

## **Meeting the Retail challenge –the power of customer value plus influence.**

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**Abstract:** This paper highlights information about the growth of retailing industry in India, growth of organized retail sector in India, strategies, strength and opportunities of retail stores, retail formats in India – recent trends and challenges faced by the industry currently and will face in near future globally. The paper deals with various retail formats and their opportunities for their growth and also introspect some strategies applied by the top retailers to face the challenge

This paper objective is to put a light on the retailer's behaviour experimenting the formats, it also highlights the tuff competition between the brick and motor and the non -store retailing formats as one big challenge for pulling and conversion of customers. Apart from discussing about the various challenges the paper throws light on the biggest challenge of customer retention and discusses various strategies to achieve it. The objective of the paper understands the impact of the power of customer's value plus influence on customer retention.

Customers who are fully engaged represents 23% premium in terms of share of wallet, profitability, revenue, and relationship growth (Gallup State of the America Consumer 2014)

86% of buyers will pay more for a better customer experience, but only 1% of customers feel that vendors consistently meet their expectations ( Forbes)

### **Introduction**

Retailing in India is gradually inching its way towards becoming the next booming industry. The whole concept of shopping has altered the consumer buying behaviour. 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 women population and emerging opportunities in the service sector are going to be the key growth drivers of the retail sector in India. The retailing industry is confronted with unprecedented change. Economic turmoil and technological advances are combining to reshape the retail landscape faster than some retailers are able to react. Today's consumers have vastly different and more sophisticated expectations of product, service, value and environment than five or ever three years ago. In the new multichannel reality, the boundaries between virtual and physical space are becoming blurred and retailers are being forced to question the role and function of stores in an environment where their relevance to the connected consumer is increasingly subject to challenge.

One big challenge is the role of store is under question; even the most pessimistic commentators do not seem to be predicting the complete demise of the store. There is a still lot of hope.

The second big challenge is customer loyalty which seems to be dead

The third big challenge is to bring in new strategies of customer engagement

The fourth big worry is about customer retention

And finally the power of customer today through various channels to influence the other customer positively or negatively

### **Objectives:**

- ❖ To study the factors impacting the growth of organized retail sector.
- ❖ To analyse reason of big retailers experimenting with the retail formats.
- ❖ To introspect the challenges, roadblocks faced by the organized retailers, specially the retailers with store format.
- ❖ To throw light on other big challenges of retail relating to customer loyalty , retention and referrals

### **Factors driving the growth of Organized Retail**

Indian economy is growing at the rate of 8-9% indicating prosperous future. The consistent economic growth resulted in a decent rise in Income of the middle class. The heavy pockets of the consumer resulted in a revolution of retail industry. Many international brands have entered the market. Some important factors that led to growth of retail sector are:

- ❖ The changing Indian consumers psyche.
- ❖ Greater per capita income
- ❖ Increase in disposable income of middle class households
- ❖ Growing high and middle income population.
- ❖ Affordability growth, falling interest rates, easier consumer credit
- ❖ Greater variety and quality at all price points
- ❖ Urban consumers getting exposed to international lifestyles, inclined to acquiring asset.
- ❖ No longer need-based shopping, shopping is more a family experience.
- ❖ Greater levels of education

### **Changing mind-set of consumers- Increasing tendency to spend.**

- ✚ The shift of consumer purchase patterns and the build-up confidence in the retail sector thereby giving shape to the government allowance for FDI in the Indian retail sector.
- ✚ The changing consumer preferences of the Indian buyer along with the gender driven increase of purchasing power which has taken a different shape i.e. more and more women are taking up corporate jobs which is adding to family's income and leading to better life style.
- ✚ The recent trends of jumbo sized retailers establishing themselves as super saver locations in the consumer psyche and consumer acceptance of these stores as discount destinations
- ✚ The growth of luxury brands in the Indian market wherein the increased consumerism is apparent in the fast increase in sales of apparels, lifestyle products etc which have started to carve a profit.
- ✚ Retail not being limited to only consumer goods is further explored in the books music and gift retail industry.
- ✚ Food being a major driver of retail consumption globally has also seen growth and entry of various global fast food chains into India backed by slowly building weekend spending patterns in the metros as well as acceptance of these food habits.

### **The changing retail environment challenges**

In Today's changing retail environment we are observing five key pressures on retailers in the marketplace

- Consumer spending levels vary as per the categories of the products. They are becoming weak for discretionary goods
- Business costs continue to rise, increasing not only variable costs but also fixed central costs.
- Evolving technology and an ever increasing number interactive devices is profoundly changing consumers shopping behaviour
- Retailers are been facing tougher competition in recent years from international players , grocery retailing and pure-play online retailers

- The biggest challenge of seeking sustainability by seeking to become more environmentally friendly and making an appeal to green consumers

Apart from the above mentioned challenges the further road blocks for a store formats are as follows:

**Issue of land:**

The debate over the future of Indian retail sector has arisen because people are questioning whether the public land used for these malls, the ultimate symbol of consumerism is being put to good use. There is a hue and cry over the entry of private organized retailers.

**The challenge from the online retailing:**

The single most important evolution that took place along with the retailing revolution was the rise and fall of the dotcom companies. A sudden concept of the non-store shopping emerged, which threatened to take away the potential of the store format. This made the retailers start experimenting with the store formats. Even the population dynamics of India which says the 60% of Indian population is below the age group of 30 has a change mindset.

The other technical road blocks of store formats:

- The manpower challenge: Talent shortage and lack of trained manpower. High cost of retaining manpower
- FDI condition of minimum investment with an infrastructure development and procurement of raw material cost.
- Inefficient supply chain
- Too many intermediaries
- Difficulty in clearance for setting up retail outlet
- Inadequate infrastructures, lack of retail space and retail estate issues due to high demand for real estate. Challenge of investing heavily in technology to monitor stock and their movement, both in-stores as well as enroute.
- Another big challenge is the supply chain which is dominated by unorganized players with several layers of intermediaries, thereby adding to wastage and pilferage at each level.
- Frauds in retail: It is one of the primary challenges the companies are facing. Frauds includes
  - ❖ Vendor frauds
  - ❖ Theft
  - ❖ Shoplifting
  - ❖ Inaccuracy in supervision and administration
  - ❖ Inadequacy of security technology like CCTV and POS system

The convergence of these challenges requires that retailers re-evaluate and adapt their store propositions to face the future with a commercially sustainable proposition. To do this, retailers need to truly understand changing consumer requirement and assess how these can best be addressed within the four wall of the store.

**The challenge of Customer loyalty**

The amount of trust consumers put in brands is decreasing all the time, and a typical consumer will now switch brands without hesitation if they get better offer. There are number of shifts that go some way to explaining the decline in customer loyalty

- ❖ Failing to keep up with customer's expectations
- ❖ Failing loyalty programmes
- ❖ Customer making rational decision instead of having emotional attachment with the brand

### **The Challenges of achieving customer engagements**

- ❖ **Customers are increasingly distracted:** The first major challenge any customer engagement strategy must take is cutting through the distraction to convey the value of business – not just once but again and again. Repeated interactions are needed to strengthen the emotional, rational and psychological bond of the customers with brand and store image

The strategy to overcome this challenge is simplicity and persuasion. Simplicity is achieved by focussing only on customer's main scarce resource. For some it can be time and for others it can be money.

Based on an understanding of customer psychology, persuasion by highlighting the uses of the brand and creating a loop to make purchasing decision quickly.

- ❖ **Customers have increased expectations**  
It is very important to meet these expectations of the customers and they have an influential power which in turn would add more customers in our basket or will create leakages from it. How to meet the expectations is to understand their expectations and handle them carefully as not all the customers give a chance after being dissatisfied by a brand. Expectations can be increased by increasing the relevance of the product or service and communication. A framework of personalization needs to be planned so that a proper decision on how the customer can be engaged, when and with which channel and what method and message can be decided.

- ❖ **Customers are listening to new models of authority**  
Customers are listening to new models of authority which is with the change of time and technology. Openness and authenticity of the effort to offer something valuable or a valuable advice with the help of latest technology will be an effort to gain trust from the audience and they will believe our models of authority.

The strategies for engagement will be different over time and audience and the above mentioned challenges are universal and if the retailer will address them they will have better chances of sustaining themselves in the market.

### **Conclusion:**

There is intensification of competition through a shrinking markets and an increasing number of players converging from other sectors or other countries have compelled retailers to do experiments with store formats, Retailers sustainability is a global challenge today in spite of the growing market. The competition which is getting tougher due to three sources i.e. increasing international players, supermarkets entering non-food markets and majority pure-play online retailers. To face this fundamental transformation is required by retailers. The trends and dynamics in the industry are driving a significant change in the role of the store, yet there are clear opportunities for the sustainability of the store format and winning the consumers and retaining them by creating customer loyalty. The retailers need to take tough decisions regarding the store portfolio its expansion plans and also its visual and virtual presence for sustainability. Those players that can recognise and response to the reality of changing consumer behaviour and implement the below mentioned strategies will survive the rough times ahead and emerge as winners in future of Indian retail.

### **Strategies of sustainability of store format**

- ❖ Redefining the store proposition and identifying how they can best address the changing customers need
- ❖ Retailers need reassess their store portfolio. The increasing costs of operating stores, changes in consumer behaviour and the growing online opportunity suggest that retailers will need fewer stores in future.
- ❖ Fundamental changes will need to be made across the organisation in all functions in order to support the operation of the store to face the challenges of the pilferage and professionalism.

- ❖ Positioning oneself to be present both visually and virtually would be the sustainability mantra for the future stores. Lifestyle and value are retailing under multiple retail formats
- ❖ Leverage on high margin on Private label strategy: Due to shifting of demand of the retail markets from the store format to non-store format many retailers have introduced their private labels available only in their stores.
- ❖ Some retailers are cost cutting by having no fancy frills
- ❖ Strategy of becoming all product category stores.
- ❖ Strategies of retaining customers
- Avoiding losing customers by building relationships and keeping in touch using a rolling calendar of communication  
Customers not only respond to this positivity but they really appreciate it. It is very important through interactions to make the customer understand that they have made the right choice.
- Keeping customers satisfied by extraordinary customer services. This leads to strong positive influence made by the customers to other customers.
- Long term success and customer retention belongs to those who do not take ethical shortcuts. There must always be consistency in what the retailers say and what the customer's experience. The design, build quality, reliability and serviceability of the brand and the retail store must be of the standard the customers have expected.
- A complaint is a gift. Customers who complain are giving retailers a gift as they are still giving them a chance and an opportunity to return them to state of satisfaction and delight them. The manner in which these complaints are handled gives another chance to the retailer to retain the customer
- These strategies would lead to influential customers who will further recommend the product, the brand or the retail outlets to family and friends. These referrals have become powerful as an influential person can broadcast what they think about a brand or store to dozens, hundreds, thousands, and even millions of users, using a simple email list to twitter. Today most companies that engage with customers in social media monitor and extract market intelligence from social media customer activity and interactions using various monitoring and listening tools.

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