A Study of Retail Customer Services with Special Reference to Organized Retailing in India

Shikha Bhatnagar
Asst. Professor, Faculty of Management, Moradabad Institute of Technology, Moradabad

Abstract-Retailing is one of the largest sectors in the global economy and is going through an evolutionary stage in India. Retail is currently a flourishing sector of the Indian economy. Retail is India’s largest industry, accounting for over 10 percent of the country’s GDP and around eight percent of employment. Retail in India is at the crossroads. It has emerged as one of the most dynamic and fast paced industries with several players entering the market. The Indian population is witnessing a significant change in its demographics. A large young working population with median age of 24 years, nuclear families in urban areas, along with increasing working-woman population and emerging opportunities in the services sector are going to be the key growth drivers of the organized retail sector. This paper provides information about the important drivers responsible for better customer services regarding organized retailing in India. This paper also deals with various retail formats and the opportunities for the development of retail industry in India.

Key Words- Retailing, Organized Retail Sector, Challenges, Growth, Customer Services.

1. Introduction
The Indian retail industry is the fifth largest in the world. Comprising of organized and unorganized sectors, India retail industry is one of the fastest growing industries in India, especially over the last few years. Though initially, the retail industry in India was mostly unorganized, however with the change of tastes and preferences of the consumers, the industry is getting more popular these days and getting organized as well. With growing market demand, the industry is expected to grow at a pace of 25-30% annually.

Retail industry as a whole is not an exception because it has witnessed advancement into organized trading. Organized retailing refers to marketing activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax for whose business is corporate, who implement management techniques managed by professionals as a firm or limited company or cooperative. Traditional retailing refers to those who operate in unorganized markets. The evolution of organized retailing had been initiated in a big way by the entry of corporate, both domestic and global. The Indian retail sector is highly fragmented with 97 percent of its business being run by the unorganized retailers like the traditional family run stores and corner stores. The organized retail however is at a very nascent stage. The retail sector is seeing investments of up to Rs. 6000 crore by the 20 prominent retail players. Retailing has always played an integral part in economic development.

2. Objectives of the Study:
1. To check the growth and development of organized retail industry in India.
2. To know the various retail formats of retail industry in India.
3. To study the important drivers responsible for better customer services regarding organized retailing in India.

3. Retailing Defined
The word retail is derived from the French word retailer, means to cut off a piece or to break bulk. A retailer is a dealer or trader who sells goods in small quantities. Retailing is the final step in the distribution of products, for consumption by the end consumers. It consists of all activities involved in the marketing of goods and services directly to the consumers, for their personal, family or household use. Retailing is all around us. It permeates our lives. Retailing involves the sale of
merchandise from a fixed location, such as store, for direct consumption by the customer. It can be defined as an activity that ensures that customers derive maximum value from the buying process.

3.1 Definition of Retail

The High Court of Delhi defined the term retail - "As a sale for final consumption in contrast to a sale for further sale or processing". Thus, retailing can be said to be the interface between the producer and the individual consumer buying for personal consumption. There are many approaches to understanding and defining retailing; most emphasize retailing as the business activity of selling goods or services to the final consumer. Retail is defined as: "Any business that directs its marketing efforts towards satisfying the final consumer based upon the organization of selling goods and services as a means of distribution".

3.2 Growth Drivers of the Retail Sector

The Indian retail sector is highly fragmented, with a major share of its business being run by unorganized retailers like the traditional family run stores and corner stores. The Indian retailing sector is at an inflexion point where the growth of organized retailing and consumption by the Indian population is going to take a higher growth trajectory. The Indian population is observing a noteworthy demographics change. An increasing young working population under age of 24 years, sharp rise in the per capita income, an increase of dual income nuclear families in the urban areas, along with increasing working women population, internet revolution and emerging opportunities in the services sector are going to be the key growth drivers of the organized retail sector in India. The whole model of shopping has altered in terms of format and consumer shopping behavior pattern, which ultimately could lead to a shopping revolution in India. Some of the major factors are:
1. Changing Demographics
2. Increase in Foreign Direct Investment
3. Growth of real estate
4. Economic growth
5. Increase in living standard
6. Increase in Dual income

3.3 Division of Indian Retail Industry

The Indian retail industry is generally divided into two major segments – organized retailing and unorganized retailing.

(a) Organized Retailing - refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses. The unorganized sector is a critical part of the Indian economy

(b) Unorganized Retailing - refers to the traditional formats of low-cost retailing, for example, the local kirana shops, owner manned general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors, etc. The unorganized retail sector is expected to grow at about 10% per annum.

4. Organized Retailing in India

Organized retailing is spreading and making its presence felt in different parts of the country. The trend in grocery retailing, however, has been slightly different with a growth concentration in the South. Though there were traditional family owned retail chains in South India such as Nilgiris as early as 1904, the retail revolution happened with various major business houses foraying into the starting of chains of food retail outlets in South India with focus on Chennai, Hyderabad and Bangalore markets, preliminarily. Organized sector occupies a small percentage of the retail sector with 96% of the total business being carried out by traditional unorganized trade outlets. Retailing is a booming sector of the Indian Economy primarily owing to the opening of FDI in retail sector and coming up of hypermarkets and retail chains. Organized retailing is pitted to grow at a rate of 35% while the unorganized retailing only at the rate of 6%.

4.1 Evolution of Organized Retailing

Retailing, one of the largest sectors in the global economy, is going through a transition phase in India. For a long time, the corner grocery store was the only choice available to the consumer, especially in the urban areas. This is slowly giving way to international formats of retailing. The traditional food and grocery segment has seen the emergence of supermarkets/grocery chains, convenience stores and fast-food chains.

In 2000, the economists put a figure to it: Rs. 400,000 crore, which was expected to develop to around Rs. 800,000 crore by the year 2005 an annual increase of 20 per cent. Retailing in India is unorganized with poor supply chain management perspective. According to a recent survey by some of the retail consulting bodies, an overwhelming proportion of the Rs. 400,000 crore retail markets are unorganized. In fact, only a Rs. 20,000 crore segment of the market is organized. As much as 96 per cent of the 5 million-plus outlets are smaller than 500 square feet area. This means that India per
capita retailing space is about 2 square feet (compared to 16 square feet in the United States). India’s per capita retailing space is thus the lowest in the world.

<table>
<thead>
<tr>
<th>Retail Trade – India, US and China</th>
<th>Trade (US$ billion)</th>
<th>Employment (%)</th>
<th>Shops (million)</th>
<th>Organized sector share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>180-394</td>
<td>7</td>
<td>12</td>
<td>2-3</td>
</tr>
<tr>
<td>China</td>
<td>360</td>
<td>12</td>
<td>2.3</td>
<td>20</td>
</tr>
<tr>
<td>US</td>
<td>3800</td>
<td>12.6-16</td>
<td>15.3</td>
<td>80</td>
</tr>
</tbody>
</table>

Figure 2: Retail Trade

4.2 Growth of Organized Retailing

Organized retail chains comprise only 3% of the Indian market. Rest 97% market is comprised of mom-and-pop type shops. Now the number of organized retail stores is gradually increasing. According to ETIG (Economic Times Intelligence Group), the size of the organized retail industry was about Rs. 160 billion in 2001-02. In 2005 budget Government has allowed 26% Foreign Direct Investment (FDI) in the retail sector. Organized retailing is on continuous increase of its market share from the past. Retailing can be categorized as of different sectors like food and groceries, clothing and textiles, consumer durables, footwear, furniture and furnishing, catering services, jewellery and watches, books, music and gifts, mobile handsets and others.

Food & Grocery sector constitutes about 14% of the organized retailing in India. Ironically, organized retail is a meager 2% of the total retail sector in India. However this figure is changing upwards rapidly.

4.3 Retail Formats in India:

1. Hyper Marts/Super Markets: These are large self-service outlets offering products from a variety of categories. A retail store which generally sells food products and household items, properly placed and arranged in specific departments is called a supermarket. A supermarket is an advanced form of the small grocery stores and caters to the household needs of the consumer. The various food products (meat, vegetables, dairy products, juices etc) are all properly displayed at their respective departments to catch the attention of the customers and for them to pick any merchandise depending on their choice and need. Examples like Spencer’s, Big Bazaar.

2. Mom-and-Pop Stores: They are family owned business catering to small sections; they are individually handled retail outlets and have a personal touch. Mom and Pop stores are the small stores run by individuals in the nearby locality to cater to daily needs of the consumers staying in the vicinity. They offer selected items and are not at all organized. The size of the store would not be very big and depends on the land available to the owner. They wouldn’t offer high-end products.

3. Departmental Stores: These are general retail merchandisers offering quality products and services. A department store is a set-up which offers wide range of products to the end-users under one roof. In a department store, the consumers can get almost all the products they aspire to shop at one place only. Department stores provide a wide range of options to the consumers and thus fulfill all their shopping needs. They offer considerable customer service. The examples include Shoppers Stop, Pantaloons etc. Examples like Ebony, Shopper’s Stop, Westside.

4. Convenience Stores: These are located in residential areas with slightly higher prices goods due to the convenience offered. This 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.

5. Shopping Malls: The biggest form of retail in India, malls offers customers a mix of all types of products and services including entertainment and food under a single roof. Many retail stores operating at one place form a mall. A mall would consist of several retail outlets each selling their own merchandise but at a common platform. They have a range of retail shops at a single outlet. They endow with products, food and entertainment under a roof. Example: Sigma mall and Garuda mall in Bangalore, Express Avenue in Chennai.

6. E-trailers: These are retailers providing online buying and selling of products and services. Now days the customers have the option of shopping while sitting at their homes. They can place their order through internet, pay with the help of debit or credit cards and the products are delivered at their homes only. 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.

7. Discount Stores: these are factory outlets that give discount on the MRP. Discount stores also offer a huge range of products to the end-users but at a discounted rate. The discount stores generally offer a limited range and the quality in certain cases might be a little inferior as compared to the department 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. In India Vishal Mega Mart comes under discount store.

8. Specialty Stores: are retail chains dealing in specific categories and provide deep assortment. As the name suggests, Specialty store would specialize in a particular product and would not sell anything else apart from the specific range.Speciality stores sell only selective items of one particular brand to the consumers and primarily focus on high customer satisfaction. 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. Example – You will find only Reebok merchandise at Reebok store and nothing else, thus making it a specialty store.

4.4 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 or mental contact with the store can be termed as a customer touch point. The customer touch points are important in defining as well as sustaining the relationship between the retailer and its customers. They can create a “WOW” and bring them back again and again. The ‘touch point’ is the most important factor in customer service.

![Image](Figure 2: Various services of retail to the customers)
The Commandments of Customer Service:

- Always be a good & patient listener.
- Identify customer’s needs timely.
- Make customers feel important.
- Help customers to understand your organization systems in a better way.
- Appreciate the power of ‘Yes’.
- Know how to apologize with customers.
- Give them more than expected.
- Get regular feedback from the customers.
- Always treat customers as a king.

5. Conclusion

Retailing provides an important link between producer and consumer in modern economy. Retail in India is most dynamic industry and represents a huge opportunity for domestic and international retailers. Modern retailing is not a problem to traditional stores as most of the consumers said that they never stopped visiting kirana stores. They strongly agreed on coexistence of both is required. Their frequency of going to kirana store is reduced. Modern retailing has miles to go in India. The growth of modern formats has been much slower in India as compared to other countries and the development of this sector is depends on the presence of regulatory and structural constraints. Government has to take care about the existence of organized retail stores in India and they have to take measures to overcome the challenges. Then the fast growth of organized retailing can be possible in India.

6. References


Websites:

1. www.retailngtoday.com
2. www.retailcustomerexperience.com
3. www.indiaretail.com
4. www.indianmba.com
5. www.deloitte.com
6. www.retailindustry.com
7. www.retailyatra.com