



# **CHAPTER - SIX**

**SUMMARY, FINDINGS, RECOMMENDATIONS AND CONCLUSION**

Over the last few years the India retail has witnessed rapid transformation. Faced with intense competition traditional models / unorganized retailing are fast losing their shine. These traditional models are undergoing a process of evolution, in keeping with the changing needs and expectations of the Indian customer and are making way for new formats such as departmental stores, hypermarkets, supermarkets and specialty stores. Research was performed to understand the emergence of organized retail outlets and its impact on small retailers in Bangalore. The findings of the data analyzed are discussed in this chapter.

**6.1 SUMMARY OF THE STUDY**

The Indian retail sector is going through a transformation and the emerging markets are witnessing a significant change in its growth pattern. Both existing and new players are experimenting with new retail formats. These emerging 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. Changing tastes 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. Consumer dynamics in India is also changing and the retailers need to understand the changing dynamics and its impact on shopping behavior and formulate their strategies accordingly to the deliver

expected value to the consumers. Retail, one of India's largest industries, has presently emerged as one of the most dynamic and fast paced industries of our times with several players entering the market. Accounting for over 10 per cent of the country's GDP and around eight per cent of the employment, retailing in India is gradually inching its way toward becoming the next boom industry. Over the last few years, many international retailers have entered the Indian market on the strength of raising affluence levels of the young Indian population along with the heightened awareness of global brands, international shopping experiences and the increased availability of retail real estate space. Development of India as a sourcing hub shall further make India as an attractive retail opportunity for the global retailers. Retailers like Wal-Mart, GAP, Tesco, JC Penney, H&M, Karstadt-Quelle, Sears (Kmart), India is rated the fifth most attractive emerging retail market: a potential goldmine. It is estimated to be US\$ 200 billion, of which organized retailing (i.e. modern trade) makes up 3 percent or US\$ 6.4 billion. As per a report by KPMG the annual growth of department stores is estimated at 24 percent. Ranked second in a Global Retail Development Index of 30 developing countries drawn up by AT Kearney.

The recent trends in the retail sector include multiple drivers leading to a consumption boom, favorable demographics, growth in income, increasing educated population of women, increased working women, change in preferences

in young minds and women, changes in values and traditions, raising aspirations : Value added goods sales, all set media to create upsurge wants and demands available in the globe, food and apparel retailing key drivers of growth, organized retailing in India has been largely an urban phenomenon with affluent classes and growing number of double-income households, more successful in cities in the south and west of India, ITC is experimenting with retailing through its e-Choupals and Choupals Sagar, Maharaja is leveraging technology and network marketing concepts to act as an aggregator and serve the rural markets, IT is a tool that has been used by retailers ranging from Amazon.com to e-Bay to radically change buying behavior across the globe, 'E-tailing' slowly making its presence felt, Companies using their own web portal or tie-ups with horizontal players like Rediff.com and Indiatimes.com to offer products on the web, the movement of people in and out of the country often to western nations.

A review of literatures suggest three broad categories of environmental factors as: customer based, industry based and legal and regulatory based innovations as an opportunity to retailers. Customer based challenges refer to innovation challenges and opportunities related to differences in the characteristics of customers in the mature, emerging and less developed markets. The fact that the success of an innovation is dependent on its ability to address the current needs of customers better than existing offerings, or address the latent needs of customers, highlights

the importance of involving customers in developing innovations. Many companies have recognized that getting customers engaged in innovation processes is a crucial step.

Industry based challenges refer to innovation challenges and opportunities related to differences in the nature of competition, technology and suppliers in mature, emerging and less developed markets. In the industry context, particularly the intensity competition market and supply chain management has been identified as a major driver to success versus failure in innovation management. Similarly, technological developments are at the very heart of innovations and have been identified as a major force behind innovations in retailing.

Legal and regulatory based challenges refer to innovation challenges and opportunities related to differences in governance and regulations in the different markets. As discussed in writings on national innovation systems and the competitive advantage of nations, regulatory constraints and the stability or volatility of political and legal systems strongly affect innovativeness and R&D performance. The role of the legal environment has also been recognized by governments, particularly those which view innovativeness as a major objective. For example, in order to learn more about major conditions for innovation to flourish, the European Union conducts an annual review of innovation

performance of all EU member countries. Based on this review, a Scoreboard assessing the innovation performance of all EU member countries is made. This Scoreboard serves as a benchmark and to identify barriers to innovation in the legal systems of individual countries.

These environmental factors drive retailer's efforts to better serve their customers in different types of markets through innovations and thereby enhance their performance. The importance of branding as a dimension of retailing innovation encompassing store brands and private labels has been discussed in literature. Retailers' strategic decisions such as single versus multiple private label brand names, their positioning and differentiation within and across market environments are subsumed under branding as a dimension of innovations in retailing. Notwithstanding some overlap with retail format and branding, specifics of assortment such as variety, stock ownership and speed of replenishment have also been identified as potential ways for a retailer to differentiate itself from competitors.

The trends that are driving the growth of the retail sector in India are: Low share of organized retailing, falling real estate prices, increase in disposable income and customer aspiration, and increase in expenditure for luxury items. Demographics help to understand the population in any geographic area which includes: age,

income, gender, family, income, marital status. The purpose of demographic analysis is often to identify the demographic makeup of the target market, and find more market geographies with similar demographic characteristics like age, educational levels, occupational concentration, ethnicity, housing, buying behavior, customer preferences, family etc. Market segmentation is a marketing strategy that involves dividing a broad target market into subsets of customers who have common needs (and/or common desires) as well as common applications for the relevant goods and services. Depending on the specific characteristics of the product, these subsets may be divided by criteria such as age and gender, or other distinctions, such as location or income. Marketing campaigns can then be designed and implemented to target these specific customer segments. Basis for segmenting customer markets are geographic segmentation, demographic segmentation, psychographic segmentation, positive market segmentation, behavioral segmentation, occasions and benefits. Understanding of customer demographics is the basis for several marketing functions.

The study is intended to find out the growth of organized retail headed by large corporations and its impact on small mom-n-pop stores and other retail outlets which are in direct competition to the organized retailers and the advantages and the disadvantages faced by unorganized retailers due to the growth of organized retailers. The study is carried out using a sample of organized retailers,

unorganized retailers and customers of organized retailers. Stratified random sampling is followed for the selection of organized retailers, geographic stratification was made by dividing Bangalore metropolitan corporation city limits into four parts (north, south, east, west), 11 organized retailers had been selected of which included 3 specialty stores, 3 high & middle income group stores, 3 designer stores and 2 high tech coffee bars. Care was taken to see that the respondents of the organized retailing has minimum of five years of managerial experience. 243 customers on a judgmental basis had been selected from selected organized retailers.

Since retail sector is very large and it represents many sub sectors, all the sectors cannot be included into the preview of this study. Hence only few selected representing sub sectors like specialty stores, high and middle income FMCG, designer stylist stores and high tech coffee bars are included. The collected data are analyzed using SPSS 16.0 statistical package. Frequency and percent analysis is done to understand the demographics of the customers considered for the research. Cross tabulations are made to understand the spread of demographics across other study variables. Correlation analysis and other multivariate techniques are performed to analyze the data collected and to prove or disprove the null hypothesis. Factor analysis is performed to understand the major factors that drive consumers towards a retail store. The Study also includes SWOT analysis of

organized models, which is the Key Component of Strategic Development. The focus of SWOT analysis is on analyzing the modern retail models that has build on their strengths, and aid them correct their weaknesses and protect themselves against internal vulnerabilities and external threats. In order to examine the structure of and competition within the retail industry, Michael Porter's Five Forces Analysis of Retail Industry in India is carried out. Based on the information derived from the Five Forces Analysis, retailers can decide extent of influence or to exploit particular characteristics of this industry. Graphs and bar charts, percents is extensively used.

The Indian retail sector is ready to take on challenges from global retail players such as Wal-mart and Carrefour because unlike them, they have a better understanding of the Indian customer is psyche. Ultimately, a successful retailer is one who understands his customer. The 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. Customer marital status has a significant influence on the shopping behavior. Price is the first important factor considered by consumers when visiting a retail store. The second important factor is Variety and the third are Availability and Reliability. The other important factors are Ambience, Promotion, Physical

appearance and Value added services. Retail outlets are the preferred destination for consumers for shopping. But consumers expect quality customized product at a convenient location for shopping. The marketers can benefit if they concentrate on these expectations of consumers in retail sector. Consumer's awareness towards international brands, increased standard of living, and improved infrastructure and FDI policies will fuel the growth of retail in India.

The findings are arranged in the order of objectives and listed.

## **6.2 GROWTH OF ORGANIZED VS. SMALL RETAIL OUTLETS**

The growth of organized retail outlets in Bangalore doubled from the year 2005. On the other hand, the small traditional retail outlets dropped in numbers from the year 2000 – 2005. Traditional outlets held sway before 1980's and continued till 1999 with a vast majority of outlets. Their numbers dropped phenomenally in the year 2000-05 and after the year 2005 they have grown only 15 percent. On the other hand the organized retail outlets from 7 percent growth in the 1990s they grew by 44 percent in 2000-05 and after 2005 the growth of organized almost doubled to 84 percent.

1. Though the number of small retail outlets reduced in Bangalore, out of 11 small retailers interviewed, 10 of them assured that their sales performance increased between the years 2000-2011.
2. Small retailers target the family as a whole to a greater extent. Out of 11 retailers considered for the study, 6 of them target the whole family which is above 50 percent. Three retailers (27 percent) target both men and women.
3. As per the opinion of the retailers, majority (73 percent) of the customers prefer the store for product factor. Availability of the product is the major reason for a customer to visit a small retail outlet in Bangalore. The other factors are reliability of service and relationship over long period.

### **6.3 EXPECTATIONS OF THE CUSTOMERS**

Retail outlets attract customers based on the following four major factors identified through factor analysis.

Factor 1: Availability of quality products and to establish relationship and network (Include variables: status symbol, good quality, revolutionary goods, exotic goods, store relationship, European and traditional feel and hub)

Factor2: Custom made goods

Factor 3: Convenience and avoid crowd

Factor 4: Proximity of location

## **6.4 CUSTOMER PATRONAGE AND PREFERENCES TO RETAIL STORES**

1. Majority (75.7 percent) of the respondents prefer to spend their leisure time for parties. 27 percent are interested in watching movies and very less percent (16.5 percent) are interested to window shop during their leisure time.
2. 49 percent of the respondents prefer payment both in cash and in cards.
3. Majority (67.5 percent) of the respondents agree that they prefer to buy the goods in retail showroom. Less number of respondents prefer wholesale outlets
4. 63.4 percent of the respondents are looking for branded goods when compared to 22.2 percent of the respondents to non branded goods.
5. 41.6 percent of the respondents prefer to travel a long distance to buy their goods. 35.8 percent of the respondents would like to buy their goods nearby their residence.
6. 72 percent of the total population would like to buy branded goods anywhere whereas, remaining 28 percent of the respondents would prefer to buy the goods in shopping complex.

7. 64.2 percent of the respondents considers price as the only factor to buy the products from the stores. Whereas, 35 percent of the respondents opine that quality will be the only choice to buy irrespective of the branded goods.
8. 44.4 percent of the respondents will spend 20 percent – 30 percent of their disposable income for shopping. 39.5 percent of them spend 31 percent – 40 percent of their disposable income and 12.8 percent spend 41 percent – 50 percent of their disposable income on shopping.
9. 75.7 percent of the respondents prefer to buy legal brands and less number of the respondents says they prefer buying clones.
10. Majority of the respondents (59.7 percent) are careful in purchase decision. There are adequate number of window shoppers (18.9 percent) and impulsive purchasers (15.2 percent).

## **6.5 RELATIONSHIP BETWEEN CUSTOMER DEMOGRAPHICS AND THEIR SHOPPING BEHAVIOUR**

1. Majority of the respondents (33.7 percent) were in the age group of 20 – 25 years.
2. Most of the respondents were graduates or post graduates.
3. To a greater extent approximately equal amount of male and female respondents were approached. Half of them were married and the remaining single.

4. 40 percent of the respondents belong to the category of employees. This is because of the Bangalore is an IT hub and the respondents were IT employees
5. Majority (49 percent) of the respondents was with less than 4 member family. 40 percent of the respondents had family member between 4 to 6. This reveals the nuclear family that exists in the city.
6. Shopping behavior of the respondents was significantly influenced by the marital status of the respondents. Other demographic variables like age, gender, education, occupation and family size don't have a significant influence on the shopping behavior of the respondents. Thus null hypothesis holds good to a greater extent other than the marital status of the respondent.

## **6.6 FACTORS DRIVING THE CHOICE OF CUSTOMER IN RETAILER'S PERSPECTIVE**

1. Price is the first important factor considered by customers when visiting a retail store. The second important factor is Variety and the third are Availability and Reliability. The other important factors are Ambience, Promotion, Physical appearance and Value added services. Proximity to the store and Personal interaction was not felt important by the sample respondents.
2. Customers are driven to a retail store based on the following 10 factors:

Factor 1: Authority to handle complaint

Factor 2: Store Presentation (Including variables: Model outlook in store, Brand Choices)

Factor 3: Quicker checkouts

Factor 4: Sufficient stock

Factor 5: Keeping up store promises

Factor 6: Adequate parking facilities

Factor 7: Firms loyalty cards

Factor 8: Price range

Factor 9: Door delivery

Factor 10: Easy to reach

## **6.7 HYPOTHESIS – ACCEPTION / REJECTION**

Hypothesis formulated for the research are:

**NULL HYPOTHESIS:** There is no significant association of demographic variables on the shopping behavior of respondents.

**ALTERNATE HYPOTHESIS:** There is significant association of demographic variables on the shopping behavior of the respondents.

Based on the analysis performed, null hypothesis is accepted or alternate hypothesis holds good. Null hypothesis holds good with the demographic variables like age, gender, education, occupation and family size. However, marital status has a significant influence on the shopping behavior of the respondents. Hence in case of marital status, alternate hypothesis holds good.

## **6.8 RECOMMENDATIONS**

Organized retail outlets are mostly rented out, whereas kirana shops are mostly owned by the family running the shop. In-house branding of goods are more in organized retail outlets than in unorganized outlets; but on the whole, it is low in both cases. Kirana shops have in house brands in home décor and furnishing, food and beverage and general merchandise.

Both organized as well as unorganized retail outlets give free home delivery, but organized retail outlets never sell goods on credit (not credit cards). Except home decor and furnishing, all other product format based kirana shops give credit to their customers. Kirana shops do not have loyalty programs at all. But still customers continue to be loyal based on the personal relationship extended by the retailer.

Both organized sector and the unorganized sector see each other as their biggest threat. But actually, it was found in the study that their major challenges as well as opportunities are almost the same. This means that mitigating the challenges and leveraging on the opportunities could benefit both sectors. This comes as a pacifier to the much talked about debate about organized retailers making unorganized retailers out of business. It is not possible to deal with all the challenge and opportunity factors all at once. The most popular product segment in the Indian retailing scenario is the food & beverage segment, followed by the fashion clothing, footwear and accessories segment. They together contribute to about 74 percent of the entire retailing revenue.

Therefore dealing with the most critical challenge and opportunity factors of these two segments would definitely give a face lift to the entire organized retailing sector. Organized retail players must adopt strategies to enhance their growth. Without doubt, they have to make substantial investments in technology to ensure zero wastage of goods, time, and effort and in particular, they have to invest in supply chain infrastructure. On the other hand, the Government can take several steps to help enhance organized retail growth. It can ensure single window clearance for retail chains. It can ensure flexibility of labor laws, ensuring availability of a skilled workforce for organized retail. It can ease distribution-infrastructure creation and Octroi. It can ease real estate and rent laws for retail

outlets, and enforce zoning laws and city development plans. The present study has some mild limitations. The sample selection was judgmental and convenient-based and this may not be perfectly representative of the retail scenario. Also, the sample size for kirana retailers was low, and could have given a better representation if a higher sample size was considered.

Factors that are playing a role in fuelling the bright future of the Indian Retail are as follows:

- The income of an average Indian is increasing and thus there is a proportional increase in the purchasing power.
- The infrastructure is improving greatly in all regions is benefiting the market.
- Indian economy and its policies are also becoming more and more liberal making way for a wide range of companies to enter Indian market.
- Indian population has learnt to become a good customer and all national and international brands are benefiting with this new awareness.
- Another great factor is the FDI and internet revolution, which is allowing foreign brands to understand Indian customers and influence them before entering the market.

- Due to the reach of media in the remotest of the markets, customers are now aware of the global products and it helps brands to build themselves faster in a new region.

But still lack regulation in real estate, lack of integrated supply chain and management and lack of trained workforce and flux of the market in terms of price and product choice also need to be addressed.

## **6.9 CONCLUSION**

The Retail Industry in India has emerged as one of the largest among all the industries, accounting for over 10 per cent of the country's GDP and around 8 per cent of the employment. The Retail Industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. The marketer tries to attract the customer and boost the sale with the permutation and combination of different retail format.

The liberalized market environment is providing a revolutionary change in the retail market in India. The emergence of modern organized retailing in the retail market scene is very significant in the recent past. It is growing at almost 20 per cent .However; it will have a lot of repercussions in the retail marketing in the days to come. 100 percent FDI in multi branded retail adds to the scenario.

The study observed that the unorganized retailers may suffer initially but continue to co-exist along with organized retailers. In the long run, unorganized retailers too will get face lift. This results in better suit to changing trends. Since urbanization is becoming more and more visible, growth of organized retailing will be more promising too. However, it takes time to assess the real challenge of organized retailing on unorganized in full scale. There is enough scope to study the impact of organized retailing on unorganized retailing, particularly the impact on type of products being sold in the two types of retailing. There is a scope to study the segmentation between the two in terms of goods sold.

The Indian retail sector is ready to take on challenges from global retail players such as Wal-mart and Carrefour because unlike them, they have a better understanding of the Indian customer is psyche. Ultimately, a successful retailer is one who understands his customer. The 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. 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