, a pen or a gift) but do not know the specific item they want. Looking through a store helps them decide.
- ii) **Touching & Feeling Products:** Customers can use their live senses touch, taste, see, hear, etc; while examining products.
- iii) **Personal service:** Sales people very often provide meaningful, personalized service to customers, including - answers to queries and suggestions.
- iv) **Cash Payment:** Many people prefer to pay cash for merchandise purchased, stores are the only channel, which make this possible.
- v) **Immediate Gratification:** Stores allow customers to obtain the merchandise, immediately after it is bought.
- vi) **Entertainment and Social Experience:** Quite often shopping is seen as a social event, where people interact with, and meet friends, apart from being an outing to breaking the monotony of daily life.

Catalog Channels: Offer convenience of browsing through the available merchandise, and placing an order anytime of the day, on any day from anywhere. Customers can look through a catalog on a journey, in office or in bed. An added advantage of catalog shopping is the safe environment from where an order can be placed.

The Internet: In addition to the convenience and security of shopping from home or office, **e-tailing** has the advantage of offering a wider selection of products and more personalized information.

A shopper in New Delhi can use the internet to access a host of e-tailers across the world, giving him/her a much wider selection, than is possible in a store format. This obviously means far more information, which possibly results in a better decision. Another advantage of e-tailing is that information can be economically personalized to suit the needs of each customer.

However, shopping on the internet has potential dangers as well. Significant among these are: (i) security of credit card transactions and (ii) privacy violations.



Activity 1

Visit a few internet sites on retailing in India and report the latest developments and issues confronting the Industry.

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2.7 SUMMARY

Over the years, retailing has undergone a sea change, as a last link in the supply chain, between producers/manufactures and consumers. From the Kirana shops (Father and son, or mom and pop) of yester years to hyper markets and shopping malls, has been a long journey for Indian retailing. Until recently, organized retailing in the country was confined mainly to a few large manufactures, opening company owned outlets.

A few years after liberalization, saw the emergence of a 'pure' retailers, without any particular interest in manufacturing, who entered the market as independent businesses in a big way; e.g. Shoppers stop. Food world, West side, Planet M and Subhiksha etc.

A multiplicity of factors like, Government policies, technology, changing customer preferences, "atmospherics" etc; are impacting the retailing environment today. There is a steady evolution towards multi channel retailing, because of the increasing desire of customers to communicate with retailers, any time, any where, any place.

Each of the channels (stores, catalogs and websites) offer unique benefits to customers. The store channel enables customers to touch and feel merchandise and use products, shortly after they are purchased. Catalogs allow customers to browse through a retailer's offering anytime any place. The electronic channel allows the customer to search across a broad range of alternatives, and get specific information about the alternatives they want.

2.8 SELF ASSESSMENT QUESTIONS

A) Select True or False from the following statements:

- i) Organised Retailing in India has a share of 40% of the total retailing activity in the country. (T) (F)
- ii) The age segment 0 – 15 years is expected to grow by 30% during next ten year. (T) (F)
- iii) Urbanization is an important factor contributing to the growth of the retail sector in India. (T) (F)
- iv) Government policies are conducive to the growth of retailing through Foreign Direct Investment. (T) (F)
- v) Technological advances are a boon to the retailing industry. (T) (F)



B) Select the correct choice in the following multiple choice questions

- i) The factor leading to the growth of retailing is:
 - a) Changing consumer trends
 - b) Technology
 - c) Demographics
 - d) Physical environment
 - e) All of the above
- ii) Consumer buying process in retailing involves
 - a) Need recognition
 - b) Search for information
 - c) Evaluation of retailers
 - d) Visit to a store
 - e) All of the above
 - f) None of the above
 - g) Only (a) and (c)
- iii) Atmospherics in retailing refers to:
 - a) The weather outside a store
 - b) The ambience, music, colour, scent in a store
 - c) Assortment of products in the store
 - d) Display of items in a store.
 - e) None of the above
- iv) E-tailing refers to:
 - a) Sale of electronic items in a store
 - b) Catalog shopping
 - c) A music store
 - d) Retailing & shopping using the internet
 - e) Electronic surveillance in a store
- v) A multi channel retailer sells merchandise :
 - a) over the telephone
 - b) through personal selling and retail store only
 - c) over the internet
 - d) through more than one channel
 - e) through at least four channels simultaneously.

ANSWERS

(A) (i) F (ii) F (iii) T (iv) F (v) T

(B) (i) e (ii) e (iii) b (iv) d (v) d



2.9 FURTHER READINGS

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