Chapter No. 03:

Retail Marketing Scenario in India.

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Introduction:

India is a nation of shop-keepers as well as shoppers. It is a common practice that retailers and marketers often strive to learn how and why people shop. The decision making regarding purchase of goods and services as become more complex and includes a number of factors which are important for customers. There are wooed by advertising, news articles and direct mailings providing information in this IT age along with the messages. The addition of a number of variety stores, goods stores and shopping malls with the availability of multi component products and electronic purchasing capabilities have played a crucial role in widening the choice for customers and have complicated decision making. The phenomenal growth of retail in India is reflected in the rapid increase in number of super markets, departmental stores and hyper markets in the country. However, this unpredicted growth trend has been challenged by the shadow of the current economic slowdown, which has raised a fair of dip in consumption and slow down of growth for Indian organized retailers.

At a time when consumer spending is on decline, success will lie with those retailers that can drive customer loyalty by responding to the demands of the customer. The developing economies, specifically India are appearing on the world retail industry radar due to the size and potential of their markets. As organized retail presents enormous business opportunities, big names such as Reliance, Birla's and Tata's along with the Foreign Super Market Chains have been making an entry in to the sector. Fearing loss of business and employment, traders and hawkers have held large scale protests in various parts of the country. In the light of this, the Ministry of Commerce and Industry commissioned the Indian council for research on international economic relations (ICRIER) to analyze the impact of organized retailing on unorganized retail, formers and intermediaries as a possible input to future policy- making.[1]

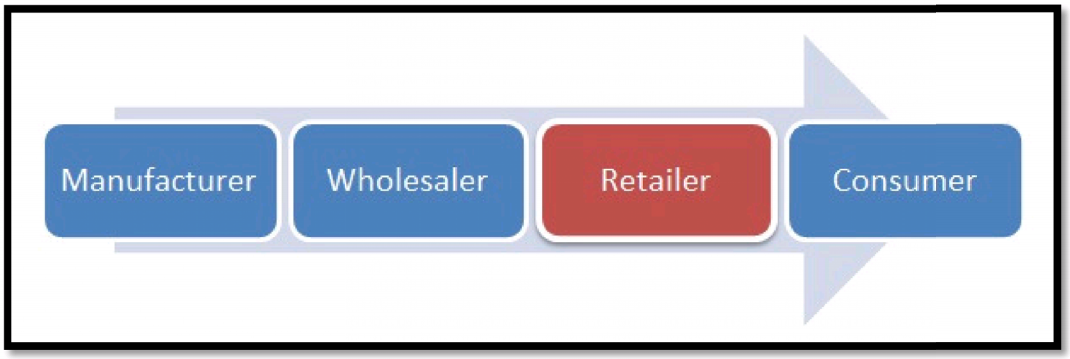
Unless and until a retailer understands a specific class of factors that influences customers satisfaction, induces to develop this loyalty towards a particular retail format and liking for a particular buying behavior, a retailer cannot succeed in attracting consumers loyalty as well cannot retain a large number of customers for a long period. Modern marketers are rediscovering the ancient mantras for success in corporate world and blending them with contemporary marketing practices. Long term survival and competitive advantage can only be attained by establishing an emotional bond with the customers. A shift is taking place from marketing to anonymous masses of customers to developing and managing relationships with more or less well known or at least some identified customers.

What is retailing?

According to a definition attributed to Philip Kotler, retailing includes all the activities involved in selling goods or services directly to the final consumers for personal, non-business use. Although, selling goods or services directly to the final consumers is the primary activity in retailing, there are a number of auxiliary activities that are associated with it. As the Chart illustrates, retailers are involved in the distribution phase of an integrated supply chain and are in direct interface with consumers.[2]

Chart No. 3.01:

Retail Marketing Chain.



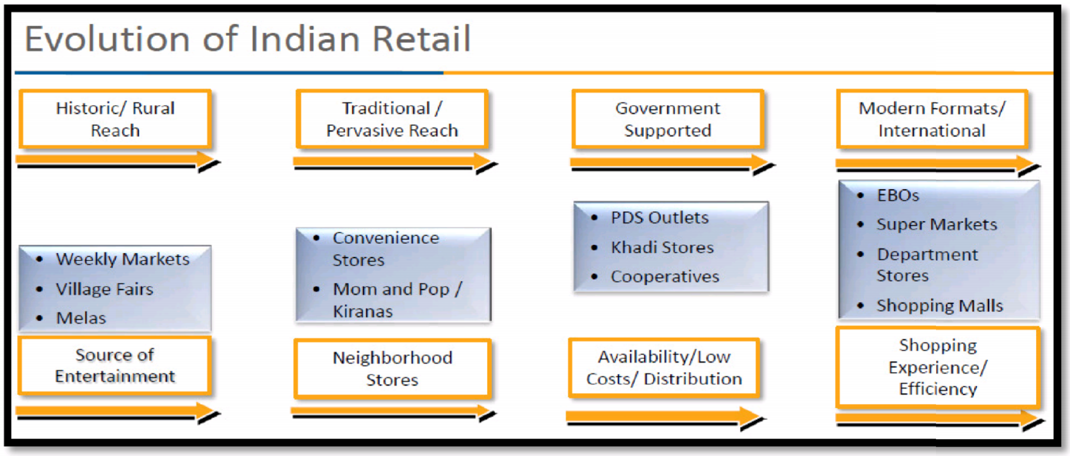
At the front-end, retailers directly sell goods or services to consumers. However, at the backend, they are involved in procuring, storing, and transporting products that they retail. In many cases, they are involved in processing and packaging as well. The logistics of retailing primarily depends on transportation, communication, and storage infrastructure. Well-developed infrastructure helps improve logistics and leads to efficiency gain in retailing. Over time, retailing has been organised in many different ways and, as a result, one can see several different formats of retail trading. One such format that is relevant for the topic is multi brand retailing. In case of multi brand retailing, the retailer offers a wide range of products that are produced by diverse producers presumably in geographically dispersed locations. Thus, by providing a vital link between a large number of producers and a large number of consumers, this format of retailing could potentially generate several benefits to the two sides of the market. However, the logistics for multi-brand or multi-product retailing could be quite complicated.

The Retail Revolution:

In India the retail sector is the second largest employer after agriculture, although it is highly fragmented and predominantly consists of small independent, owner/ managed shops. There are over 12 million retail outlets in India, and organised retail trade is worth about Rs.12.9 Lakh crore. The country is witnessing a period of boom in retail trade, mainly on account of a gradual increase in the disposable incomes of the middle and upper-middle class households. More and more corporate houses including large real estate companies are coming into the retail business, directly or indirectly, in the form of mall and shopping center builders and managers. New formats like super markets and large discount and department stores have started influencing the traditional looks of bookstores, furnishing stores and chemist shops. The retail revolution, apart from bringing in sweeping, positive changes in the quality of life in the metros and bigger towns, is also bringing in slow changes in lifestyle in the smaller towns of India. Increase in literacy, exposure to media, greater availability and penetration of a variety of consumer goods into the interiors of the country, have all resulted in narrowing down the spending differences between the consumers of larger metros and those of smaller towns.

Chart No. 3.02:

Evolution of Indian Retail.



From the above chart, one can discern four stages in the evolution of retailing in India. Historically, the seed of retailing germinated in village fairs or melas that were primarily a source of entertainment rather than an outlet for a well conceived economic activity. Later on, as the consumption basket expanded and production for market took hold, some forms of retailing started shaping up and they evolved into the traditional neighborhood shops (kiranas, convenience stores etc.). In rural areas, these kirana shop-owners had tremendous market power and as such, the consumers had to face the wrath of a number of unfair practices.

Present Retailing Scenario in India:

In India, organized retailing, is contributing 3-4 per cent of total retail sector and is still evolving. Retail sector forms 10-11 per cent of GDP. It is alluring in terms of investment, employment opportunity, and usage of technology. With more than 12 million retail outlets, India has one of the highest retail densities in the world. The retail landscape in India is dominated by mom-pop stores and though organized retail is emerging, but in last 4–5 years has seen many Indian companies making a entry into organized retail, with a few multinationals entering in the cash-and-carry formats and others tying-up with Indian companies. India has the highest shop density in the world and the present retail market in India is estimated to be US$ 200 billion of which only three per cent is in the organized Sector. This organized retail sector is poised for a takeoff. India is ranked second in the global retail development index out of 30 by AT Kearney. With the organized retail segment growing at the rate of 25-30 per cent per annum, revenues from the sector are expected to triple from the current US$ 7.7 billion to US$ 24 billion. The share of modern retail is likely to grow from its current three per cent to 15-20 percent over the next decade. 85 per cent of organized retailing is taking place in India's urban areas while 66 per cent of it taking place in India's 6 main cities alone. The growth is much faster in south India than in northern states. As per Techno Park study the sales in the organized sector for food, beverage and tobacco is $195 billion which cover 65 per cent. Sale of personal care product is $15 billion (5 per cent) and apparel at seven per cent around $21 billion. In coming year's co-brand labels will be more in these products. Table 1.1 shows the different phases in the growth of organized retailing in India.[3]

Characteristics of India's Retail Sector:

Several important characteristics of India's retail industry need to be considered while assessing the potential effects of FDI in retailing. It is dominated by unorganised retailing. The unorganised retail sector consists of the traditional formats of retailing such as the local kirana shops, owner operated general stores, paan-beedi shops, convenience stores, handcart and pavement vendors, weekly haats, and bazaars. In contrast, the organised retail sector includes licensed retailers who are registered for sales tax, income tax etc. The privately owned large retail businesses and the corporate-backed retail chains and hypermarkets constitute this organised retail industry in India. It is apparent from Table No. 3.01 that, unorganised retailing accounts for more than 90 per cent of all retail trade in India.

Table No. 3.01:

Progress of Retail Sector in India.

Sr.	Particulars.	2001	2012
1	GDP (billions of USD)	450	1958
2	Estimated merchandise consumption (retail sales) (billions of USD)	120	490
3	Unorganised retail sector	115 (95.8%)	455 (92.9%)
4	Organised retail sector	5 (4.2%)	34 (7.1%)
5	No. of direct employees in the unorganised retail sector (millions)	18	22
6	No. of employees in the organised retail sector (millions)	0.1	0.7

Source: Hiranya K Nath (2013) - Foreign Direct Investment (FDI) in India’s Retail Sector - http://www.spaceandculture.in

The Drivers of Retail Revolution:

The increasing purchasing power of the Indian middle class, changing demography of the Indian populace, the increasing percentage of young people and women in the population is showing an increasing trend. This again is good news for the retail market as women are more avid shoppers compared to men folk. The spread of the visual media is contributing its might in spreading visibility of various consumer goods to the public which heighten their aspirations to consume more and to shop in more congenial and luxurious environment. The increasing number of double income family who has more disposable income is another contributing factor for this phenomenon. Organized retail market boom is expected to create the much needed mass employment. It will upgrade India's second and third tier cities to international standards. Development of world class retail shops is likely to give direct employment to many professionals like real estate dealers, builders, architects, display designers, retail shop managers and workers like sales persons, security etc. According to CII the retail sector can absorb 9.0 lakh people over the next five years.[4]

Small business can spring up around such mega retail outlets giving service to large number of shoppers visiting the malls. The organized retail market boom is expected to become one of the pillars to Indian economy like oil and gold for Middle East. Indian exports will get a boost when the big showrooms source Indian goods from small businesses for their international outlets and it will help us to find the market for the products from rural India. Products from rural market and from small units will get private brand equity and market all over the world since retail majors for their success in sourcing cost-effective goods for supply through their retail outlets will be depending more on the unorganized manufacturing sectors and small units. Most of the working groups in these house based workers are women and children. Artisans and household providers of goods and services will be roped into the supply chain by enhancing their skills to bring about quality consciousness and increase their real time incomes. Removing the middle operators these working groups will be getting better remunerations and the living standards of these women laborers will surely improve.

Consumers would be the group which benefits the most. They would get wider choices of products and cheaper prices. This will increase consumption rate and will indirectly generate more employment and wealth. The local retailers will start offering better discounts that other foreign retail giants could not cope. Time saving online shopping, home delivery through web portal and ability for better comparison of products will increase customer satisfaction. Growing organized food retailing in India will bring significant change. This strategy will surely influence the quality of food items and efficiency of the farming process. More and more biotechnology research and development labs will be established to meet the demand for good seeds.

The irrigation and power supply will be facilitated for the growing demand of the product funded by these big giants. The organized retail marketing will channelize large-scale private investments into irrigation, agriculture marketing, agriculture extension services and infrastructure such as roads, cold storage and grain banks. Farmers are likely to get better prices for their products as these mega retailers are likely to procure their farm products directly from the farmers. There will be new business opportunities. The retail boom surely encourages the setting up of foreign brand manufacturing in India. The Indian market will become more competitive and the small retailer groups will start using quality measures like Retail Service Quality Scales (RSQS) for their performance improvement and will develop new standards suitable to Indian context. Opportunity for profit attracts more and more new business groups for entering into this sector. This will trigger India's economic growth.

The IT sector offers fairly high income to Indian youth. The greater purchasing opportunity makes them to work hard for the luxuries in their life. The world class restaurants occupied in these retail showrooms will become a best place for get together and facilitate better family relationship. These retail showrooms will be a great relief for old age people since they need not be walking for shopping and dining a long way. Those who come back to India from foreign nation would be able to keep using their favorite brands as they are easily available through these retail shops.

The celebrations will become more enjoyable with costly gifts. The contest and offers during the festival season by theses big giants varies like air tickets, gadgets, jewelry, chocolates. The offers from air services and number of tourism development agencies from other countries give a new face to the festival season in India. The traditional interiors of Indian houses will be replaced with items from countries like Japan, Korea, china and Taiwan. The local brands and traditional furniture which has now disappeared will be available with these foreign design and decorative items. The retail boom will bring a rush in property development and significant improvements in real estate and construction work at every small town in the country.

Retail showrooms will start offering multi channel online retailing facility. The Indian society may shift to buy product and services online. The online shopping destinations like eBay, Amazon and comparison shopping portals like Google and shopping.com will be more popular in Indian community. New domestic e-retailers will be available. There will be an increase in the banks offerings and online facilities. The society will start using these online banking facilities, credit cards etc more and more in their daily life. The customer will be saving lot of time and have a better comparison of product in the neighborhood retail showrooms. The competition will become more as adjacent district showrooms will deliver better product within few hours. Much other related industry will start advertising their product in these local web portals. This will be beneficial to the small scale industry units.

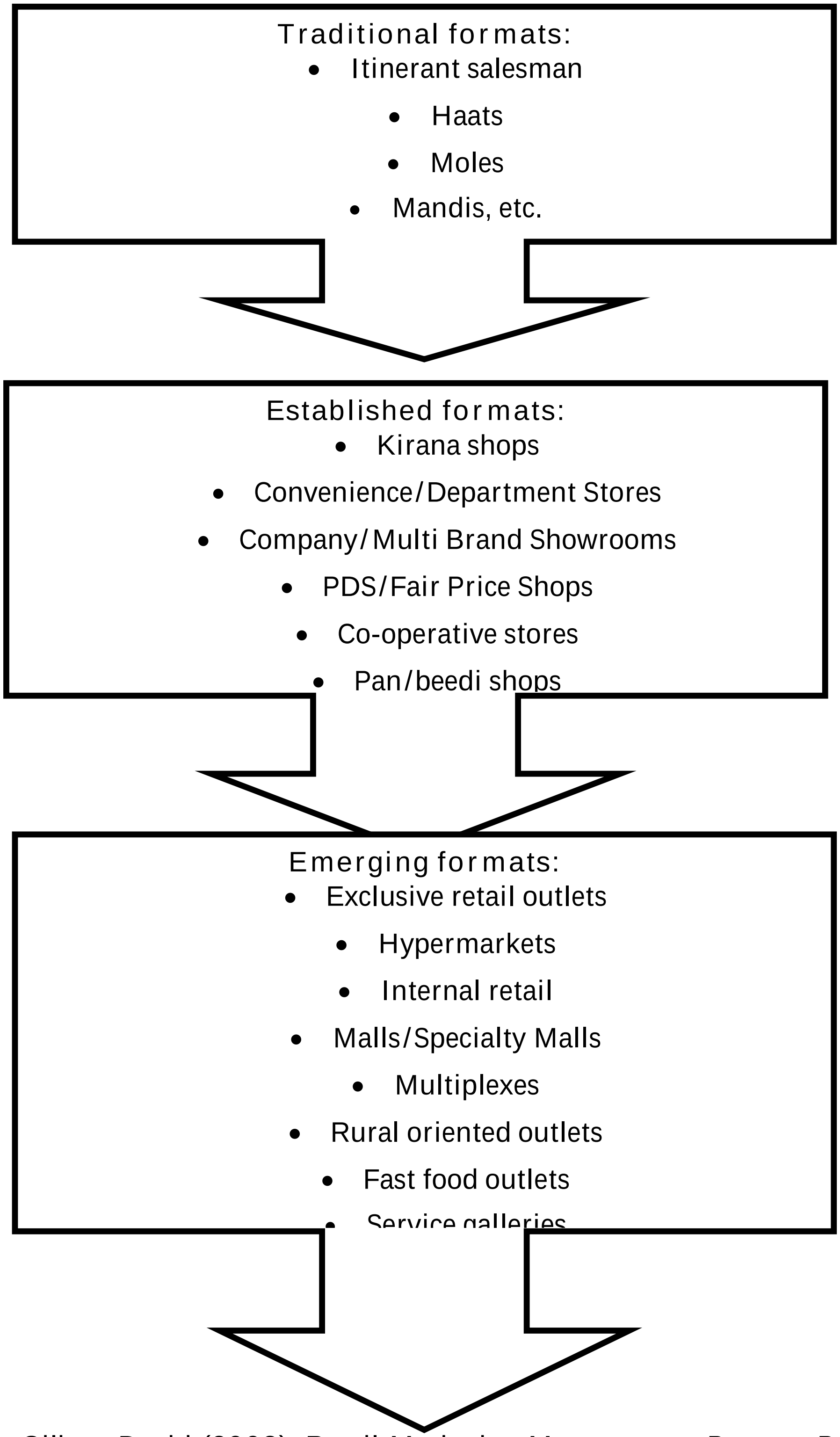
Recent Trends of Retail Marketing:

Retailing in India is witnessing a huge revamping exercise. India is rated the fifth most attractive emerging retail market - a potential goldmine. Multiple drivers leading to a consumption boom are[5]-

- Favorable demographics.

- Growth in income.
- Increasing population of earning women.
- Value added goods sales.
- Food and Apparel retailing.
- Organized retailing in India has been largely an urban Phenomenon with affluent classes and growing number of double-income households.
- More successful in cities.
- Reasons range from differences in consumer buying behavior to cost of real estate and taxation laws.
- Rural markets emerging as a huge opportunity for retailers reflected in the share of the rural market across most categories of consumption
- It is a tool that has been used by retailers ranging from Amazon.com to eBay to radically change buying behavior across the globe.

Chart No. 3.03: Development of Retail Formats in India:



Source: Gilbert David (2008), Retail Marketing Management, Pearson Press, Delhi.

Major Indian Retailers:

Indian apparel retailers are increasing their brand presence overseas, particularly in developed markets. While most have identified a gap in countries in West Asia and Africa, some majors are also looking at the US and Europe. Arvind Brands, Madura Garments, Spykar Lifestyle and Royal Classic Polo are busy chalking out foreign expansion plans through the distribution route and standalone stores as well. Another denim wear brand, Spykar, which is now moving towards becoming a casual wear lifestyle brand, has launched its store in Melbourne recently. It plans to open three stores in London by 2008. The low-intensity entry of the diversified Mahindra Group into retail is unique because it plans to focus on lifestyle products. The Mahindra group is the fourth large Indian business group to enter the business of retail after Reliance Industries Ltd, the Aditya Birla Group, and Bharti Enterprises Ltd. The other three groups are focusing either on perishables and groceries, or a range of products, or both.

- RPG Retail: Music World, Books & Beyond, Spencer's Hyper, Spencer's Super, Daily & Fresh
- Pantaloon Retail: Big Bazaar, Food Bazaar, Pantaloons, Central, Fashion Station, Brand Factory, Depot, aLL, E-Zone etc.
- The Tata Group: Westside, Star India Bazaar, Steel junction, Landmark, Titan Industries with World of Titans showrooms, Tanishq outlets, Croma.
- K Raheja Corp Group: Shoppers Stop, Crossword, Hyper City, Inorbit

- Lifestyle International-Lifestyle, Home Centre, Max, Fun City and International Franchise brand stores.
- Pyramid Retail: Pyramid Megastore, TruMart
- Nilgiri's: Nilgiris' supermarket chain
- Trinethra: Fabmall supermarket chain and Fabcity hypermarket chain
- Vishal Retail Group: Vishal Mega Mart
- Reliance Retail: Reliance Fresh
- Reliance ADAG Retail: Reliance World
- Aditya Birla Group - more Outlets

Lower Prices:

Lower prices in turn will increase the attractiveness of modern formats and rapid growth in the preference for purchasing from new format stores. Store ambience includes issues such as lighting, cleanliness, store layout and space for movement. Modern stores can offer a far better ambience compared to traditional stores. On the service front, traditional stores especially kirana stores offer credit and home delivery. These needs will have to be addressed by new format. Experience shows that the combination of entertainment and shopping provided by some shopping centers is attractive to consumers. This may become important in India as well because of the limited entertainment options currently available in cities. While consumer needs, attitudes and behaviour will influence the development in retail; it is likely that investments in retailing and the creation of new stores offering value will in turn influence consumers.

Types of Retailers by Marketing Strategy:

There are the following types of retailers by marketing strategy:[6]

1. Department Stores: Very large stores offering a huge assortment of soft and hard goods; often bear a resemblance to a collection of specialty stores. A retailer of such store carries variety of categories and has broad assortment at average price. They offer considerable customer service.

2. Discount Stores: Tend to offer a wide array of products and services, but they compete mainly on price offers extensive assortment of merchandise at affordable and cut-rate prices. Normally retailers sell less fashion-oriented brands.

3. Warehouse Stores: Warehouses that offer low-cost, often high-quantity goods piled on pallets or steel shelves; warehouse clubs charge a membership fee;

4. Variety Stores: These offer extremely low-cost goods, with limited selection;

5. Demographic: Retailers that aim at one particular segment (e.g., high-end retailers focusing on wealthy individuals).

6. Mom-And-Pop or Kirana Stores: Is a retail outlet that is owned and operated by individuals. The range of products are very selective and few in numbers. These stores are seen

in local community often are family-run businesses. The square feet area of the store depends on the store holder.

7. Specialty Stores: A typical specialty store gives attention to a particular category and provides high level of service to the customers. A pet store that specializes in selling dog food would be regarded as a specialty store. However, branded stores also come under this format. For example if a customer visits a Reebok or Gap store then they find just Reebok and Gap products in the respective stores.

8. General Store: A store that supplies the main needs for the local community;

9. Convenience Stores: Is essentially found in residential areas. They provide limited amount of merchandise at more than average prices with a speedy checkout. This store is ideal for emergency and immediate purchases.

10. Hypermarkets: Provides variety and huge volumes of exclusive merchandise at low margins. The operating cost is comparatively less than other retail formats. A classic example is the Metro in Bangalore.

11. Supermarkets: Is a self service store consisting mainly of grocery and limited products on non food items. They may adopt a Hi-Lo strategy for pricing.

12. Malls: Has a range of retail shops at a single outlet. They endow with products, food and entertainment under a roof.

13. Category Specialist: By supplying wide assortment in a single category for lower prices a retailer can "kill" that category for other retailers. For few categories, such as electronics, the products are displayed at the centre of the store and sales person will be available to address customer queries and give suggestions when required. Other retail format stores are forced to reduce the prices if a category specialist retail store is present in the vicinity.

14. E-tailers: The customer can shop and order through internet and the merchandise are dropped at the customer's doorstep. Here the retailers use drop shipping technique. They accept the payment for the product but the customer receives the product directly from the manufacturer or a wholesaler. This format is ideal for customers who do not want to travel to retail stores and are interested in home shopping. However it is important for the customer to be wary about defective products and non secure credit card transaction.

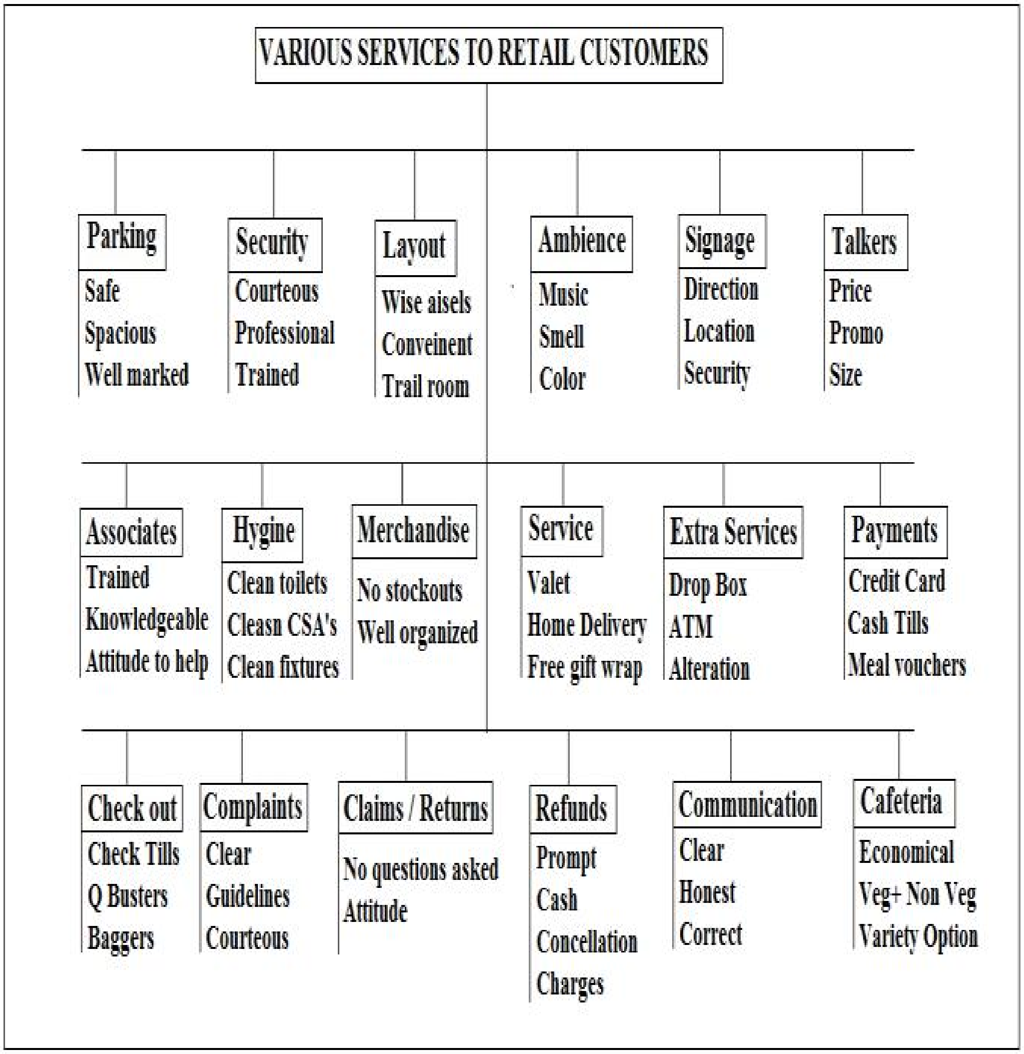
15. Vending Machines: This is an automated piece of equipment wherein customers can drop in the money in machine and acquire the products. For example Soft drinks vending at Airports.

Customer Services in Retailing:

Customer service includes all the activities an organization carries out for its customers. Excellent customer service means putting the customer first. Customer service is the provision of service to customer before, during and after a purchase. Customer service is a series of activities designed to enhance the level of customer satisfaction-that is, the feeling that a product or service has met the customer expectation. Customer service is the sum of the acts and elements that allow consumers to receive what they Need or desire from your retail establishment where ever the customer comes in either physical and mental contact with the store can be termed as a customer touch point. The customer touch points are key in defining as well as sustaining the relationship between the retailer and its customers. They can come back again and again. The touch point is the most important factor in customer service.

Chart No. 3.04:

Services offers to retail customers.



India's retail sector is an evolving

Innovations Used By Retailers Globally:

- Mobile POS: This technology enables consumers to purchase goods while putting them in a shopping cart. The customer is spared the hassle of standing in long queues.

- Digital signage: Static signboards have not proved beneficial in terms of helping a customer track a product.

Digital signboards integrated with an automated tracking system are expected to make this tracking easier.

- Intelligent database: Today, with technology advancements, a detailed database of customers can be made available online, to help the retailer understand a particular customer's buying characteristics and preferences. Indian and global IT service providers are working on a range of other retail innovations such as hi-tech store solutions, mobility solutions, shopping assistants, etc. that will ease daily operations and provide retailers the much needed competitive

Cloud computing:

For retailers seeking to gain greater results using minimal resources, cloud computing is like a miracle. It allows retailers to invest less in maintaining, monitoring and updating shared working documents, email and operational data. It enables them instead to focus resources on store portals, social media, digital marketing, etc. Retailers have been quick to realize the benefits that cloud offers. Cloud computing enables retailers to efficiently manage seasonal and unexpected demand and weather-disastrous events. In a typical IT environment, retailers need to scale fixed data centre resources prior to demand spikes. This leads to wasted capacity and increased costs. Even worse, it can mean an under-supply, with network outages and crashed servers.[7] However, by taking advantage of cloud computing, retailers can adjust to this dynamic demand. With cloud computing, retailers only have to pay for the level of service they need, without the costs of unused or under supply capacity. Lastly, cloud computing transforms how retail employees collaborate and share information. By implementing a hosted intranet with messaging, online meeting and social networking tools that span time zones and geographies, employees can collaborate more effectively, whether in the field, at headquarters or with a supplier. Cloud computing improves information flow and enables retailers to spend more time interacting with consumers.

Innovative Marketing Strategies:

Innovative Marketing strategy involves careful scanning of the internal and external environments. Internal environmental factors include the marketing mix, plus performance analysis and strategic constraints. External environmental factors include customer analysis, competitor analysis, target market analysis, as well as evaluation of any elements of the technological, economic, cultural, political and legal environment likely to impact success. A key component of innovative marketing strategy is often to keep marketing in line with a company's overarching mission statements. Once a thorough environmental scan is complete, a strategic plan can be constructed to identify business alternatives, establish challenging goals, determine the optimal marketing mix to attain these goals, and detail implementation. A final step in developing a marketing strategy is to create a plan to monitor progress and a set of contingencies if problems arise in the implementation of the plan.

Customer Profiling:

Customer profiling is, description of a customer group or type of customer based on various demographic, psychographic or geographic characteristics; also called shopper profile. For example, magazine advertising salespeople provide advertisers with customer profiles describing the type of person who will be exposed to advertisements in that magazine. The description may include income, occupation, level of education, age, gender, hobbies, or area of residence. Customer profiles provide the knowledge needed to select the best prospect lists and to enable advertisers to select the best media. Customer profiling is generally done to answer the basic marketing questions like:

- Who are the customers?
- What types of people are attracted to different offerings?
- What kinds of people live near to store location?
- What kinds of people live in a given geographic area?
- Where do certain kinds of people live?

Therefore, it is the customer description that includes demographic, geographic, and psychographic characteristics, buying pattern, creditworthiness, purchase history, etc. Customer profiling in Retail Sector, wherein invaluable information and data about customers and their transactions is observed and interpreted. The solutions are offered with the view to streamline marketing activities to increase the probability of returns. The analysis results in purchase acceleration, Brand switching, Basket effects and Store choice and maintenance of Price image. Owing to this comprehensive solution, clients have enjoyed benefits of easy customer acquisition, loyalty and sales growth.

Merchandise Management:

Clients can avail Merchandise Management solutions, which allows them implement retailing strategies. Experts are being appointed, who use apt techniques to study historical data, customer scorecards and their buying behavior. The retailers decide how to manage the merchandise depending on the customer profiling. The benefits of the solution are -

- Placement of items.
- Mount of stock to be displayed.
- Space for specific product/category.
- Placement of slow moving items in inventory.
- Planning for sales & promotions.
- Display of new merchandise.

Promotion design in Retail Store:

With assistance of competent workforce, promotion solutions for esteemed clients are offered. The promotion is designed as per latest market trends after a thorough assessment of historical data and factors affecting retail sales. The promotional activities of the clients have helped them increase sales significantly. The promotion is designed as per latest market trends after a thorough assessment of historical data and factor affecting retail sales. Like Pantaloons uses its historical data based on customer profiling to design the promotional activities.

Shop Floor Design Service:

The comprehensive solution is offered after a detailed assessment and analysis of customer's buying behavior and premises. The designing strategy involves placement of stock at right place, display theme and other such factors. Market Placement Market placement here means, how the customers perceive as a brand. This includes various questions like,

- What percentage of customers are visiting store?
- How the customers perceive the other similar stores?
- How the customers perceive brand?
- What attracts them to Big Bazar?
- Are they satisfied with the ambience of the store?

All these and many more questions are being asked to the customers through the questionnaire from where the customers' perception about the store is taken. This helps the store manager to take proper action required to attract most customers in the given area where store is located and also to retain the existing customers. Thus market placement is an important criterion to be checked regularly by the retailers to improve the store performance.

Competitor Profiling:

The strategic rationale of competitor profiling is powerfully simple. Superior knowledge of rivals offers a legitimate source of competitive advantage. The raw material of competitive advantage consists of offering superior customer value in the firm's chosen market. The definitive characteristic of customer value is the adjective, superior. Customer value is defined relative to rival offerings making competitor knowledge an intrinsic component of corporate strategy. Profiling facilitates this strategic objective in three important ways. First, profiling can reveal strategic weaknesses in rivals that the firm may exploit. Second, the proactive stance of competitor profiling will allow the firm to anticipate the strategic response of their rivals to the firm's planned strategies, the strategies of other competing firms, and changes in the environment. Third, this proactive knowledge will give the firms strategic agility. Offensive strategy can be implemented more quickly in order to exploit opportunities and capitalize on strengths. Similarly, defensive strategy can be employed more deftly in order to counter the threat of rival firms from exploiting the firm's own weaknesses.

A common technique is to create detailed profiles on each of major competitors. These profiles give an in-depth description of the competitor's background, finances, products, markets, facilities, personnel, and strategies. This involves Marketing segments served, market shares, customer base, growth rate, and customer loyalty promotional mix, promotional budgets, advertising themes, ad agency used, sales force success rate, online promotional strategy distribution channels used, exclusivity agreements, alliances, and geographical coverage pricing, discounts, and allowances. A customer service in Retail Marketing is concerned with the exchange relationships that exist between a retailer and its customers. Quality and customer service are the key elements in this relationship. Today's competitive environment requires retailer to understand and apply properly the concept of relationship from the perspective of the customer and the other channel members. This will ensure that customers strongly believe that the retailer offers good value for money; and all the customer would like to do business with that retailer. The challenge of the retail unit is to bring three critical areas namely; marketing, customer service, and quality, into closer alignment. Relationship marketing attempts at bringing these areas together.

Loyalty Programmes:

Bases of loyalty programmes Retailers focus on loyalty programmes since it is believed that:

- Loyal customers are cheaper to serve.
- They are willing to pay more for a given bundle of goods.
- They act as effective marketers for the store's offerings.

Relationship rewards as part of loyalty programmes. Reward is a crucial part of any loyalty programmes. It has to be desirable enough to change the behavior of the customers. In fact, if the reward is really well chosen, it will be attractive to customers who are not really valuable to the business. There are various types of rewards like- Simple discount, a more targeted discounts, Points which lead to gift from a catalogue, Points which lead to later money offs, Extra services, etc.

Tie-ups with Other Brands:

Under loyalty programmes offering of membership cards to the customers have become a common trend today. Every retailer is providing some or other extra benefits to the customers through these cards. These cards not only the contain rewards but the particular retailer ties up with various other brands which provides some benefits to the loyal customers of the retailer. For example, Pantaloons, one of the biggest brands in Indian retail have a Green Card for the loyal customers which provide benefits like-

- 5 per cent off in apparels every Friday.
- Fast and foremost information about sales and discounts.
- Free of cost alterations.
- Pick and drop facility after alterations.
- Facilities for jet airlines passenger through tie ups.
- Tie ups with Pizza hut, Aryans (restaurant), Pack and chew (restaurant).

Promotions and Marketing:

Promotional activities and events in a mall form an integral part of mall management. Activities like food festivals, handicraft exhibitions and celebrity visits increase foot traffic and in turn sales volumes. Organising cultural events has time and again proved vital in attracting consumers to a mall. Such activities may also act as a differentiator for a mall. Developers can work on drafting marketing strategies for individual malls to meet the needs of the local consumer base and the challenges of local, and in some cases, regional competitors. Big Bazaar is an example of a successful mall led by good promotions and marketing mall management practices.

Importance of Supply chain and Logistics in Retail Management:

One of the most important challenge in organized retail in India is faced by poor supply chain and logistics management. The importance can be understood by the fact that the logistics management cost component in India is as high as 7-10 per cent against the global average of 4- 5 per cent of the total retail price. Therefore, the margins in the retail sector can be improved by 3 to 5 per cent by just improving the supply chain and logistics management.[8] The supply chain management is logistics aspect of a value delivery chain. It comprises all of the parties that participate in the retail logistics process: Manufacturers, wholesalers, Third Party Specialists like Shippers, Order Fulfillment House etc. and the Retailer. Here, logistics is the total process of planning, implementing and coordinating the physical movement of merchandise from manufacturer to retailer to customer the most timely, effective and cost efficient manner possible. Logistics regards order processing and fulfillment, transportation, warehousing, customer service and inventory management an interdependent functions in the value delivery chain. It oversees inventory management decisions as items travel through a retail supply chain. If a logistics system works well, the retail reduces stock outs, hold down inventories and improve customer service – all at the same time.

Logistics and supply chain enables an organized retailer to move or store products more effectively, efficient logistics management not only prevents needless movement of goods, vehicles transferring products back and forth; but also frees up storage space for more productive use. Retail analysts say on-time order replenishments will become even more critical once the Wal-Mart / Bharati combine begins operations – the American retailer works almost entirely on cross-docking and is likely to demand higher service levels, including potential levies for delays in shipment.[9] The efficiency and effectiveness of supply chain and logistics management can also be understood by the fact that modern retail stores maintain lower inventories are kept; while in a modern retail store like hyper city its nine days and its under two weeks for Food Bazaar. Now, it is beneficial for both the manufacturer well as the retailer.

FDI in Indian Retail Sector:

India's retail sector has undergone a rapid transformation over the past decade and this process is expected to strengthen in coming years with the rise in population, per capita income and urbanization. Potential to be the real growth engine of a country's economy. Growing consumerism, changes in consumers' tastes and preferences, and heightened brand consciousness has been fast replacing traditional mom and pop stores with organized retail malls that house lifestyle and luxury brands from national and international retailers. Indian retail industry is the biggest industry in comparison to other industries. It occupied 14 per cent of India's Gross Development Product and near about 8 per cent of the employment. Foreign Direct Investment (FDI) as defined in Dictionary of Economics is investment in a foreign country through the acquisition of a local company or the establishment there of an operation on a new site. In short FDI refers to capital inflows from abroad that is invested in or to enhance the production capacity of the economy. In November 2011, India's central Government announced retail reforms for Multi Brand Stores and Single Brand Stores. The announcement sparked intense activism. In July 2011 the GOI has recommended FDI in retail sector as – 51per cent in Multi - Brand Retail and 100 per cent in Single - Brand Retail.[10]

Table No. 3.02:

FDI Equity Inflows from 2000-01 to -2011-12:

S. No	Financial Year (April – March)	Amount of FDI Inflows		%age growth over previous year (in terms of US $)
		In Rs, crores	In US$ million	
1	2000-01	10733	2463	-
2	2001-02	18654	4065	(+) 65 %
3	2002-03	12871	2705	(-) 33 %
4	2003-04	10064	2188	(-) 19 %
5	2004-05	14653	3219	(+) 47 %
6	2005-06	24584	5540	(+) 72 %
7	2006-07	56390	12492	(+)125 %
8	2007-08	98642	24575	(+) 97 %
9	2008-09	142829	31396	(+) 28 %
10	2009-10	123120	25834	(-) 18 %
11	2010-11	88520	19427	(-) 25 %
12	2011-12	122307	26192	-
Cumulative Total		723367	160096	-

The above Table No. shows the FDI Equity Inflows from 2000-01 to 2011-12. Cumulative amount of FDI from 2000-01 to 2011-12 into India stood at 7,23,367 crores.

Benefits of FDI in Retail Sector:

Benefits include moving away from an industry focus on intermediaries and job creation.

- Moving away from intermediary: Today's intermediaries amid producers and customers add no value to the products, adding hugely to final costs instead. By the time products filter through various intermediaries and into the marketplace, they lose freshness and quality, and often go to waste. However, intermediaries garner huge profits by distributing these losses between producers and customers by buying products at low prices from producers, but selling at extremely marked-up prices to consumers. In an unbalanced system that incorporates multiple intermediaries simply for logistics, only intermediaries benefit. With organized retail, every intermediate step procurement, processing, transport and delivery –adds value to the product. This happens because it uses international best practices and modern technology, ensuring maximum efficiency and minimum waste. Organized retail enables on-site processing, scientific handling and quick transport through cold storage chains to the final consumer. Once modern retailers introduce an organized model, other vendors, including small retailers, would mechanically copy this model to improve efficiencies, boost margins and stay in business. Organized retail would thereby bring more stability to prices, unlike the present system where hoarding and artificial shortages by profiteering intermediaries push up product prices.

- Job creation: Despite predictions from some analysts that millions of jobs would be lost due to FDI in retail, it may in fact be the other way around. With the entry of branded retailers, the market will increase, creating additional employment in retail and other tertiary sectors. Given their professional approach, organized retailers will allot some quantity of resources towards the training and development of the resources they employ.

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