

## **Customer Experience Management in Indian Retail Sector – An Overview**

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**Abstract:** The retail sector in India going through a transformation and is witnessing significant change in retail formats based on consumer trend. Considering the diversity in terms of tastes and preferences existing in India the retailers are experimenting to trace the winning format suited to socio-demographic profiles of the customers. The retailers through better customer experience management practices need to be innovative in designing and delivering value proposition to the consumer. An attempt is made in this paper to know the trends in Indian Retail sector, emergent formats and challenges in customer experience management.

**Keywords:** Organized retail, shopping behavior, customer experience, consumer dynamics.

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### **I. Introduction**

Ever since the liberalization of the Indian economy in 1990s, there has been a remarkable change in the consumer buying behavior and life style. India witnessed a revolution in retail trade because of changing consumption pattern and urbanization. As a consequence the retail industry has come forth as one of the most dynamic and fast paced industries. The entry of leading corporate houses into retail created a boost into the growth of the industry. The Mckinsey Report read as ‘The rise of Indian Consumer Market’ by the year 2015, The Indian consumer market is expected to grow four-fold. As trading is one of the main sectors of the Indian economy, the contribution of organized retail sector in the GDP is 14 percent and about 6 crore people have their livelihood from the income on trading activities. The small traders are facing stiff competition from retail giants like Wal-Mart, Metro, Big Bazaar, Spencers, Aditya Birla More, Reliance Fresh, etc. India occupies the fifth largest place in the world retail industry and are the second largest consumer market. Retailing is the final step in the distribution of merchandise i.e., the last link in the supply chain, connecting the bulk producers of commodities to the final consumers.

The concept of ‘customer experience’ came into the fore in 1982, when Holbrook and Hirschman proposed a new experiential approach to consumer behavior. However it was not before 1999 when this concept emerged in the management discipline, in Joseph Pine and James Gilmore’s book ‘The experience economy: Work is theatre and every business a stage’. Since experiences are important in the present market logic, the designing of retail environments should be directed toward creating retail atmospheres that produce memorable and personal customer experiences. In the current academic literature, a variety of terms is being used when discussing experiences in retail environments, among which ‘consumer experiences’, ‘market consumption experiences’ or ‘shopping experiences’ (Caru Cova, 2003), ‘retail experiences’ (Healy et al., 2007) and ‘consumption experiences’ (Caru & Cova, 2003). In today’s experience economy, there seems to be an inextricable bond between retail and experience. Retailers and designers who have made the turn to experiential marketing can opt to use retail design as a tool to design experiential contexts that are likely to immerse consumers from the target audience in the designed environment.

### **II. Review Of Literature**

Jhamb and Kiran (2012) conducted a study to understand the choice of retail formats, product attributes, store attributes, consumers’ demography and retail marketing strategies. The study revealed that consumers’ choice for retail formats varies as per the changes in their income levels. The young consumers are more inclined to shop from modern retail formats compared with the aged consumers. The key reasons behind preferring modern retail formats include better quality, wide range of brands, quality service in sales and shopping pleasure, the study found.

Ghosh et al (2010) find that the phenomenal growth of retail India is reflected in the rapid increase in number of supermarkets, departmental stores and hyper markets in the country. The study addressed the issues related to store attributes and their relevance in the store selection process. In the article eleven variables (store attributes) have been identified based on the theory of judgement.

Meyer and Schwager (2007) stated that “Customer Experience is the internal and subjective response, the customers have to any direct or indirect contact with a company. Direct contact generally occurs in the course of purchase, use, and service is usually initiated by the customer. Indirect contact most often involves unplanned encounters with representatives of a company’s products, service or brands and takes the form of word-of-mouth recommendations or criticisms, advertising, news reports, reviews and so forth”.

Parasuraman and Grewal (2000) in their study felt that employees in retail establishments are part of the service interface that influences customers’ overall experience. Any adverse impact that the introduction of self service technologies may have on employees (eg., fear of job loss and lower morale and satisfaction) can adversely affect the nature of their interactions with customers and hence the customers’ experience. Therefore, the technology and employee behavior have an effect on customer experience.

Davis et al (2000) undertook a study to understand the online consumer shopping experiences. The qualitative study revealed that Retail Company is the primary brand. This defines the consumers’ experiences when shopping online in terms of service attributes, symbolic meanings and functional consequences of the service encounter. To fulfill this role the retail brand act as a ‘relationship lever’ upon which trust is built between a consumer and service provider. The study highlighted the need to have a broader conceptualization to rethink the traditional image and logo view of the brand.

### **III. Objective Of The Study**

The objective of this conceptual paper is to understand the customer experience management practices being adopted in retail sector and to highlight the need for these practices on the retail trade in India. This paper evaluates the growth of retail trade in the country emergent formats and also discusses the challenges faced by the retailers in customer experience management to succeed in retail trade in the country.

### **IV. Methodology**

This descriptive paper is mainly based on the analysis of secondary data and observation. The discussion as per the objective of this paper has been the result of an evaluation of published data, research works, published reports, websites and Euromonitor reports on Indian Retail.

### **V. Growth Of Indian Retail Market**

The review of literature on customer experience in retail formats brought out the significance of customer experience management and the different variables which make a significant contribution towards the customer experience management in retail sector. Retail industry in India has huge potential for growth and development as the major part of it remains unorganized. The demographical changes such as urbanization, nuclearization and raising consumer expenditure coupled with increasing foreign direct investment are boosting the sector which in turn contributes to the economic growth of the nation.

As per the Confederation of Indian Industry (CII), the retail sector accounted for 10% of India’s GDP and 8% of employment in 2018. The Indian retail market is expected to reach 1750 billion USD by 2026 from 670 billion USD in 2017, registering a growth of over 150%. As per 2011 census, the nuclear families in urban households account for more than 50 percent. The per capita income of the residents grew from Rs.56,654 in 2014-15 to Rs.86,159 in 2017-18 owing to the economic growth supported by rising employment. As a consequence, the consumer expenditure is doubled i.e., from Rs.18000 crore in 2017 to Rs. 255000 crore in 2020. The Indian retail market is largely dominated by unorganized mom-and-pop stores rather than the organized businesses. India will become the 3<sup>rd</sup> largest consumer market in the world by 2030.

### **VI. Foreign Direct Investment (FDI)**

With a view to boost the growth of retail sector, the Government of India has decided to allow foreign direct investment into the sector. The positive political and economic growth of the country coupled with relaxation of economic FDI norms and implementation of GST, there seems a boon to the retail sector. The total FDI infused in Indian retail industry from April 2000 to June 2018 is 1.42 billion USD which is 0.36% of total FDI inflow into the country. Being the world’s second largest populated country with 1.3 billion population, India has a huge consumer market for both domestic and global retailers. Presently 100% FDI is allowed in marketplace model in the online store and no permission of FDI in firms following the inventory model. As a result, accountability is infused in the system and locally produced goods and services are encouraged to be sold online. The impact on vendors is on barring the tie-ups between e-commerce firms and

vendors, not to sell more than 25% of the products in a single e-commerce platform, ruling out the concept of ‘preferred sellers’.

## **VII. Customer Retention In Retail**

In view of the developments in retail sector, vendors have revisited their marketing. Partnering and targeting customer in various formats as well as mediums. Mall culture evolved over the time as the country has luxury malls and gold souks. Even though the majority malls in the country have an identical look and feel offering similar attributes and tend to be replicas of each other, there are several unique customized attributes and features.

## **VIII. Customer Delight Through Customer Experience Strategy**

In the retail sector, the malls realized that there is a need for excitement and innovation attributes which will eventually lead to customer delight through a pleasant experience. The modern store formats and malls are exploring the excitement attributes that really appeal to its customers for a memorable experience which will earn their loyalty.

The core strategies to achieve customer delight through customer experience management includes :

- Delivering superior value for high impact
- Impact / Value framework
- Efficiency as a value proposition
- Innovation as a value proposition
- Managing customer experiences on the customer life-cycle journey
- Managing customer experience towards repeat purchase

## **IX. The Consumer Trend**

India is having the largest young population in the world as nearly 50 per cent of India’s population is below 25 years of age and 75 per cent are below 45 years. The sizeable proportion affluent, well off, and below middle class offers excellent opportunity for organized retailers to serve Indian shoppers spend considerable amount on food, groceries, personal care items and as a result convenience stores are booming in most markets. Further the shoppers in India ‘love to try new things’ making them the most novelty seeking shoppers. Business communities believe that sizeable disposable income in India is concentrated in the urban areas and well off and affluent classes, income distribution is unequal compared to other Asian economies (Marketing white book). There is significant and considerable opportunity for organized retailers in the rural areas due to the purchasing power of middle class in rural India. The cost of doing business in rural market would be lesser compared to urban market but reaching out to the mass is a concern.

## **X. Driving Factors In Indian Retail**

The key factors driving Indian retail sector are the favourable demographic and psychographic changes, rising income levels, international exposure, availability of quality retail space, wider brand choice and fast communication network. The low median age of population in India means a higher current consumption rate which makes potential for the retail sector. The Government of India decision to allow foreign companies up to 51 per cent in a single brand retail company would certainly encourage the retail sector. There has been a remarkable retail space development in India from the year 2001. There are fundamental but significant changes underway in the country. The generic growth had been driven by changing lifestyles and by strong surge in income, supported by favourable demographic patterns.

## **XI. Emergent Retail Formats**

Considering the diversity of Indian public in terms of tastes and preferences existing, the retailers experimenting to identify the winning format suited to different geographies and segments. Therefore, most of grocery retailers are region centric in the country. The consumers’ tastes and lifestyle is different in south and north, which poses several challenges to the retailers.

**Malls:** In the beginning Mall culture existed only in Metros but gradually spread into cities and towns. The real estate boom is one of the key factors leading to establishment of Malls. Retailers are making steady progress to make this phenomenon feasible in rural market also.

**Departmental Stores:** The department store provides ease of shopping for the consumer by offering an extensive assortment of goods and services. In India, the number of departmental stores is less compared to other retail formats such as supermarkets and discount stores. Shoppers Stop happens to be the first one to open a department store in the early 1990s, and later on number of departmental stores spread into almost all cities in the country. This format provides a greatest selection of any general merchandize and great shopping experiences.

**Hyper Markets:** A ‘hyper market’ is a big-box store combining a supermarket and a departmental store. It has an expansive retail facility carrying a wide range of products under one roof, including full groceries and general merchandise. Offering the lowest prices will not be the only answer for hypermarkets, but offering a lifestyle, quality and convenience are expected to be the key strategies. The move towards urban lifestyles in India created a great opportunity for hypermarkets. Given the range of products available through hypermarket, such a retailer may also pose a competitive threat to shopping centres that traditionally served as focal points for different retailers to operate from.

**Supermarkets:** The supermarkets largely concentrate on selling food related products and offer relatively less assortments but focus on specific product categories. A super market normally sells grocery, fresh, cut vegetables, fruits, frozen foods, toiletries, cosmetics, cutlery, stationery and gift items. In India Food World, Food Bazar, Nilgiris, Adani, Reliance Fresh, Aditya Birla More are the leading supermarket operators. The private labels offer flexibility to both the retailer and the consumer on price front.

**Convenience Stores:** It is a small retail business that stocks a range of everyday items such as groceries, snack foods, confectionery, soft drinks, tobacco products, toiletries, newspapers & magazines. Convenience stores usually charge significantly higher prices than supermarkets as these stores order smaller quantities of inventory at higher per-unit prices from wholesalers. The convenience retailing space in India has witnessed an increased interest of late. A clear indicator of this is the fact that for convenience stores, longer opening hours, and proximity to the customers are the key differentiators for this format compared to the other formats. The supermarket chains in India have clearly shown a shift towards the convenience plank in terms of their assortment, location strategy, and positioning. The line between supermarkets and convenience stores is blurring.

**Branded Stores:** These specialty stores sell the well known national and international brands. The major apparel brands in India are Raymonds, Madura Garments, Grasim, Newport, John Players, Tommy Hilfiger, Reebok, Adidas, and Proline. Store brands are a line of products sold by a retailer under a single marketing identity. They are distinct in that, a store brand is managed solely by the retailer for sale in only a specific chain of store. Branded products have their company’s brand name on them, rather than being sold under a store’s name or under the product’s own name.

**Discounters:** The discounters offer several advantages such as lower price, wider assortment and quality assurance. Wal-Mart, the largest retailer in the world is a discounter. Soft discounters are present in India, although their influence was very minimal with a value share at less than half a percentage point. Unlike western countries, Indian retailers are mainly small stores and do not have much bargaining power with manufacturers in order to negotiate terms.

## **XII. Challenges Of CEM In Retail Trade**

There seems huge potential for retail trade in rural India and corporate forays into rural retail are expected to bring more experimentation and innovation in term of retail format. Retail development in India is facing several challenges from the factors given under.

- Internet Retailing
- Unorganized retail sector
- Beyond format thinking
- Huge investment in infrastructure
- Adaptation of technology
- Huge inefficiencies in the supply chain network
- Shortage of quality human resource
- Foreign Direct Investment
- Increasing customer expectations
- Changing tax structure

## **XIII. Conclusion**

The retail sector in India is witnessing a significant change in its growth and investment pattern and is going through a transformation. In the development of retail formats, currently hypermarkets and supermarkets are growing very fast. Most of the organized retailers in India are striving to offer quality, service, convenience and satisfaction to the shoppers. Most of the retailers are concerned about growth in number of stores rather than creating value for consumer. Retailers have to out think consumer in providing service and value. The retailers shall be innovative in designing the value proposition and deciding the format to deliver that to the consumer. As the consumer dynamics in India is continuously changing, the retailers should formulate the strategies to overcome the challenges in such a way to serve the consumer better at less cost and deliver value to the consumer.

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