

Identification Of Retailing Channel Dynamics In India

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Abstract : Indian retail industry is changing rapidly in this decade and observed a shift from brick and mortar channel retailing to omnichannel retailing. Internet penetration and mobile revolution changed the retailing environment across the world. Distribution channels are more dynamic and not limited only up to single channel conventional retailing i.e. brick and mortar channel retailing.

Changing of channels according to time is called Channel Dynamics. The purpose of this study is to identify the emerging channel dynamics in organized retail sector in India. This study observed that, Since 2014, E retailing started contributing significantly in India and now brick & mortar retailing channel and online retailing channels are existing simultaneously and this emerged multichannel retailing environment in India. Furthermore the emergence of omnichannel retailing is also observed through review of research studies in this dimension. This study also found that key players of Indian retail industry added online retailing channel, mobile channel, social media channel with its existing brick and mortar retailing channel and selling their brands through various retailing channels simultaneously hence channel addition, channel substitution, channel coordination and channel integration made retailing channel more dynamic in nature. A positive correlation is observed between internet penetration and market share of online sales. The dynamism of retailing channel is clearly observed due to shift of single channel retailing (B&M store retailing) to omnichannel retailing via multichannel retailing and cross channel retailing.

Key words : Channel dynamics, Retailing, Multichannel retailing, Omnichannel retailing

Introduction

The Indian retail industry has emerged as one of the most dynamic industry with the entry of e-commerce players such as flipkart and amazon and organized retailers such as future group, shoppers stop, Avenue Supermart etc. The Indian retail industry is around 10% of the country's Gross Domestic Product (GDP) and around 8% of the employment in India. The total market size of Indian retail industry reached US\$ 672 billion in 2017. It is forecasted to increase to US\$ 1,200 billion by 2021 and 1,750 billion by 2026. It is projected that by 2021 traditional retail will hold a major share of 75%, organized retail share will reach 18% and e-commerce retail share will reach 7% of the total retail market.

Source: India Brand Equity Foundation (An initiative of the Ministry of Commerce & Industry, Government of India)

Factors Changing Retailing in India

Since 2000, Organized retail entered into Indian retailing industry. Emergence of Organized retail and emergence of E Commerce were two major events in the history of Indian retail industry which changed the landscape of retailing in India. Following are the factors which affected the retail industry in India :

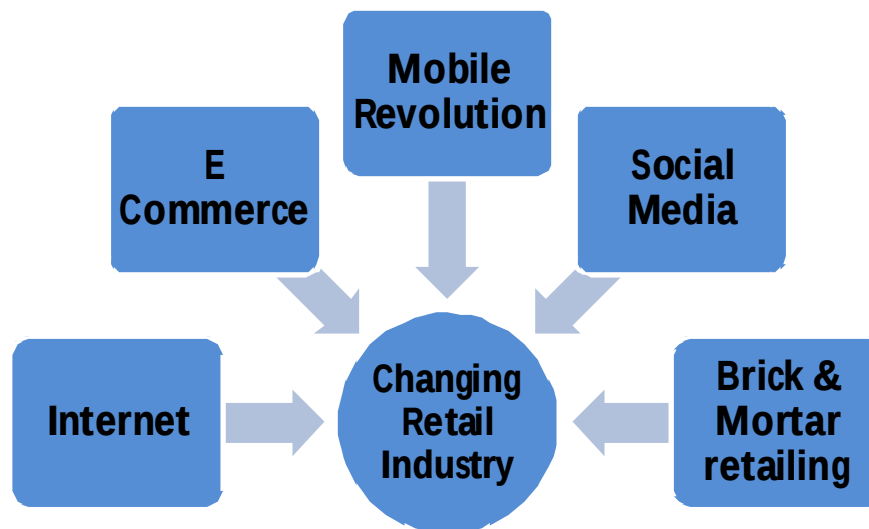


Figure 1

Source : Compiled by Author

Various research studies show that growing E commerce , high penetration of internet and mobile revolution have affected the shopping behavior of shoppers therefore it changed retailing significantly across the world. One of the major changes in retailing involves the ability of consumers to shop across multiple online/offline channels 24/7, and as a result retailers are able to have multiple touch points with shoppers.

Channel dynamics of Indian Retail Industry

Retailing includes all the activities involved in selling products or services directly to final consumers for their personal, non business use. Many institutions—manufacturers, wholesalers, and retailers—do retailing (Philip Kotler). “Channel” is defined as a customer contact point or a medium through which the company and the customer interact (Neslin et al., 2006). Changing of usage of channels for retailing according to time is called Channel Dynamics. Retailing channel was initially confined up to brick and mortar channel (Offline channel) but due to emergence of online retailing, online channels and offline channels both are available simultaneously for shoppers to shop in present Indian retail industry. This phenomenon of retailing channels has developed multichannel retailing environment in India. The term **Multi-Channel** is used to describe both channels that are integrated (Zhang et al., 2010) or interact with each other (Berman and Thelen, 2004), and channels that are not integrated (Avery et al., 2012;) or do not interact with each other (e.g., Verhoef et al., 2007) . Hence Multichannel retailing includes both types of environment where online channel and offline channel are integrated & interact with each other and wherein online channel and offline channel are not integrated & do not interact with each other. This multichannel retailing environment emphasized that brick & mortar retailers need not to confine themselves only up to offline presence through physical

stores but they also need to develop their online presence through online retailing channels. It may be perceived as “channel addition” wherein brick and mortar retailers are adding online channels such as website, mobile application etc with their existing brick and mortar store for serving the shoppers. Now shoppers have multiple channels to shop in multichannel retailing environment. They can purchase same brand either from brick & mortar stores or website or mobile app or social media such as facebook or through online market place such as flipkart , amazon etc. hence “channel coordination” is required to offer similar shopping experience across all the channels and this phenomenon develops the concept of omnichannel retailing in India where all the channels are integrated to offer seamless shopping experience to shoppers across all the retailing channels. Big Bazaar , Max fashion , lifestyle etc. started operating in omnichannel retailing environment. Concluding, Channel dynamics is concerned with the dynamism of channels such as channel extension , channel coordination and channel integration. The channel dynamism of retail industry may be understood as the journey from brick and mortar retailing to omnichannel retailing.

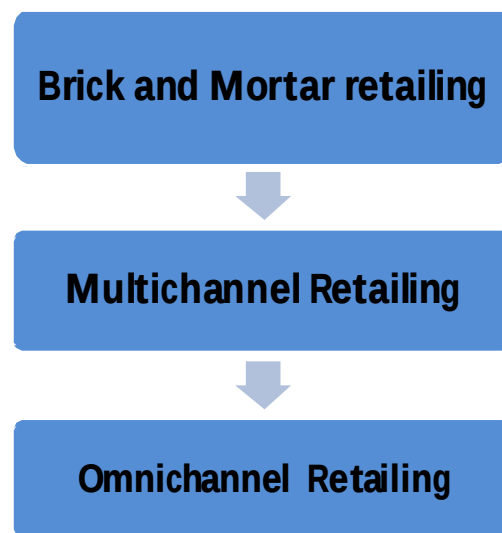


Figure 2

Source : Compiled by Author

Levy et al.,(2013) defined multichannel retailing and Omnichannel retailing as following :

Multi-Channel Retailing is a retailing concept where multi-Channel Retailer sells merchandise or services through more than one channel or all wide spread channels, whereby the customer can not trigger channel interaction and the retailer does not control channel integration. **Omni-Channel Retailing** is a retailing concept where an Omni- Channel Retailer sells merchandise or services through all wide- spread channels, whereby the customer can trigger full channel interaction and/or the retailer controls full channel integration. Technically channel integration of retailing channels in multichannel retailing may be perceived as omnichannel retailing. The consumer decides where and when to shop and from which device.

Emergence of Multichannel retailing in India

India has secured the highest India's online retail sector grows 23% to US\$ 17.8 billion in 2017. Online retail sales is forecasted to grow at the rate of 31 % year-on-year to reach US\$ 33.70 billion in 2018 , led by Flipkart, Amazon India and Paytm Mall. Internet penetration was 34.4% and smart phone penetration was 33.4% in 2017. Internet penetration has significantly increased 2012 onwards. During 2012 -17 , Internet penetration is increased by 273% and during 2014 -17 , Online retail increased by 500% approx whereas total retail market is increased by only 26% . Online retail significantly increased after 2014. Technically , It may be perceived that multi channel retailing environment is developed in India tentatively 2013-14 onwards. Online retail has shown a significant presence in FY 2017 – 18. The market share of online retail is 3% and of organized retail is 9% which clearly signal that within a span of 4 -5 years , online retailing channels developed an alternative shopping platform to offline retailing channel (brick and mortar Store) for Indian shoppers. This situation has created a turbulence in Indian retail industry . Since 2013 , Online retail is increasing rapidly which emerged multichannel retailing environment therefore now retailers are attempting to have both offline presence such as physical stores and online presence such as website , app , social media and online market place such as amazon , flipkart etc to cater this competition. Firstcry, nutrition and fitness products retailer Healthkart and eyewear seller Lenskart are already scaling up their offline presence to let customers experience the product before buying and to reach a larger market. Mynt is planning to be one of them by opening physical stores. Now Companies are selling their products through offline (brick – mortar stores) channels and online channels both hence shoppers are getting multiple channels to shop. They also have social media channels for any shopping transaction. Now a day's shopping is digitized. Mobile revolution, Internet and E commerce influenced the shoppers behavior and landscape of retailing in India . Retailing channels are quite dynamic in nature hence brick and mortar store retailing environment is now converted as multichannel retailing environment due to inclusion of internet based retailing channels and multichannel retailing is shifting towards omnichannel retailing due to integration of offline channels and online channels. This channel dynamism has put forwards a need of understanding shoppers perception and behavior towards this emerging retailing environment in India so that Retailers can accordingly formulate channel strategy to cater shoppers.

Table 1 : Emergence of Multichannel retailing in India

Year	Internet penetration (%)	Revenue from Online Retail (US\$ billion)	Total Retail Market Size (US\$ billion)	Online retail to total retail (%)	Organized Retail to total retail (%)
2012	12.60	-	518	-	7
2013	15.10	2	490	-	7
2014	18	3	534	.8	8
2015	27	13	600	1.7	8
2016	34.80	15	641	2.5	9
2017	34.42	17.80	672	3	9
2018	38.02	32.70	950	-	-

Source : India Brand Equity Foundation (An initiative of the Ministry of Commerce & Industry, Government of India)

Omnichannel retailing research in India

Four factors are identified which increase the growth of E commerce in emerging economies i.e. rapid penetration of technology , fast adoption of online sales by brands , convenience and variety in online shopping and higher real estate price & higher operational cost (Sinha, 2015). Digitization has played a significant role in the shifting of multichannel retailing to omnichannel retailing in India (Jasrotia , 2017). Omnichannel retailing approach is beneficial in Indian retail industry and it positively affect the purchase intent of Indian shoppers but companies need to adopt digital strategies which can increase the benefit of omnichannel retailing approach because consistent product codes across channels, real time tracking of orders etc. affect the purchase intent of Indian consumers (Rajan et al , 2017) omni-channel retailing is the best way to move ahead and this shift in paradigm has made it compulsory for offline retailers to develop an online presence and be omnipresent to serve the shoppers. Omnichannel retail becomes a tool to retain existing customers and to attract new customers (Sarmah et al. ,2015). Online and offline channels are not treated as mutually exclusive but these channels are treated as a integrated channel and this shift happened because retailers realized that shoppers are not confined upto specific channel therefore retailers need to be omnipresent (Banarjee , 2019). Hybrid structure of offline and online retailing channels should be designed by retailers. The offline retailing channels should be used to serve frequent and predictable needs of shoppers while online retailing channels should be used to serve those needs of shoppers which occurs in irregular intervals. He argued that brick and mortar store can be used as a pick up point of online shoppers. The joint nexus of online retailers and local brick and mortar retailers will be beneficial for retailers and shoppers(Chopra , 2015) but retailers are facing various challenges in implementing omnichannel retailing strategies to achieve higher customer satisfaction (Pollamarasetty et al. ,2016). Level of competition varies across the retail channels hence omnichannel retailing strategy is beneficial for optimizing the level of competition (Ali et al.,2017). Multichannel retailing also increases showrooming behavior of shoppers. This showrooming behavior reduces the profits of brick and mortar retailers and online retailers both but it is beneficial from the shoppers perspective therefore retailers need to integrate their retailing channels to offer seamless shopping experience to shoppers (Basak et al. , 2017)

Findings

Since 2000 to 2013, There was a dominance of brick & mortar retailing in organized retailing in India but 2014 onwards , E retailing started growing significantly which accounts .8% to 3% of total retail sales however the organized retailing increased from 8% to 9% to total retail sales. Interestingly. In 2012, Organized retail accounted 7% and unorganized retail accounted 93% and comparatively In 2017 Organized retail was 9% , Unorganized retail was 88% and E retail (modern retail) accounted 3% of the total retail sales. The share of organized retail is increased from 7% to 9% and the share of E retail accounted 3% of total retail sales whereas the share of unorganized retail is decreased from 93% to 88% of total retail sales. The large amount of decline of share of unorganized retailing is shifted to E retailing (modern retailing) rather than organized retailing which gives clear signal of emergence of multichannel retailing in India.

Discussion

Online shopping has increased in India since 2014. Last four years have witnessed a tremendous growth in online shopping. This emergence of online shopping has forced brick and mortar retailer to have online and offline presence both and become a multichannel retailer. Indian retail industry has seen significant dynamism in retailing channels. Retailers dealing through brick & mortar retailing channel are now passing through multichannel retailing in present scenario where in retailers are selling their products through both offline and online channels and witnessing a need of omnichannel retailing because shoppers are frequently migrating from offline channels to online channels and vice versa. This showrooming and web rooming behavior of shoppers put a need of channel integration of all the available retailing channels and this channel integration lead omnichannel retailing in India.

Future scope of research

Largely India has witnessed online and offline retailing simultaneously after 2014 and it reflected multichannel retailing in Indian retail industry which further led retail industry towards omnichannel retailing. Omnichannel retailing is new phenomenon in Indian retail industry hence this area of research has received less contribution of researchers in Indian perspective. Very less amount of research is carried in the area of multichannel retailing and Omni channel retailing in Indian perspective. Out of that researchers mainly focused about omnichannel retailing from channel perspective and firm perspective while consumer perspective is not adequately studied in Indian perspective.

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