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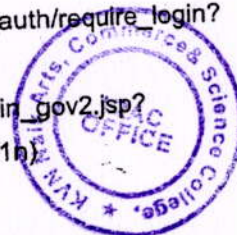
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EMERGING TRENDS AND ISSUES IN RETAIL MARKETING IN INDIA

(Retail Marketing)

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Abstract:

As we entered in the new millennium market/marketing research has become more and more important for companies facing intense competition. Retail is the process through which goods are transported to the final consumers. In India, there are drastic changes have occurred during the last two decades in retail marketing. The Indian retail sector is going through a transformation and this emerging market is witnessing a significant change in its growth and investment pattern due to globalization.

In the new millennium retailing becomes an exciting, complex and critical sector of business in most of the developed and developing countries. Hence, both existing and new retailers are experimenting with new retail formats and new business strategies to attract and retain consumers. Today retail marketers are focusing on customers by offering them value, because customers are become more powerful, knowledgeable and digital conscious due to technology revolution. To improve today's consumer experiences and better understanding our modern society and to help retailers research on emerging trends and issues in retail marketing is necessary. For the purpose the research paper focuses on emerging trends and issues in retail marketing.

Key words: Retail Marketing, Emerging Trends, Consumer Behavior, Retail Formats, Globalization, Liberalization, FDI, E-Retailing.

Objectives of the Study:

1. To study the concept of Retail Marketing
2. To study various Retail Formats
3. To study the status of Retail Marketing in India
4. To study emerging trends in Retail Marketing in India
5. To study issues/problems of Retail Marketing in India

Research Methodology:

The research paper is mainly based on secondary data which is collected through reference books, related research articles available online, newspapers and some observations.

Introduction:

Retail marketing is the systematic approach of selling goods and services to satisfy specific needs of customers. In retailing there are tremendous changes have occurred during the last two decades. Some institutions have disappeared and newer ones have been entered. This process of addition and deletion still continues in newer forms. There are large scales retailing shops together with very small units, both working simultaneously. They includes from hawkers and peddlers



who have no permanent place to organized, settled retail shops like Chain Stores, Departmental Stores etc.

The Indian environment is different from the western countries in many ways. Indian cities are congested and a large part of the population is still concentrated in rural areas. The Indian houses are smaller and the Indian consumer is still not used to buying in bulk on weekends. Hence, the Indian retail scene is very different from the prevailing in the developed countries. As organized retail grows, retail formats, which evolved in the West, need to be modified and new formats suitable to Indian conditions have to be evolved. Even as organized retail grows, a large part of Indian retail is still likely to be organized.

An US based global management consulting firm has ranked India as the fourth most attractive nation for retail investment amongst 30 flourishing countries. India is known as the country of Shopkeepers, having approximately 12 million retailers. Retail in India has grown from the US \$ 330 billion to US \$ 427 billion by 2010 and US \$ 637 by 2015. Retail which contributes 10% of our GDP is the largest source of employment after agriculture. The retail market is expected to grow up to 47 lakh crore by 2016-17, as it expands at a compound annual growth rate of 15%, according to the study of 'Yes Bank, Assocham'.

The growing middleclass is an important factor contributing to the growth of retail in India. It is estimated that by 2030, 91 million households will be middleclass from 21 million today. It is also expected that by 2030, 570 million people will be live in cities, nearly twice the population of US today. Thus, with tremendous potential and huge population, India is set for high growth in consumer expenditure.

Retail Marketing:

The word 'Retail' is derived from the French word 'Retailer', meaning 'to cut a piece-off' or 'to break bulk'. It implies a firsthand transaction with the customer. It is a process through which goods are transported to final consumers.

The term retail refers to "the sale of goods or commodities in small quantities directly to consumers". Thus a retailer is a company or an organization that purchases products from individuals or companies with the intention of resell those goods and services to the ultimate or final consumer.

Classification of Retail:

- **Organized Retail:** Organized Retailers/Traders, who are licensed for trading activities and registered to pay taxes to Government.
- **Unorganized Retail:** It consists of unauthorized small shops, conventional grocery shops, general stores, corner shops and various other small retail outlets.

Major Retail Formats:

- **Specialty Store:** is a store with narrow product line with a deep assortment. A clothing store would be a single-line store; a men's clothing store would be a limited-line store and a men's custom-shirt store would be a super specialty store.
- **Department Store:** a store with several product lines, typically clothing, home furnishing and household goods with each line operated as a separate department managed by specialist buyers or merchandisers.
- **Supermarket:** a store which is relatively large having low cost, low margin, high volume, and self service operation designed to serve total needs for food, laundry and household products.

- Convenience Store: is relatively small store located near residential area, open long hours, seven days a week and carrying a limited line of high-turnover convenience products at slightly higher prices, plus takeout sandwiches, coffee, soft drinks etc.
- Discount Store: Standard merchandise sold at lower prices with lower margins and higher volumes. Discount retailing has moved into specialty merchandise stores such as discount sporting-goods stores, electronic stores, book stores etc.
- Off-Price Retailer: Merchandise bought at less than regular wholesale prices and sold at less than retail: often leftover goods, overruns and irregulars.
- Factory Outlets: are owned and operated by manufacturers and normally and normally carry the manufacturer's surplus, discontinued or irregular goods.
- Independent Off-Price Retailers: are owned and run by entrepreneurs or by divisions of larger retail corporations.
- Warehouse/Wholesale Clubs: Sell a limited selection of brand-name grocery items, appliances, clothing and a hodgepodge of other goods at deep discounts to members who pay annual membership fees.
- Superstore: A store with about 35000 sq. ft. of selling space traditionally aimed at meeting consumers' total needs of routinely purchased food and non-food items, plus services such as laundry, dry cleaning, shoe repair, check cashing and bill paying.
- Combination Stores: Are combination of food and drug stores that average 55000 sq. ft. of selling space.
- Hypermarkets: Is a huge store range between 80000 and 220000 sq. ft. and combine supermarket, discount and warehouse retailing. Product assortment includes furniture, large and small appliances, clothing and many items. They feature bulk display and minimum handling by store personnel, with discounts for customers who are willing to carry heavy appliances and furniture out of the store. Hypermarkets are originated in France.
- Catalog Showroom: Is a broad section of high-markup, fast moving, brand-name goods at discount prices. Customers order goods from a catalog, and then pick these goods up at a merchandise pickup area in the store. Ex. Service Merchandise.
- Corporate Chain Stores: Are two or more outlets commonly owned and controlled, employing central buying and merchandising and selling similar lines of merchandise. They buy in large quantities at lower prices and they can afford to hire corporate specialists to deal with pricing, promotion, merchandising, inventory control and sales forecasting.
- Voluntary Chain: Is a Wholesaler-sponsored group of independent retailers engaged in bulk buying and common merchandising.
- Retailer Cooperative: Independent retailers who set up a central buying organization and conduct joint promotion efforts.
- Consumer Cooperative: Is a retail firm owned by its customers. In consumer cooperative stores residents contribute money to open their own store, vote on its policies, elect a group to manage it and receive patronage dividends.
- Franchise Organization: Is a contractual association between a franchise (manufacturer, wholesaler, service organization) and franchisees (independent business people who buy the right to own and operate one or more units in the franchise system) Franchising has been prominent in dozens of product and service areas. Ex. McDonald's, Subway, Pizza Hut.

Drivers of Retail Marketing in India:

1. Large working population:

India is a country having large working population. Due to large population consumer market India is an emerging market in all over the world. India's modern consumption level is

set double within five years to US \$ 1.5 trillion from the present level of US \$ 750 billion. With high potential and huge population, India is set for high growth in consumer expenditure.

2. Increasing income and double income households trend:

Over the past decade India's middle and high income group population has grown rapidly. Also double income household's income trend has become due to rise in female education in India. With an increase in double income households, people do not have much time hence seek the convenience of one-stop shopping for best use of their time. The growing high income population is triggering the demand for consumer goods of higher quality and higher prices.

3. Growing Nuclear Families:

With a shift in the family structure, nuclear families have become a significant component of urban markets. According to recent market research conducted in Bangalore, the share of nuclear families is estimated to be as high as 70%.

4. Impact of Globalization:

There has been a change in shopping behavior in urban India over the past few years due to Globalization. Now a day, in India there is a significant growth in a middle class who follows western life style. Besides this increase in the variety, quality and availability of products, and higher spending power has led to the growing popularity of supermarkets.

5. Changing consumer behavior:

There has been a change in shopping behavior of consumers in urban as well as rural India over the past few years with consumers looking for convenience. They want everything under one roof and a bigger choice of products. Increased awareness has also meant that consumers now seek more information, availability of products, better quality and hygiene as well as better service.

6. Liberalization and FDI policy:

Government of India has adopted liberalization policy under New Economic Policy 1991. Recently the Government of India has permitted 100% FDI in single commodity retail and 50% FDI in Multi-product retail. This FDI policy is attracting to the foreign retailers like Wal-Mart in India. The increasing attractiveness of the sector has drawn the interest of number of global retailers. More MNC's have entered the Indian business arena through Joint Ventures, Franchisees or even self owned stores.

7. Awareness in Rural Market:

The rural market is beginning to emerge as an important consumption area, accounting for over one-third of the demand for most key consumer durables and non-durable products. In response manufacturers of consumer goods have begun developing new products and marketing strategies using a village 'haat' (weekly bazaar/market) with targeting rural consumer. Approximately, there are 42000 rural haats, per haat 300 outlets; average sale per outlet is INR 900.

Emerging trends in Retail Marketing:

1. E-Retail/Online Retail Business:

Online Retail is the next generation retail format which has high potential for growth in the near future. The internet has opened a new world of opportunities for retailers. It offers a way to grow an existing retail business and increase exposure in the marketplace. Retailers of any size can get even more successful through the Internet with an effective service and sale site. The web also offers a way for retailers to fill the gaps of their brick and mortar stores by

offering more service online for their existing customers. After conquering physical stores, retailers are now entered into the domain of e-retailing. An emerging trend in this segment is the virtual formats where customer orders are taken online through web portals which are delivered at the door step of consumers on the same day or within very few days. This trend has been catching up with most of the large sized retail chains that have their own website. Ex. Amazon, Flipkart, Myntra, Snapdeal, Quiker, Voonik.

2. Organized Retailing:

Organized Retailing is emerging as the new phenomenon in India and despite the slump, the market is growing tremendously. As economic growth brings more of India's population into consuming classes, an organized retail lures more and more existing shoppers, by 2015, more than 300 million shoppers are likely to patronage organized retail chains. According to the study, organized retail, that comprised just 7% of the overall retail market in 2011-12, is expected to grow at a CAGR of 24% and attain 10% share of the total retail sector by 2016-17.

3. New Retail Formats:

In the new millennium, retailing becomes an exciting, critical and complex sector of business in most developed and developing countries. Hence, both new and existing retailers are innovating new retail formats and strategies. In modern retailing, a key strategic choice is the format. Innovation in formats can provide a competitive edge to retailers. Organized retailers in India are trying a variety of formats ranging from Discount Stores to Specialty Chain Stores.

4. Entry of Corporate Sector:

The level of interest in retailing as a growth opportunity has increased visibly. Large companies like the Tata's, the RPG group, the Piramals and the Rahejas have initiated investment in retailing. The Birlas have acquired the Madura Garments apparel while Reliance has publicly committed to developing a retail business along with the development of its fuel retailing network. Oil companies like HPCL, IOCL and BPCL are also expanding from fuel retailing to grocery and convenience stores. Companies like Tata, Reliance, Adani Enterprises and Bharati have been investing considerably in the blooming Indian Retail market. Along with the giant retailers like Wal-Mart Big Bazar and a number of transnational brands have also entered in close association with bigger Indian companies.

5. Global presence of major retailers:

Retailers with unique formats and strong brand positioning are increasingly appearing in all over the world. US retailers such as McDonald's, Domino's, The Limited, GAP and Toys 'R' have become globally prominent. Wal-Mart operates over 700 stores abroad.

6. Selling of experiences not just goods:

Retailers are now adding fun and community order to compete with other stores and online retailers. There has been a marked rise in establishments that provide a place for people to congregate, such as coffee houses, tea shops, juice bars, book shops and brew pubs, children play spaces etc. Some shopping malls arrange attractive events and various competitions for consumers. They are providing good shopping experience with entertainment.

7. Customer Relationship Management (CRM)/Customer Approach:

The concept of lifetime value of consumers is employed in relationship marketing. Retailers are establishing relationships with existing customers to motivate them to return regularly through CRM. Relationship marketing uses the event-driven tactics of customer retention marketing, but treats marketing as a process over time rather than single unconnected

event. By moulding the marketing message and tactics according to the lifecycle of the customer, the relationship marketing approach achieves very high customer and is highly profitable. Today, retailers are offering good value to the consumer with merchandise having the price and quality appropriate for the target market.

Issues/Challenges in Retail Marketing:

1. Technological Impact:

Technology is probably the most dynamic change agent in the retailing industry. The computerization of the various operations in a retail store including inventory management, billing and payments as well as database (customers) management-wide spread use of bar coding, point-of-sale terminals and Management Information System (MIS) has changed the face of retailing tremendously. With the help of technology, retailers are providing better and timely information about their operations to their customers. Technology also performs such tasks as preventing theft, promoting the store's goods and creating a better shopping environment.

2. Limits of E-retailing:

Some of the main factors will be concerns about lack of security payment methods, access restrictions and various technological restrictions. The success of E-retailing or retail on the WWW will largely depend upon the competitive pricing and penetration of Internet connectivity and availability of broadband services in India's widespread households. Consumer's approach toward the internet as a new retail format may also constrain future growth. Consumer demand for the Internet is a key component that may ultimately drive widespread adoption of the Internet by retailers. The ultimate success of E-retailing will depend upon whether the Indian consumer has access and how they use or perceive Online Shopping. The size of the organization may be a critical factor in influencing a retailer's adoption of Internet, smaller retailers are less likely to be online.

3. Changing consumer behavior:

There are certain trends in buying and consumption behavior of consumers that have a direct and significant impact on the business strategy and profitability of retail business. These trends relate to the changing demography, increasing individualization, increasing computerization, increased mobility etc. technology has facilitated the move towards online consumption and making consumption independent of time 24/7 and space. With process globalization setting in, consumers want a broad selection of products, and consumption of imported products has increased.

4. Inter-type Competition:

Different types of retail stores like Discount Stores, Catalog Showrooms, department stores, Supermarkets, Hypermarkets all compete for the same customers by carrying of the same type of merchandise. In the face of increased competition from discount houses and specialty stores, department stores are waging a comeback war.

5. Growth of Giant retailers:

Through their superior information systems, logistic systems and buying power, giant retailers are able to deliver good service and immense volumes of product and appealing prices to masses consumers. They are crowding out smaller manufacturers who cannot deliver enough quantity and even dictating to the most powerful manufacturers what to make, how to price and promote, when and how to ship, and even how to improve production management. Manufacturers need to take this into account otherwise they would lose 10-30% share of the market.

6. Competition between store-based and non-store based retailers:

Consumers are now receives sales offers through direct mail letters and catalogs, and over television, computers and telephones. These non-store-based retailers are taking business away from store-based retailers. Some store-based retailers initially saw online retailing as a definite threat.

7. Human resources' issues:

Hiring retail employees can be a challenging task. The field of retailing is known for lower stating wages than many other industries. Hence, there are many more part-time employees in retailing than other industries. Manpower costs form a major part of costs for the retailers; the decision on how many people it should have is crucial and has a bearing on standards of performance and productivity. Most important it affects the kind of service that a retailer may like to offer.

8. Rise of Vertical Retail concept:

The boundaries between simple store concepts along traditional lines and verficalists or shop-in-shop concepts are fluid and are reflected in modern store construction concepts, which make the customer the focus of attention to the greater extent than in past and stage-manage the product. The challenge for them involves finding a future oriented mixture of system and individuality, without alienating their important target group of customers with too sharp profile.

Conclusion:

1. Retailing in the new millennium stands as an exciting, critical and complex sector of business in most developed and developing countries.
2. Indian retail sector has been seen tremendous growth in the organized segment. Major domestic players have stepped into retail arena with long term and ambitious plans to expand their business across various cities.
3. Though the organized retailing is growing, still unorganized retailing is dominating the Indian retail sector with the existence of approximately 13 million unorganized retailers.
4. The Indian retail sector has been going through a phase of transformation and this emerging market has been witnessing a significant change in its growth and investment pattern.
5. Today's smart, powerful, knowledgeable, sophisticated, well educated and digitally conscious customer plays a vital role in retail marketing.
6. Retail marketers need to take note of changing consumer dynamics while formulating their strategies and tactics to deliver the exact expected value to customers.
7. Retailing in India is still evolving and witnessing a series of experiments across the country with new formats tested out.
8. E-Retailing/Online Retailing has high potential for growth in the near future in India.

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