

## SHOPPING MALL IN INDIA - OPPORTUNITIES, CHALLENGES, AND STRATEGIES

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### INTRODUCTION

In India, it can evidently noticed that there are Mandis/Bazaars (place where vegetables and groceries are sold) in county side, some daily and some weekly, but most people recognize them as weekly mandis only where in all house hold and vegetables are sold and later small stores came up at corners of the streets or residential locality which were called as Kirana stores now referred as Mom and Pop Stores, In the early 1980s manufacturer's retail chains like Binny, S Kumars, Vimal, Bombay Dying, HMT, Allwyn, etc started making their appearance in bigger cities. Later in 1990s Branded retail outlets like Food world, Nilgris and local retail outlets like Trinetra super market, Apna Bazaar, came into existence. Now big players like Reliance, Bharti, Tatas, ITC and other reputed companies are entering into organized retail businesses. And the big multinational retailers are waiting to enter India in the form of direct entrance eg: - Nike, Reebok, Metro etc or Joint Ventures eg: - Bharti with Wal Mart and Tatas with Tesco.

India is making a landmark revolution in the retail space in the world and Asia in particular. India's strong economic growth and rising disposable incomes of middle class and lower middle class made big business houses venture in to this business, many businesses are coming from US and Europe. The Government's decision to allow foreign Direct Investment and businesses in to this sector has attracted foreign companies to establish their businesses in India. Now foreign retailers will be able to own their own stores in India for the first time as part of a major government liberalization of business. Till 2006 foreign companies were allowed to operate franchises by the government to protect the indigenous companies. Now new regulations may allow foreign companies to hold up to 100%. But the Indian government is going ahead with new reforms which may create millions of job in the near future while safeguarding the interest of domestic firms.

The increase in the land value and number of real estate companies investing in this field has also helped power the boom as financing is made easier, one can see that software companies like satyam has marked their presence in reality and infrastructure and the reality company, k Raheja group has stretched their wings to retail. The noted swift growth in reality industry is of significance and this is changing the evolution and the spectrum of whole marketing of FMCG, farm and diary products.

Retailing is still in its infancy in India. In the name of retailing, the unorganised retailing has dominated the Indian landscape so far. According to an estimate the unorganized retail sector has 97% presence whereas the organized accounts for merely 3% . Industry has already predicted a trillion dollar market in retail sector in India by 2010. However, the retail industry in India is undergoing a major shake-up as the country is witnessing a retail revolution. The old traditional formats are slowly changing into more complex and bigger formats. Malls and mega malls are

coming up in almost all the places be it – metros or the smaller cities, across the length and breadth of the country. Both MNCs and Indian firms want to get their share of this burgeoning pie. Notable in Indian firms are Pantaloons Retail & Big Bazaar, Trent's Westside, Shopper's stop, Reliance and Subhiskha, Wills Lifestyle stores, Café Coffee Day, which are present in India in different retail formats. Wal-Mart stores have just started operations in India. Some leading retail coffee chains of the world like Starbucks, Barnies are planning to expand in a major way in India.

### **THE INDIAN RETAIL SECTOR**

India is the country having the most unorganized retail market. Traditionally it was a family's livelihood, with their shop in the front and house at the back, while they run the retail business. More than 99% retailer's function in less than 500 square feet of shopping space. Global retail consultants KSA Technopak have estimated that organized retailing in India is expected to touch Rs 35,000 crore in the year 2005-06. The Indian retail sector is estimated at around Rs 900,000 crore, of which the organized sector accounts for a mere 2 per cent indicating a huge potential market opportunity that is lying in the waiting for the consumer-savvy organized retailer. Purchasing power of Indian urban consumer is growing and branded merchandise in categories like Apparels, Cosmetics, Shoes, Watches, Beverages, Food and even Jewellery, are slowly becoming lifestyle products that are widely accepted by the urban Indian consumer. Indian retailers need to advantage of this growth and aiming to grow, diversify and introduce new formats have to pay more attention to the brand building process. The emphasis here is on retail as a brand rather than retailers selling brands. The focus should be on branding the retail business itself. There is no doubt that the Indian retail scene is booming. A number of large corporate houses —Tata's, Raheja's, Piramals's, Goenka's — have already made their foray into this arena, with beauty and health stores, supermarkets, self-service music stores, new age book stores, every-day-low-price stores, computers and peripherals stores, office equipment stores and home/building construction stores. Today the organized players have attacked every retail category.

The Indian retail scene has witnessed too many players in too short a time, crowding several categories without looking at their core competencies or having a well thought out branding strategy. The growth rate of super market sales has been significant in recent years because greater numbers of higher income Indians prefer to shop at super markets due to higher standards of hygiene and attractive ambience. With growth in income levels, Indians have started spending more on health and beauty products. Here also small, single-outlet retailers dominate the market. In recent years, a few retail chains specialised products have come into the market. Although these retail chains account for only a small share of the total market, their business is expected to grow significantly in the future due to the growing quality consciousness of buyers for these products. Numerous clothing and footwear shops in shopping centres and markets operate all over India. Traditional outlets stock a limited range of cheap and popular items; in contrast, modern clothing and footwear stores have modern products and attractive displays to lure customers. With rapid urbanization, and changing patterns of consumer tastes and preferences, it

is unlikely that the traditional outlets will survive the test of time. Despite the large size of this market, very few large and modern retailers have established specialized stores for products.

There seems to be a considerable potential for the entry or expansion of specialized retail chains in the country. The Indian durable goods sector has seen the entry of a large number of foreign companies during the post liberalization period. A greater variety of consumer electronic items and household appliances became available to the Indian customer. Intense competition among companies to sell their brands provided a strong impetus to the growth for retailers doing business in this sector. Increasing household incomes due to better economic opportunities have encouraged consumer expenditure on leisure and personal goods in the country. There are specialized retailers for each category of products (books, music products, etc.) in this sector. Another prominent feature of this sector is popularity of franchising agreements between established manufacturers and retailers. A strong impetus to the growth of retail industry is witnessed by economic boom and driver of key trends in urban as well as rural India.

### **RETAIL INDUSTRY IN INDIA AT GLANCE**

- \* Retailing in India is witnessing a huge revamping exercise.
- \* Estimated to be US\$ 200 billion, of which organized retailing (i.e. modern trade) makes up 3 percent or US\$ 6.4 billion.
- \* India is rated the fifth most attractive emerging retail market: a potential goldmine
- \* Ranked second in a Global Retail Development Index of 30 developing countries drawn up by AT Kearney.
- \* India is rated the fifth most attractive emerging retail market: a potential goldmine
- \* 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.
- \* Rural markets emerging as a huge opportunity for retailers reflected in the share of the rural market across most categories of consumption
- \* ITC is experimenting with retailing through its e-Choupal and Choupal Sagar – rural hypermarkets.

### **CHALLENGES FOR INDIAN RETAIL BUSINESS**

Modern retailing is all about directly having "first hand experience" with customers, giving them such a satiable experience that they would like to enjoy again and again. Providing great experience to customers can easily be said than done. Thus challenges like retail differentiation, merchandising mix, supply chain management and competition from supplier's brands are the talk of the day. In India, as we are moving to the next phase of retail development, each endeavor to offer experiential shopping. One of the key observations by customers is that it is very difficult to find the uniqueness of retail stores. The problem: retail differentiation.

The next problem in setting up organized retail operations is that of supply chain logistics. India lacks a strong supply chain when compared to Europe or the USA. The existing supply chain has too many intermediaries: Typical supply chain looks like:- Manufacturer - National distributor -

Regional distributor - Local wholesaler - Retailer - Consumer. This implies that global retail chains will have to build a supply chain network from scratch. This might run foul with the existing supply chain operators. In addition to fragmented supply chain, the trucking and transportation system is antiquated. The concept of container trucks, automated warehousing is yet to take root in India. The result: significant losses/damages during shipping. Merchandising planning is one of the biggest challenges that any multi store retailer faces. Getting the right mix of product, which is store specific across organization, is a combination of customer insight, allocation and assortment techniques. The private label will continue to compete with brand leaders. So supplier's brand will take their own way because they have a established brand image from last decades and the reasons can be attributed to better customer experience, value vs. price, aspiration, innovation, accessibility of supplier's brand.

## **STRATEGIES**

### **Exact Positioning**

The effectiveness of the mall developer's communication of the offering to the target customers determines how well the mall gets positioned in their minds. At this stage, the communication has to be more of relative nature. This implies that the message conveyed to the target customers must be effective enough in differentiating the mall's offering from that of its competitors without even naming them. The message should also clearly convey to the target audience that the mall offers them exactly what they call the complete shopping-cum-entertainment point that meets all their expectations. The core purpose is to inform the target customers about the offering of the mall, persuade them to visit the mall and remind them about the mall. The mall developer can create awareness about the offering among the target customers in a number of ways. Various communication tools available to the mall developer for this purpose may include advertising, buzz marketing (WoM), celebrity endorsement, use of print media, press releases and viral marketing .Once the message is being conveyed through these channels, the mall developer must add a personal touch to his message by carrying out a door-to-door campaign in order to reinforce the message.

### **Effective Visual Communication**

Retailer has to give more emphasis on display visual merchandising, lighting, signages and specialized props. The visual communication strategy might be planned and also be brand positioned. Theme or lifestyle displays using stylized mannequins and props, which are based on a season or an event, are used to promote collections and have to change to keep touch with the trend. The merchandise presentation ought to be very creative and displays are often on non-standard fixtures and forms to generate interest and add on attitude to the merchandise.

### **Strong Supply Chain**

Critical components of supply chain planning applications can help manufacturers meet retailers' service levels and maintain profit margins. Retailer has to develop innovative solution for managing the supply chain problems. Innovative solutions like performance management, frequent sales operation management, demand planning, inventory planning,

production planning, lean systems and staff should help retailers to get advantage over competitors.

### **Changing the Perception**

Retailers benefit only if consumers perceive their store brands to have consistent and comparable quality and availability in relation to branded products. Retailer has to provide more assortments for private level brands to compete with supplier's brand. New product development, aggressive retail mix as well as everyday low pricing strategy can be the strategy to get edge over supplier's brand.

### **CONCLUSION**

In their preparation to face fierce competitive pressure, Indian retailers must come to recognize the value of building their own stores as brands to reinforce their marketing Positioning, to communicate quality as well as value for money. Sustainable competitive advantage will be dependent on translating core values combining products, image and reputation into a coherent retail brand strategy.

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