

# RETAIL MARKETING

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Good Morning everybody, I am Dr. S N Geetha, Head of the School of Management Studies, Tamil Nadu Open University, Chennai.

## OVERVIEW

Today our topic will be on one of the interesting areas of Service Marketing – Retail Marketing. First we will see what is meant by Retail. This word has come from a French word *Retailleur* which means to cut off a piece. Retailing includes all activities involved in selling the products and services to the ultimate consumers. So this is said to be the last person in the channel of distribution. In this discussion I will be introducing the concept world wide as well as in the national context. Next our discussion will be on the functions of retailing, then we proceed to why there is retail revolution at present, and finally we will study about the challenges faced by the retail industry.

## LEARNING OBJECTIVES

After completing this unit, you should be able

- Explain retailing and its importance in the global and national context.
- Highlight the functions of retailing
- Describe the Classifications of Retail Industry
- Discuss the reasons for Retail Revolution in India.

## 1.1 INTRODUCTION

Retailing is the world's largest private sector contributing to 8% of the GDP and it employs one sixth of the labor force. The estimated retail trade is expected to be 7 trillion US \$. Many countries have developed only due to retailing and presently we see there is a vast change in the

retail industry. As far as India is concerned it contributes to 14% of our GDP and it is the second largest sector next to agriculture which provides employment to more number of persons.

Now according to a survey, India is classified in to the fifth most attractive retail destination and second among the countries in Asia. Worldwide it is ranked as fifth most attractive retail destination. Before proceeding further, let me tell you the functions of retailing.

## **1.2 FUNCTIONS OF RETAILING**

Retailing is supposed to provide:

- Product Utility
- Place utility
- Time Utility
- Ownership Utility

I have already told you, it includes all activities involved in providing goods and services to the ultimate consumers. So it provides final end products to the consumers, not raw materials, end products in usable form to the consumers. Thereby it creates product utility.

Second one, it is given in the place where it is required by the consumer. That is, retailing outlets are open in the places according to the convenience of the customer and also based on the demand of the consumer.

Third One, it creates Time Utility. In the sense that, the shops are open as per the requirement of the consumer that is between 10 and 8 or 10 to 5. Whenever the consumers want to go and shop they can go and shop at a particular period convenient to the customer.

Next one, when the product is sold finally it creates Ownership Utility.

So, we can conclude that retailing is a marketing intermediary which creates Product Utility, Place Utility, Time Utility and Ownership Utility in providing goods and services to the consumers

### 1.3 CLASSIFICATION OF RETAIL INDUSTRY

Retail Sector can basically be classified in to two segments. One is organized segment and another one is unorganized segment. As far as India is concerned this organized segment contributes only to 3% of the retail trade and the unorganized segment contributes to remaining 97% of the retail trade.

Why is it so?? Because all these days we have been purchasing only from the street vendors and from the local shops and organized retailing was not in vogue in India. Only after 1991, after opening up of economy and due to liberalization, this organized sector has come to light and presently it exists in various formats.

- Super markets
- Hypermarkets
- Departmental stores
- Speciality stores

First one is, presently there are Supermarkets. *Eg. Spencers, Nilgiris, Reliance*. Basically they operate on low cost and low margin basis. These are called as Supermarkets.

The next important one, which is coming up in a very big way is Hyper Markets. *Big Bazaar* is one example for Hyper Markets. The important characteristic of Big Bazaar is they provide a variety of things right from food and non food things and they provide them in a very large area.

The third format in which it exists is Departmental stores. These are large scale retail outlets. *Pantaloons, Globus* are some of the examples for this Departmental kind of retail outlets.

Next type of outlet is, they exist as speciality stores for sales of books and sales of music cassettes. We all know that in previous years we have never heard of Music world or some stores selling especially books. But presently we have *Landmark, Music World, and Planet M* which are these speciality kinds of stores selling respective things, either books or cassettes.

Now under this unorganized sector we have, *Mom and Pop stores and Street Markets*, these are sometimes called as *Kiosks*. All these days, until economic liberation, all the shops were in the form of mom and pop stores, street markets and kiosks. Now also along with this organized sector most of the stores in retailing are unorganized and they exist in these formats. With all these unorganized and organized sectors, retail industry has seen a phenomenal growth in the last 5 years. Now our discussion will be on the reasons why such revolution has taken place.

#### ACTIVITY A

1) Find out which is the world largest retail outlet?

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2) List out a few groups who have entered into retail trade in the organized sector. Also mention the name of their retail outlets against respectively

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#### 1.4 REASONS FOR RETAIL REVOLUTION

The first reason, I would state is Greater Per capita Income. We all know pretty well that Indian economy is growing at a very great speed at 8 – 9 % rate. With double salaries and nuclear families, disposable income in the hands of middle income group people is high and that is one reason why retail revolution has taken place.

The second one is a very interesting feature. Now there is a customer called New Age Customer. That is customer in the age group of 20 – 30. Actually in India 53% of the population are in this age group. As we all know pretty well, that since economy is growing, service industry is growing and due to the revolution in the IT sector lot of youngsters are able to get placement immediately after their studies. And they earn a lot. Nearly 20 – 30 thousand immediately at the age of 22. So there is a lot of discretionary income. Discretionary income is the income left with a person apart from providing for his basic facilities. So this discretionary income he can utilise in any manner as he wants. So he is one person who is being aimed at by the retail industry, who is being trapped by the retail industry for purchases.

The third contributing factor is affordability rate increase. The earlier two factors contribute indirectly to the affordability rate increase. We know pretty well that the banks were very stringent earlier. Before 1990 banks were very stringent. Now banks are liberally giving credit to the consumers and cash is giving way for credit cards. We can get anything by credits. Actually we don't feel as if we are spending but indirectly we are spending by making use of Credit Cards. Apart from that we are able to get credit from the banks and other financial institutions. This is one other major reason is why there is retail revolution.

The next important factor is the changing mindset of the consumer. We can very well compare ourselves with our parents, with our elders. Presently we don't mind spending. We have lost the saving spree and we have got exposure to the international standards and have adapted to the international practices. Hence we don't save anything, instead we encourage spending. We have to accept the fact, because there are so many avenues available. The mindset of the consumer has changed, specially in the urban areas.

Last but not the least factor is the advances that have taken place in the technology. With the help of the technology we are able to assess the product profile and we are also able to make the track record of what the people buy again and again. No longer are the retailers' dependents on the manufacturers, selling what is manufactured by the manufacturers. But they are said to be the leaders. They are able to assess the requirements of the consumers and they purchase products according to the requirements of the consumers and make the sales as per the requirements of the consumer. So these are the reasons which contribute to retail revolution. I think it is clear. We are yet to talk about the challenges which are faced by the retail sector. We shall proceed about it in our next class.

Question – Madam you have clearly explained about the retail marketing, I would like to know which is the world largest retail outlet?

Ans : Walmart is the market leader presently in the world retail trade and it is followed by Carrefour. Walmart is USA based company and Carrefour is a France based company. Both of them will be entering in to retail trade in India shortly.

Question – What is the most predominant factor which has led to retail revolution in India?

Ans: I have explained all the 5 points which contributes to the retail revolution. But as far as I am concerned, I always see that it is only due to Greater Percapita Income and because of the new age customer such a retail revolution has taken place in India.

