

Emerging Retail Formats of Punjab in India: A Retailers Perspective

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Key Words

Retail formats, Attributes, Retail Strategies, Convenience and Shopping Goods.

Abstract

The organized retail sector in India is witnessing a transformation, where the traditional retailers are making way for new formats. Both existing and emerging players are experimenting with modern retail formats. These modern retail formats offer wide variety to customers and present an ideal shopping experience with an amalgamation of product, entertainment and service, all under a single roof. Consumer dynamics in India is also changing and the retailers need to take note of this and formulate their strategies and tactics to deliver the exact expected value to the customer. The main objective of this paper is to study the pricing strategies, promotional strategies and retention strategies adopted by different retailers in Punjab and attributes they are providing to consumers while shopping. The retail attributes that considered in this paper are divided into two types: Product attributes and Store attributes. Quality, Price, Brand, Assortment of merchandise, Easy availability of products, Proper display of products and Exchange facilities are major product attributes and Ambience, Location, Convenience, In-Store promotions, Store atmosphere, Parking facility, Long working hours and Trained sales personnel are store attributes.

The result of the study shows that consumers give more preference to product attributes than store attributes. This paper also demonstrate that strategies that give economic benefits to consumers like discounts, coupons, free gifts are more successful as compared to non-economic strategies like better internal environment, Entertainment facilities, loyalty programs etc.

Introduction

With changing business environment in India, retail sector is at an inflexion point and the organized retailing is carving out a higher growth trajectory. The Indian retail sector has strong linkages with the economic growth and development of the economy. AT Kearney (2010), identified India as the third most attractive retail destination' globally from among thirty emergent markets. As per this report Indian retail market is worth about \$410 billion, out of this 5% of sales are through organized retail. Further GRDI (2010) is of the view that Retail should continue to grow rapidly up to \$535 billion in 2013 with 10% coming from organized retail. The Indian retail market has around 15 million outlets and has the largest retail outlet destiny in the world, (India Retail Report,

2009). 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. The formats considered in the present study are:

- i. **Malls:** Malls range from 60,000 sq ft to 7, 00,000 sq ft, are the largest form of organized retailing today. These lend an ideal shopping experience with an amalgamation of product, service and entertainment; all under a common roof.
- ii. **Convenience Stores:** These are relatively small stores located near residential areas and open for long hours for all seven days a week. These carry a limited line of high-turnover convenience products and fill an important consumer need. People are willing to pay for the convenience.
- iii. **Department Stores:** Department Stores are another type of emerging formats and these carry several product lines- typically clothing, home furnishings and house-hold goods- with each line operated as a separate department managed by specialist buyers or merchandisers.
- iv. **Hypermarkets/Supermarkets:** Hypermarkets and Supermarkets are the latest formats located in or near residential high streets. Hypermarkets carry a product range varying from Foods, Home-ware, Appliances, Furniture, Sports, Toys and Clothing and Supermarkets are large self service outlets, catering to varied shopper needs and mainly focus on Food and Grocery and personal sales.
- v. **Discount Stores:** Consumers preferring to pay a low price can visit the Discount Stores or Factory Outlets, which offer discounts on the MRP, as they sell in bulk and have higher economies of scale.
- vi. **Specialty Stores:** These stores especially cater to consumers who are looking for assorted brands at one store for instance: apparel stores, sporting goods stores, furniture stores and book stores are some of the examples of specialty stores. (Kotler, 2006, Sinha and Kar, 2007, Srivastva, 2008)

The modern Indian consumer is seeking more value in terms of improved availability and quality, pleasant shopping environment, financing option, trial rooms for clothing products, return and exchange policies and competitive prices. According to Swar (2007), several demographic indicators show favorable trends for the growth of organized trade in India. These are: i) **Rapid income growth:** consumers have a greater ability to spend, ii) **Increasing Urbanization:** larger urban population that value convenience, coupled with the higher propensity of the urban consumers to spend, iii) **Growing young population:** growth of the post-liberalization maturing population, with the attitude and willingness to spend and iv) **Spend now vs. save earlier:** consumers are willing to borrow for present consumption, which has resulted in the emergence of big retail chains in most metros; mini metros and towns.

Table 1- Share of Organized Retail to Total Market

Share of Organized Retail to Total Market Retail Segments	% Organized			
	2004	2005	2006	2007
Clothing, Textiles and Fashion Accessories	13.60%	15.80%	18.90%	22.70%
Jewelery	2%	2.30%	2.80%	3.30%
Watches	39.60%	43.50%	45.60%	48.90%
Footwear	25.00%	30.30%	37.80%	48.40%
Health and Beauty Care Services	6.00%	7.60%	10.60%	14.30%
Pharmaceuticals	1.80%	2.20%	2.6.%	3.20%
Consumer Durables, Home appliances and Equipments	7.80%	8.80%	10.40%	12.30%
Mobile Handsets, Accessories and Services	6.50%	7.00%	8.00%	9.90%
Furnishings, Utensils, Furniture- Home and Office	6.70%	7.60%	9.10%	11.00%
Food and Grocery	0.50%	0.60%	0.80%	1.10%
Out of Home Food (Catering) Services	5.70%	5.80%	6.90%	8.00%
Books, Music and Gifts	9.80%	11.70%	12.60%	13.40%
Entertainment	2.60%	3.30%	4.10%	5.30%
Total	3%	3.60%	4.60%	5.90%

Source: India-retail-report-2009

As depicted in table 1 the share of organized retail is showing an increase for all years in all the sectors. With the acceleration in growth of organized retail, Indian market has immense potential for retail sector. Punjab, located in the north west of India, is one of the emerging and the most prosperous state of India. A number of changes have taken place on the Punjab's retail front such as exponentially increased availability of international brands, increasing number of mall and hypermarkets as a result of easy availability of retail space. The state provides best opportunities to all the retailers at large to exploit its huge consumption potential. With high consumption trends of the population, Punjab's per capita income at Rs 44,411 is higher than the national per capita income of Rs 33283 in 2007-2008. The country's leading retail chains like Reliance, Piramil, TATA, Raheja, ITC, Godrej, RPG Enterprises and Future Group have announced major plans for the Punjab's retail sector (Talwar 2010). Due to rapid growth in retail sector, global retailers like Wal-Mart, GAP, Tesco, J.C Penney, Sears and Carrefour are trying to establish themselves in Indian market (Bhardwaj and Makkar, 2007, Halepete, 2008). Having emerged as the world's most attractive market for global and Indian retailers; the retailers of Punjab are also focusing upon different retail strategies which this paper tries to cover.

The present study has been taken with the following broad objectives:

- i. To identify the preferred category of emerging retail format.
- ii. To identify the preferences of product attributes and store attributes from retailers perspective.
- iii. To identify the important pricing strategies, promotional strategies and retention strategies adopted by retailers.

iv. To identify the major drivers of retail business.

Review of literature

The review of literature has been broadly categorized into three headings, namely:

1. Retailer's Perspective
2. Attributes of Retailing
3. Consumer Preference and Choice of store

Retailer's Perspective

According to Levy et al (2004), pricing optimization is currently one of the hottest topics in the retail industry. This paper represents the first of several editorials to appear in the *Journal of Retailing* designed to examine the nexus between retail practice and research, with the goal of stimulating further research. This paper explores with a review of how retailers typically make pricing decisions using time-honored heuristics and attempt to infer the optimal decisions. Retailers must be able to react quickly to changes in the environment or sales patterns. This paper also provides examples of the more sophisticated pricing techniques that are currently being tested in practice. Finally, this paper concludes with a discussion of the critical components that must be incorporated into retail competitive pricing. The study by Dash et al (2009) revolves around the opportunities and challenges faced by organized retail players in Bangalore. The results of the study depict that competition faced by the unorganized sector is the biggest challenge for organized retailers. Inefficiency of distribution channels, internal logistical problem and retail shrinkage are other challenges faced by organized retailers. On the other hand, Growing middle class, large number of earning youth customers, increase in spending and India's booming economy are the opportunities for organized and unorganized retailers. According to India retail report (2009), liberalization of Indian economy and rationalization of business procedures have already ensured a high economic growth for the manufacturing and retailing sectors. Healthy investment climate, retail revolution, retail market segments, growing shopping centres, malls, supermarkets and departmental stores are the major factors that have earned India the top spot among the favored retail destination. Corporate giants such as Reliance, AV Birla, Tata, Godrej, Bharti, Mahindra, ITC, RPG, Pantaloon, Raheja and Wadia group are expected to invest close to Rs. 1 trillion in the business of retail over the next five years. These developments indicate that this is just the right time to think of retail. The study by Mittal et al (2008) helps retailers to determine the most important drivers of retail store choice. The findings suggest that the retailers marketing strategy will have to take into account two sets of attributes: (1) loyalty drivers and (2) shopping experience enhancers. For apparel shopping the loyalty drivers are attractive merchandise mix, sales promotions, price, and recommendation/relationship whereas the shopping experience enhancers are store reputation/advertisements, temperature (air conditioning), return/guarantee, and ambient conditions. The study by Fam et al (2010) highlighted strategies aspects of in-store marketing, by focusing on two key components of in-store marketing, namely in-store promotions and price markdowns. These seem to be the two most important aspects of in-store marketing. The results indicate that a

discount marketing strategy, environmental uncertainty and emphasizes on price promotions are key to explaining retailers perceptions and use of marketing in-store activities.

Attributes of Retailing

Indian economy branding has emerged as an important marketing tool and brands play an important role in facing competition. 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 and better quality products. The results of the study show that people generally prefer to purchase and stock for a month rather than keep purchasing frequently. Department stores and wholesale shops emerge as consumer no. 1 choice. However different categories of products are purchased from the different types of shops, (Gupta, 2004). The study by Tender and Crispen (2009) investigates the influence of in-store shopping environment on impulsive buying among consumers. The result of the study shows that among poor consumers, factors of an economic nature like cheaper prices, coupons and helpful shop assistants were more likely to influence impulsive buying. On the other hand, factors with an atmospheric engagement effect like music, fresh scent and ventilation may have only been important in helping to keep consumers longer in shops although they were unlikely to directly influence impulsive buying. According to Gopal (2006), recreational facilities, location of the store, store loyalty, product attributes and services, brand value, perceived value and price are the major factors affecting leisure shopping behavior. The product categories that are largely affected by the leisure shopping consumption are food and beverages, apparel, cosmetics, toys, general merchandise and household electronics. The wide choice, atmosphere, convenience, sales people, refreshments, location, promotional activities and merchandising policies are associated during leisure shopping. The study by Jacobs et al (2010) identify the factors that influence consumers in their patronage of a particular store format and to categorize department and specialist food store consumers according to their preferences in store layout and product range in a South African context. The results emphasize that the store-related factors such as store location, appearance and hygiene, service quality, convenience of trading hours, and consistency in store layout predominantly influenced participants in their patronage of a specific store format. Furthermore, product-related factors such as quality, price, product range and convenient packaging enhanced consumers' store preference. Department store consumers were orientated towards one-stop shopping and time-saving strategies, while specialist food consumers were focused on food shopping and the trading hours of the store.

Consumer preference and choice of store

Mishra (2007), The Indian market has seen vast changes in political, economical and social environment which has a great impact on consumption. The study was conducted in major cities like Delhi, Chennai, Kolkata, Hyderabad, Bhubaneswar and Mumbai. The results show that consumers buy essentially convenience goods with low level of risk from organized outlets and essential products of more involvement from

traditional retailers. The hypermarket, mall, supermarket are the preferred kind of stores by consumers and organized retail is preferred due to convenience and variety. Gopal (2008) opines that shopping malls contribute to business more significantly than traditional markets which were viewed as simple convergence of demand and supply. The objective of this study was to examine the impact of growing congestion of shopping malls in urban areas on shopping convenience and shopping behavior. This study referred to personality traits of shoppers affecting the preferences for shopping malls in reference to store assortment, convenience, and economic advantage and leisure facilities. The results of the study show that narrowing the shopping streets and the rise of shopping malls has been major trends in retailing in emerging markets. The ambience of shopping malls, assortment of stores, sales promotions and comparative economic gains are the major factors which attract higher customer traffic to the mall. The social demand for environment friendly shopping malls is increasing as a result of rapid urbanization. In view of growing competition among retailers and increasing market congestion in urban areas, retailing firms need to adapt to a dynamic strategy for gaining success in the business. Growth rate of modern retailing has increased in recent years because greater numbers of higher income Indians prefer to shop at super markets due to higher standard of hygiene and attractive ambience. Food retailers, health and beauty products, clothing and footwear, home furniture and household goods, durable goods and personal goods are the major Indian retail sector. This study highlights certain hurdles that need to be removed for flourishing this sector. These are: lack of FDI status, complexity of taxes, lack of proper infrastructure and high cost of real estate. The retail sector is bound to take big leaps in the years to come, (CII, 2008). The study by Singh (2007) examines the degree of brand awareness and consumption pattern of various food products among rural and urban people in Haryana. The study further explores the possibility to find out the impact of education and income level on the expenditure pattern of food products. The results of the study show that the degree of brand awareness of various food products among urban respondents is more in comparison to rural households. Post-graduate rural and urban respondents have high degree of brand awareness for many food products in comparison to other educational levels of the households. A large amount of expenditure (69.5%) is incurred on milk and milk products, Moreover the study indicated that the expenditure on food products containing more vitamin and protein contents are made more by rural and urban households. With an increase in income level, the household deviates from basic commodities to protein-vitamin rich commodities.

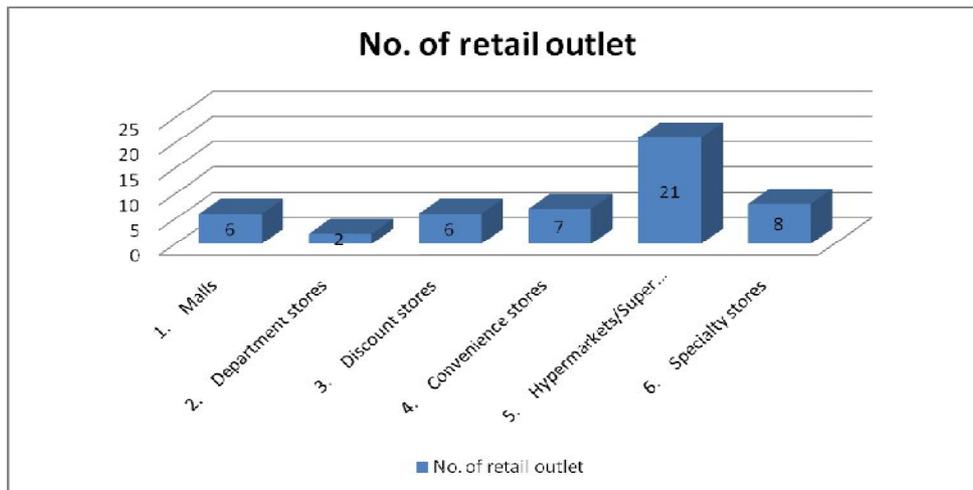
Data and research methodology

The data has been collected from 50 retailers from major cities of Punjab viz. Patiala, Bathinda, Amritsar, Ludhiana and Mohali. Punjab characterizes a rich state a land of exciting culture. As seen from literature, Punjab is an emerging economy drawing entrepreneurs to establish emerging retail formats. But this new trend has started only recently around four to five years earlier, thus, there are not yet many empirical studies on changing trends of retailing from retailers perspective. The present study is a step in this direction using a survey technique to gather inputs from retailers

regarding emerging retail strategies. The study uses a self structured questionnaire tested for validity and reliability. The questionnaire has four sections. Section 1 represents the profile of the retailers. Section 2 focuses on product and store attributes. Section 3 covers the pricing, promotional and retention strategies. Finally section 4 highlights the drivers of retail business. The overall reliability of the questionnaire as depicted by Cronbach alpha is 0.936. The study has used the descriptive statistics, i.e., mean and standard deviation for highlighting the importance of attributes, retailing strategies and drivers of retailing.

The profile of the formats chosen for the survey is depicted in Figure 1.

The results of figure 1 depict that Hypermarkets/Supermarkets commands lion share (21 out of 50) in the profile of formats. Similarly, specialty stores, convenience stores and discount stores are other major formats opted by retailers. On the other hand, department stores are lowest in the profile of formats.



Results

Table 1- Retailer preferences of product attributes:

Product Attributes	Mean	Std. Deviation	Rank
a) Quality	4.51	.869	1
b) Price	3.35	1.128	5
c) Brand	3.49	1.516	4
d) Assortment of merchandise	2.76	1.109	7
e) Easy availability of products	3.76	.830	3
f) Proper display of products	3.92	.449	2
g) Exchange facilities	3.18	1.439	6

Promotional strategies	Mean	Std. Deviation	Rank
1. Advertisements	1.58	1.311	6
2. Free Gifts	2.42	2.021	3
3. Discounts	3.24	2.086	1
4. Coupons	3.14	1.927	2
5. Loyalty Programs	2.24	1.506	4
6. Develop public relations	1.90	1.233	5

The results as shown in table 1 highlight that from the above seven product attributes, quality had the highest average score of 4.51; this was followed by proper display of products. Easy availability of products ranked next in preferences of product attributes by retailers. The least priority was given to assortment of merchandise by retailers.

Table 2- Retailer preferences of store attributes:

Store Attributes	Mean	Std. Deviation	Rank
1. Ambience	3.30	.505	7
2. Location	4.02	.714	3
3. Convenience	4.22	.582	1
4. In-store promotions	3.50	1.129	5
5. Store atmosphere	3.68	.978	4
6. Parking facility	2.86	1.525	8
7. Long working hours	4.04	.699	2
8. Trained sales personnel	3.42	1.180	6

The results of major store attributes as shown in the table 2 depict that retailer's gave 1st preference to convenience. This was followed by long working hours and location. Store atmosphere, In-store promotion and trained sales personnel rank next in preference. The lowest rank was accorded to ambience and parking facility by retailers.

Table 3- Pricing Strategies adopted by retailers:

Pricing strategies	Mean	Std. Deviation	Rank
1. Competitive pricing	1.68	.844	2
2. Pricing below competition	3.74	1.509	1
3. Pricing above competition	1.34	1.409	4
4. Psychological pricing	.74	.443	6
5. Multiple pricing	.98	.714	5
6. Discount pricing	1.42	1.090	3

Table 3 depicts the importance of pricing strategies adopted by different retailers. Most of the retailers adopt pricing below competition strategy. Competitive pricing and discount pricing have been ranked 2nd and 3rd by retailers. Multiple pricing and psychological pricing are least important strategies.

Table 4- Promotional Strategies adopted by retailers:

The results of table 4 highlight that retailers give more preference to discount strategy for promoting their retail business. Coupons ranked 2nd followed by free gifts and loyalty programs. On the other hand, developing public relations and advertisements are ranked rather low on priority.

Table 5- Retention strategies adopted by retailers

Retention strategies	Mean	Std. Deviation	Rank
1. Better Internal Environment	1.82	1.508	4
2. Entertainment Facilities	3.44	.577	1
3. After Sale Services	2.24	.716	2
4. Trained Sales Personnel	1.44	1.716	5
5. Reduction in Prices	1.96	2.258	3
6. Customer delight	1.16	2.093	6

As per table 5, now days, entertainment facilities are very important for retaining consumers. It includes music, food courts, children play places etc. After sale services and better internal environment are the other important retention strategies followed by reduction in prices. It is surprising to see that retailers don't give much importance to retention strategies of training of sales personnel and customer delight otherwise these are very important for retaining consumers.

After analyzing the retailers' perspective regarding store and product attributes and also about the strategies pursued by retailers, an attempt has been made to identify the major drivers of retailing business. The results of the same are depicted in:

Table 6- Drivers of retail business

Drivers	Mean	Std. Deviation	Rank
a) Location of retail business	4.70	.505	1
b) Management style	4.18	.873	2
c) Reputation	3.48	1.165	8
d) Sound retail policy	3.02	1.220	10
e) Training in retailing	3.90	.707	4
f) Incentives for achievement	3.70	.789	6
g) Teamwork	3.86	.756	5
h) Opportunity in career	2.86	.756	11
i) Independence in working	2.00	.700	15
j) Conveyance facility	2.28	.497	14
k) Job security	2.70	.863	12
l) Safety at work place	2.52	1.111	13
m) Working hours	3.30	.463	9
n) Adequate salary	3.94	.767	3
o) Hygienic work environment	3.52	1.129	7

The results of the table 6 clearly depict that location of retail business is most important for effective retail business. Management style and adequate salary are rank 2nd and 3rd by retailers.

Conclusion

The retail sector in India is witnessing a huge revamping exercise as the traditional retailers are making way for new formats. 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 and better quality products. The result of the study represent that the quality and proper display of products are major product attributes. On the other hand, convenience and long working hour of stores are the major store attributes of retail formats. Most of the retailers adopt below competitive and competitive pricing strategy. Moreover retailers give discounts to promote their business and focus mainly upon entertainment facilities for retaining consumers for longer time. The results of the study further reveal that the retailers need to implement pricing strategies, promotional strategies and retention strategies effectively to enhance their business.

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