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Empowering Offline Retailing through innovative store approaches towards Value-Conscious Consumers

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Abstract

The retail landscape globally hasbeen witnessing dramatic advancements in both small and large formats. Technological advancements like growth and reach of the internet have powered the growth of retailing beyond geographical boundaries. At present, the Indian retail industry is at threshold facing unprecedented competition from within and outside the country and is driving towards organised retailing.

The emerging retail market puts forth countless challengesfor both the new entrants as well as the existing retailers. Disruptive strategies by online retailers have driven away considerable business opportunities from offline retailers.

Consequently, differentiation through innovation has become the key to gain a competitive edge and customer loyalty. Most of the organised retailers have shifted their focus from essential selling to engaging customers and creating rewarding customer experiences.

This paper attempts to explore the growth of organised retailing in India and innovative approaches by offline retailers towards value-conscious customers.

Keywords:retail, organised, innovation, customer, internet.

Introduction

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Indian retail market is in its nascent stage occupyingfifth largest destination in the global retail rankings(IBEF, 2018). This is mainly due to vast market potential, low economic risk and reasonable political risk. The retailing activity in the country accounts for roughly around 10 percent of the country's GDP and generates 8 percent employment opportunities.Also,India is ranked third in terms of net sales after China and Brazil. The sturdy growth is backed by increasing consumerism and expected invested in the form of Foreign Direct Investment(FDI). Government initiatives through policy decisions and support through back-end infrastructure also fuelled the growth of the retail sector.

The retail industry is expected to touch US$ 1 trillion by 2020, typically driven by an attitudinal shift among customers, income growth and fast urbanisation(IBEF, 2018). The growth is forecasted at 12 percent per annum with modern trade pacing at 20 percent per annum. With the steady expansion of e-retailing, the sector is projected to share 50 percent of the total trade in the next five years. Figure 1 shows the marketing objectives of offline and online players in India.

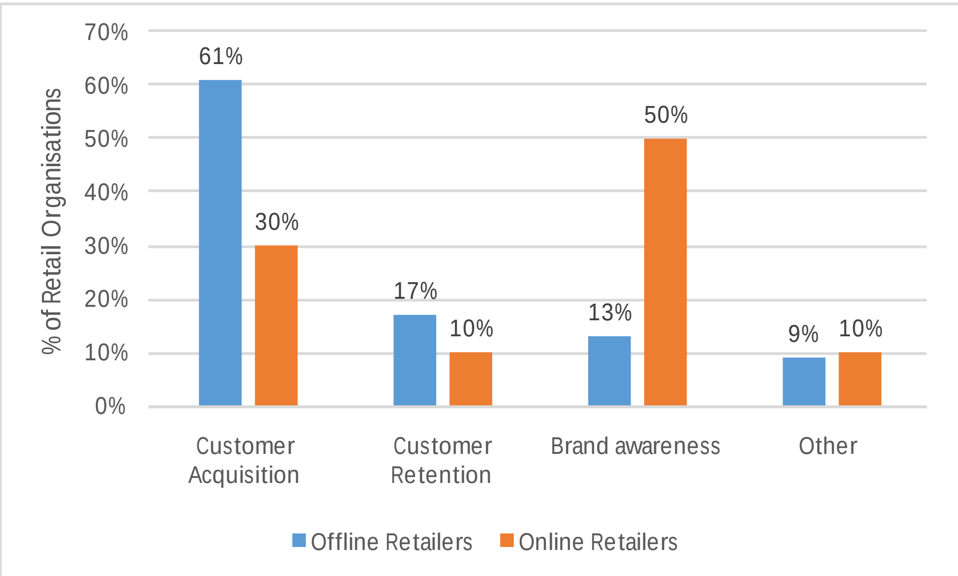

Figure 1: Marketing objectives of Online and Offline retailers

Source: http://www.octane.in/blog/what%E2%80%99s-in-for-retail-marketers-in-2014-highlights-from-india-retail-e-marketing-study-2014/

Key Challenges faced by offlineIndian Retailers

Real estate rental

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During the current financial year, retail rentals have grown considerably high across malls and hypermarkets. The unavailability of retail space supplemented by robust demand lead to the upward movement of rentals.

Growing consumerism

Consumer tastes and preferences have been changing drastically with the progress of time. It doesnot matter whether the product or service is sold to an adult or kid, all have their own preferences. Consumerism in India is at a new high and shows a promising future. Exposure to the global market through online and offline retailing gives them ample time to select the best among the alternatives. Thus, it is quite challenging for the organised and unorganised sector of retailing to cater to these requirements.

Table 1: Motives behindcustomers shopping online instead of offline stores

Reasons	**% of global consumers**
Ability to shop 24/7	58%
Ability to compare prices	54%
Online sale/better prices	46%
To save time	40%
Convenience of not going to shops	39%
Greater variety/selection	29%
Free shipping offers	29%
Convenience ofeverything in one place	27%
To locate hard to find items	20%
To avoid crowds	15%
Products are not sold in my city/country	15%
To avoid checkout lines	11%

Source: KPMG Global online consumer report, 2017

Strength of Kiranas

According to a survey by Boston Consulting Group, there are 12 million Kirana stores in India. This could mean on an average 10 stores are rendering their services to 1000 customers. The small-format stores have been successful in penetrating length and breadth of

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this country, the survey says.These convenience stores are typical 1,500-1,800 sq. feet in size and keep 600-1,500 stock keeping units(SKUs) and most of the stock is in smaller pack sizes and has smaller assortments.

Retail supply chain

The supply chain isthe backbone of the retail business. According to Retail Operations Benchmarking and Excellence Survey (ROBES), 2015, in Europe, one in three retailers offers same-day delivery to customers, whereas in India, it is one in eight retailers offering this service. The advent of digital commerce and heavy investment in the supply chain by leading online retailers has created a momentum in India. The survey also found that only 18 percent of the Indian consumers order online and pick up from the stores, whereas in the case of U.S the same is around 88 percent.

Competition from foreign retailers

Central government favours multi-brand food retailing if they are sourced and manufactured within India.It is an immense opportunity for retail giants like Walmart and Ikea to make their imprint felt in the Indian market. The announcement has created a fear among the domestic small and medium retail stores as the entry of big retail organisation will jeopardise the domestic market.

Growth of organised Retailing in India

Organised retailing is at the threshold of the retail revolution. The explosive growth is observed because of multiple socioeconomic factors. The retail industry in India grew at 8% between 2007-11, with organizedretail growing at more than three times the pace of the unorganisedsector. The trend continued at Compound Annual Growth Rate (CAGR) of 15 per cent, according to the 'Yes Bank - Assocham' study.The India Brand Equity Foundation, estimated the e-retailing to grow from US$ 6 billion to US$ 70 billion during the financial year 2015-20.

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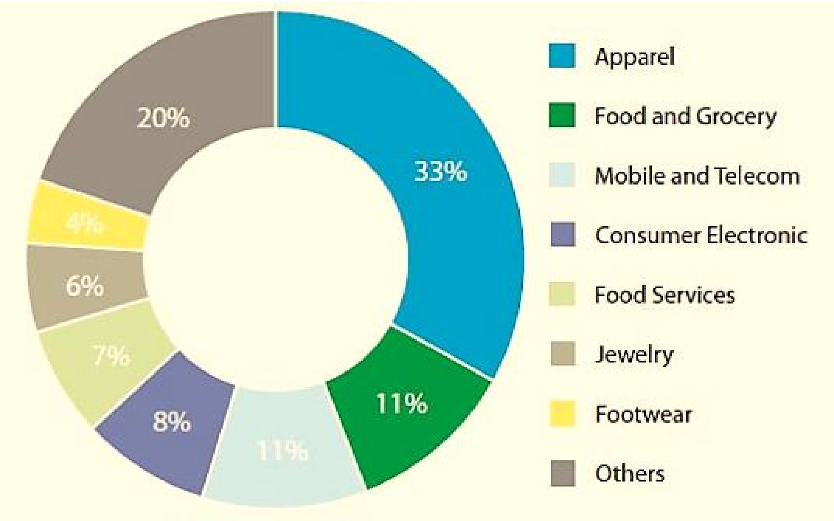

Figure 2:Sector-wise market share- Organised retailing in India

(Source:http://www.india-briefing.com/news/evaluating-consumer-market-key-sectors-india-8841.html/**)**

Factors responsible for the growth of organised retail

Growth of middle-class consumers

The Indian middle class is growing rapidly with rising demand and increased disposable income(IBEF, 2019). Their lookout for quality and a wide variety of products at a reasonable price and value-added services has given a wide opportunity to organised sector to prosper.

Rise of women in the workforce

The purchase habits of working women are found to be quite different from a homemaker(Fernandes & Londhe, 2014). Shopping preference of these segment is more towards modern retailing where everything is made available under one roof.

Value for money

Modern retail deals with a wide variety of merchandise and achieve economies of scale through the large volume of sales. They also offer customers value form money deal by reducing the channel intermediary.

Evolving rural market

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Rural retailers are quality conscious these days, focusing on value than on price alone. The competition is severe compared to past among small retailers offering food products and vegetables. Organised retailers also will focus on such developing markets in the future once they will the urban market is saturated with competition.

The entry of corporate and foreign retailers

As the TATA and Birla have entered retailing, affordability and quality have risen to new highs, hence the survival of the fittest. They also deal with a large volume of merchandise attracting the customers to go for one-stop shopping. Additionally, organised retailing in India busy catching interest of foreign investors because of its abundant prospects and future growth indicators. With government favouring make in India and FDI in Retail, the growth in organized retail is anticipated to hasten further.

Technological advancement

The digital revolution has been one of the main reason for the growth of organised retailing. electronic media and marketing information system has changed way retailing used to happen in India. The boundless market offered by the internet has helped retail to grow beyond geographical limits.

The rise in disposable income

The family work culture has changed over time with both husband and wife going to work. This has resulted in increased disposable income and their awareness of products and services. Increased literacy is also a contributing factor to this.

Social media explosion and rise of consumerism

The consumers are well informed about brands sold across different markets, their usage and customer reviews through social media. This has led to lifestyle changes and thus more demanding customers. On the other hand, retailers of today face the challenge of convincing a well-educated and informed customer. Also, the expectation levels of consumers have gone high due to intense competition and price wars. The convenience of time and location have flavoured the growth of retailing.

Innovation in retailing

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Innovation is not new to Indian retail. The industry has undergone tremendous changes already in the form of e-commerce models, direct selling to customers and redefining value chains, the shift in-store formats and two way listening through enhanced customer relationship programmes. The modern retail bank on mobile, social and human contact for purchase process and relationship managementand is emerging as one of the largest sector contributing to India's GDP. Offering discounts, lowering prices, providing value-added services, investing in the robust supply chain has become the necessity of today's retail market. Recent studies indicate the growth of organized retailing led by Apparel andFootwear, with investments in Food & Grocery segment picking up lately(Prasad, 2011).

Review of Literature

Sunil (2015)deliberated onpresales offers made by offline stores wherein low prices, special sales and ease of getting product information were found to be attracting customers.The author opined that It has become a necessity for retailers to assess the factors that influence consumer purchasing decisions. The online stores, on the other hand, offer the comparison facility and better after-sales policy as a sales approach.

Devi (2014)mentioned the significance of FDI in Indian retailing and its role in bringing retail reforms. The author also mentioned the government's initiatives in attracting foreign investors towards a single brand and multi-brand retail.

Giannopoulou et. al.(2014)opined that the success of service innovation largely depends on creativity. The retail stores need to continuously track the market trends to constantly stay ahead of consumers needs and to be able to recognize and take advantage of opportunities.

Deepa & Chitramani (2013)argued that store branding is considered as an innovative approach to gain a competitive advantage over traditional means of promotional offerings. The author also said that the modern young generation seeks variety and time-saving efforts and hence branding the store plays an important role.

Grewal et al. (2011)explained about innovative offline and online promotion approaches. Using colour codes for pricing at retail stores, communicating offers and discounts by using reference pricing through print ads, preferring multiple channels to communicate the same sale offerings are few of the practices what offline retailers follow.

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Reinartz et. al.(2011)mentioned the diffusion of retail innovations in many parts of the world. The retail innovations in less developed countries were more focusing on responding to local market conditions. Majority of the retail innovations were attributed to changing demographics, IT- integrated lifestyle, lower mobility and income and customisation. Rising middle-class income and increasing urbanisation were also identified as supporting factors for such growth. The authors have argued that despite the rise in consumer income they were still priced sensitive.

Sorescu et. al.(2011)interconnected core elements namely retailing format, activities, and governance and explained their role in value creation. The authors have opined that retail business models refine themselves through the remodelling the activities, execution and level of participation. The model suggests that successful retiling focuses on how selling is performed rather than what they are selling. Also, modern retail demands a robust customer interface for direct interaction with end-users for active customer retention policies.

Cheema (2010)highlighted the evolution of modern retailing and their attempt to serve the latent needs of the new-age consumers. He has opined that in an emerging market like India there is an endless clash between challenges and prospects, and to sustain the competition retailers should bring innovative solutions to business.

Mishra & Saraf (2010)discussed on impact of socio-cultural changes on consumption pattern, preferences, beliefs and habits. The new wave of consumerism is mainly focusing on the food and grocery sector followed by apparel and entertainment industry. The need for convenience and distinctive shopping experience have paid the way for the growth of organised retailing and innovation. The authors have opined that the intense competition and entry of foreign players will advocate mammoth investment in the sector for driving survival and growth. The investments will mainly target renovations in retail formats and offering style.

Stobart (2010)emphasised on consumer motivation linked with retail modernisms. He argued that the focus of the business should be on what retailers offered and what consumers possessed. He said that the 19th century witnessed close interaction of customers with the shopkeepers and the intensity of the interaction defined the articulation of buying and selling of products and services. Over a span of time, the trend reversed as the competition intensified with wider choices available to consumers.

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Need for the Study

Changes in the socio-economic, political, technological and cultural environment have influenced the behaviour of the people and their livelihood either directly or indirectly. The above literature explains that whether online or offline,retailersshouldfind unique means of addressing social changes and pursue contemporary retention practices. Innovation is the key to survivaland all retailers necessarily follow it to restrain the competition. The threat from digital retailing has enforced many to explore distinct and attractive service offerings. Thus, this paper tries to explore the innovative approaches by organised retail outlets for sustainable growth in the prevailing market scenario.

Objectives of the Study

Despite the larger presence, immediate availability, and instant delivery offline stores face stiff competition from online counterparts. Undercutting prices, assuring faster delivery and sufficient time for returns and replacement has kept offline stores on the verge of incurring poor in-store footfalls and negative profits. The present study attempts to explore the impediments and opportunities for offline stores. Accordingly, the following objectives are formulated:

- To review the growth of Organised retailing in India.
- To identify the innovative approaches adopted by organised retailers to create value for the customers and business.

Analysis and findings

The analysis of the literature revealed the following retail sectors.The innovations have resulted in aggressive pricing, the better quality of services and superior customer shopping experience. The key to the success of innovations was mainly because of its ability to influence the substantial retail units across formats.

Table 2: Strategies by Food and Grocery Industry

Sector	Organised Outlet	Innovative approaches

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Food and Grocery	Big Bazaar and Star Bazaar	• Created consumption occasions and promotion days • Followed the “Bazaar” model to attract middle-class customers who constitute much of the market.
	Nilgiris	• Focused on the cost-efficient supply chain that connects the stores directly to farmers and suppliers.

Table 3: Strategies by Departmental stores

Sector	Organised Outlet	Innovative approaches
Apparel and Departmental Stores	Fabindia	• Followed a co-ownership model where they have tied up with artisans and suppliers. • Established market mainly under ethnic, handloom and rural product categories.
	Shoppers stop	• Initiated retail loyalty programmes for their customers. • In-house training sessions for the staff across departments and multiple levels for career growth.
	Westside	• Started large format stores • Marketed most of the products under private labels
	Me and Moms	• Offered one-stop shopping for mothers and kids • Introduced an exclusive collection for maternity and newborn.
	Raymond	• Introduced custom tailoring under the brand ‘made to measure’ • Challenged the paradigm that custom tailoring is expensive.

Table 4: Strategies by Food retailing Industry

Sector	Organised	Innovative approaches

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	Outlet	
Food Retailing	Mc Donalds	• Added local flavour to their menu at attractive prices.
	Dominos Pizza	• Promised their customers 30 minutes delivery and practice employee engagement and empowerment programmes at their outlets.

Table 5: Strategies by Consumer Durables Industry

Sector	**Organised Outlet**	**Innovative approaches**
Consumer Durables & Electronics	Reliance digital	• Introduced cashback campaigns during offseason and offered repair and service under the name 'Reliance ResQ'.
	Univercell and Sangeetha Mobiles	• Established its organised retail chain and offered after-sales service at doorsteps, free mobile pick for repair etc.

Table 6: Strategies by Home products Industry

Sector	**Organised Outlet**	**Innovative approaches**
Home Products	Philips	• pioneered 'Light Lounges' under the concept of experience zones to give the customers a 'see, touch and feel the experience.

Conclusion

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Retailing in India is significantly traditional in nature, but the modern formats are evolving fast, thus contributing to employment and GDP. Implementing well the small ideas while carefully evaluating bigger ones, adapting to local marketing conditions, focusing more on supply-side for value creation and continuous innovation would assure the organised retailing a promising future. Retailers need to ingrain key values within their organisation like, demonstrating strong support and cooperation from top management, inculcating a culture where the system is open to ideas, building competencies that are consistent with overall marketing strategy, listening to customers and promoting direct interaction, and an organized process for implementation of innovation in business practices.

A steady approach to innovation could help the retailers to transform modern-day challenges to potential opportunities and Indian retailers acknowledge this well.Simple and innovative thoughts with minimum investments have really found to be a workable solution in Indian market rather than large technological upgradations.

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