

Diffusion Of Retail Through Shopping Malls In India: Critical Success Factors For Retail Organisations

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Abstract

Retail accounts for over 10% of the country's GDP and around 8% of the employment becoming India's largest industry and is emerging as one of the most dynamic and rapidly growing industries with tremendous opportunities in organized sector & several players entering the market. India is the fifth largest global destination in terms of retail space. With the emergence of Western-style malls in metros and second-tier cities the Indian consumers experienced the shopping experience like never before. The emergence of malls, as an important and significant destination for shopping, recreation and socialization has turned the face of the retail industry in India. In the present scenario where differentiation is becoming more and more difficult, the Mall managers must adopt unique and innovative strategies to understand the consumer's motivation to craft success. This article aims at studying the critical success factors for shopping malls in India.

Key words: Economy, Innovation, Investment, Retail Strategies.

Introduction

A significant transformation has taken place in associating shopping malls as a place of mere a purchase to a place of entertainment. Shopping malls, now a days have evolved as community centres for social and recreational activities (Nurani, 2003). Shopping malls across the globe share same level of setting and involve almost same type of business. But there is also a fact that the utility of malls vary from country to country or it becomes heterogeneous between different cultural settings. There are local variations due to economic or cultural differences in a particular country. It has been seen that in eastern part of the world, malls aim at bringing both modern lifestyles and convenience to shoppers and also serves those persons who aspire to look good and lead a better life (Nurani, 2003). Whereas in western part of the world, shopping malls act as a source to provide a safe environment family shopping, as well as an interesting and accessible place for the elderly to stroll (Miller & Others, 1998).

In India, mall culture gave rise to organised form of retailing and gave middle class families an opportunity to purchase a variety of products under one roof along with the comfort of other amenities available in the mall. In India, the mall culture actually brought in the organized format for Retailing which was absent earlier. Initially the malls were planned for the higher strata, but they successfully adapted to cater to the larger population of India and today malls are changing the way common Indians have their shopping experience (Rani, 2010).

Retail in India

Indian retail is dominated by unorganized sector with large share of counter-stores and street vendors. Retail sector in India employs a large section of the population and out of them, most of the people are uneducated, unskilled individuals that prefer retail as an alternative to agriculture. As most of Indian people engaged in retail business come from agriculture background, so they do not possess any skill or exposure to expand their business and always strive for progress. Lack of international exposure is a big hurdle in the progress of expansion of retail business in India. Liberalisation played a key role in opening of Indian retail sector to the world. It was the result of liberalization process that paved way for the growth of retailers in India. During the initial phase, only few companies entered the Indian market in order to tap the upper middle classes of the country. The retail companies during the initial period of liberalisation were unable to reach to the lower middle class people which roughly forms 50 % of total population. Due to a large gap in socio-economic structure of the country, a large

part of total population never treated shopping as a form of leisure. During this phase, individual retailers saw small gains, but due to lack of infrastructure, an unattractive Indian consumer and absence of regulation never provided favourable condition for organised retailing (Rani, 2010). In order to improve the situation, Indian government in 2011 took a bold step by ending cap of 51 percent on FDI into single-brand retail outlets. This led to the entry of foreign investors in the Indian retail market and paved way for a retail revolution in the country. The removal of FDI led to the emergence of malls across the country which attracted the common masses to these shopping centres, thereby increasing the prospects of retail business. Today the retail industry has witnessed a great amount of transformation as compared to its date of existence. With a progressive rate of economic growth of around 8 per cent over the last 2 years in there is a major transformation in the Indian class structure, with growth in income of consumers. The higher income led to the growth of the Indian middle-class. Unlike the early middle class people, the present middle class people adopted a Spending approach to improve their standard of living rather than saving approach (Nimbrain, 2015). According to the Global Retail Development Index, India holds the position of foremost destination for retail investment and business development. A consistent growth in the retail business is due to considerably high purchasing power of a large section of Indian population in the age group of 20-34 which resulted in the increased demand in the urban market. As the spending power is no longer limited to metros, tier 2 cities provide favourable environment for good market for almost every product or service. Although labelled as tight fisted, Indian consumers are great spenders once they get value for their money.

Review of Literature

The retail industry in India has been a matter of research since the start of this century. There is a lot of quality research available on the different aspects of Indian retail sector. A study by Mazumdar (2014) explained that the influence of shopping malls is described as the sum of effects, which affects the quality of life, the neighbourhood, the work of city transportation system and architectural system and urban perception of the city. Nimbrain & Kant (2015) found that Indian retail sector has all the required tools and is ready to take on challenges from global retail players such due to a better understanding of the Indian consumer's psyche. Tiwari & Abraham (2010) underlined that the emergence of malls is an important and significant destination for shopping, recreation and socialization which has turned the face of the retail industry in India. Vashisht & Wadhwa (2014) concluded that consumer prefer to buy from a place where the accessibility is higher and where they can buy everything under one roof. Joseph & Singh (2015) explained that India has witnessed a huge transformation in the consumer lifestyle which has been influenced by the geo-demographics, socio-cultural factors, psychographics, preferences norms and behavior. Soodan & Pandey (2016) found a significant relationship between emotions and purchase decisions of non durable products with retail stores as point of purchase. Jasper & Hu (2007) highlighted that with the growth of mature consumer segment in terms of population and wealth, it becomes increasingly necessary to understand and meet their demands. Sohail (2015) found a significant difference between the genders associated with mall patronage. Sinha, Gokhale & Thomas (2012) in their study concluded that retailers in different formats, including online, has affected an irreversible change in consumer buying habits and businesses related to serving these retailers.. Pandey, Kumar & Soodan (2012) derived that while making strategies, the emotional aspects should be considered. Venkateswarulu & Uniyal (2007) proposed a set of attributes for shopping malls in the city of Mumbai (India). They found that attractiveness of a mall depends on appeal and convenience, ambience, personnel, amenities and atmospherics, parking and seating. They also suggested some new attributes like restrooms (utilities), parking, security, smell (odour), and size of stores. Pandey (2007) tried to find the various factors influencing the choice of retail selection as well as the role of retailers in choice of product. Jamwal & Soodan (2014) found that emotional branding can be used to reduce dissonance in retail. Chattopadhyaya & Sengupta (2006) while studying Marketing activities of shopping malls in Kolkata found that distinctive positioning of shopping malls is attributable to appropriate marketing strategies and these also resulted in increased customer patronage. Therefore, it can be stated the literature available provides enough evidence that

the growth of retail sector has achieved a great pace with the introduction of malls as a institution of organised retail.

Growth of Retail in India

Indian retail market holds huge potential due to ever increasing income of middle class families. The businesses in developed countries have reached a point of limit in their respective retail markets and India's vast middle class and its almost untapped retail industry have fascinated global retail giants to invest in the country. Even though India has over 5 million retail outlets, but there is lack of modern technology in Indian retail industry which presents international retailers a great opportunity of doing business in India. The huge investments from abroad have led to the growth of Indian retail sector with a great pace. The retail industry in India has witnessed high rate of growth in the last decade with a slight shift towards organised retailing formats. The retail industry is moving towards a more developed and modern format. India's retail market was estimated at US\$ 435 billion in 2010 and out of these, US\$ 414 billion was traditional retail and US\$ 21 billion was organized. It is expected that India's retail market will grow at 7% over the next 4-5 years, reaching a size of US\$ 850 billion by 2020. Traditional retail is expected to grow at 5% and reach a size of US\$ 650 billion, while organized retail is expected to grow at 25% and reach a size of US\$ 200 billion by 2020. It is expected that organized retail sector will achieve growth higher than the GDP in the next few years because of influence of increasing urbanization, rising purchasing power parity (PPP) and growing middle class, technological advancement, globalization, attitudinal change, changing lifestyle patterns, positive demographic outline with a large young working population, nuclear families in urban areas, along with increasing working women population and emerging opportunities in the services sector.



Exhibit 1: Retail Formats in India

Retail Formats

India currently has variety of retail formats that support the retail culture and brings potential customers to the point of purchases. The most popular retail formats are exhibited in Exhibit 1, and are also listed under as:

- Supermarkets
- E-Tailers
- Malls
- Speciality Stores
- Departmental Stores
- Warehouse Stores
- Grocery Stores

The formats of retails equally contribute towards the growth of retail sector, but the more modernised culture like emergence of shopping malls have contributed significantly towards the overall growth of retail in India.

Change in Consumer Consumption Behavior

Indian economy has witnessed many ups and downs since it was liberalised. The same can be attributed to the consumption patterns of the consumers which are changing from time to time. This change not only poses a challenge to the producers and marketers, but also opens avenues to new innovations and new trends. In a country like India, these challenges increase manifold because of variation in terms of population, languages, culture and beliefs. This has ultimately led to inconsistent consumption patterns within the same market. Further, Indians from rural areas migrate to cities in search of a better job, education and lifestyle. Initially, the urban Indians better adopted new product /service concepts from the developed world, and the smaller markets responded positively to the format of need based retailing. With the emergence of organised form of retailing in India various retail formats are developing to capture the potential of the market.

Shopping Malls as Retail Outlets in India

Malls are the largest form of organized retailing in the world today. Inside a modern shopping mall, one can get an ideal shopping experience with a combination of congenial atmosphere, entertainment, world class international brands, basic amenities with cuisines, all under one roof. In a country like India, malls have changed the way of shopping and have given a new experience to the shoppers. But at the same time, it have not been able to replace traditional markets which are still popular among the price conscious people, but it can be said about the shopping malls that they have added a new adventure to the shopping experience. The mall culture includes learned shopping experience which is different from the typical shopping trends prevailing in India. The mall culture developed in the society due to a change in the habit of shopping, leisure and entertainment. In India, the acceptance of this change has taken place at a rapid pace. The organised market of shopping in India has a huge potential due to the availability of a large customer base and untapped market. The mall culture in India has strengthened its roots because of high population, increasing income of people and variation in buying habits of consumers. Hence, it is clear that malls reflect the state of the society in many ways. Also, India is said to have a young population with a much busier lifestyle, high incomes and increasing purchase power with a focus on value factor of the retail purchase rather than just price. This change in lifestyle and retail purchase habits has managed to create a requirement of malls for the urban masses. The working population too has a limited amount of leisure time and a visit to the mall can do a lot for a family which has a short amount of spare time to purchase. In addition to this, the increase in women empowerment and participation of females in other areas apart from the domestic work led to demand for more products like a better ambience, more convenience and one stop selection and shopping. This has increased the growth of departmental stores, supermarkets and other specialty stores. It can be said that the mall culture has changed the way of retail shopping experience and India and introduction of this modern trend has transformed the organised format of purchasing.

Malls as an Alternative

Malls because of their distinguished characteristics have emerged as alternative to the traditional shopping practices. Malls can also be termed as world under one roof, where one can find offerings from different brands belonging to different countries. Also, malls provide a better opportunity for the people to get upgraded from the average or poor shopping conditions to a world class experience of shopping. This shows that apart from shopping, people get a large amount of benefits when they enter a mall. Malls have branded outlets which attract brand conscious people. At the same time, malls as great reliever from the scorching heat of the sun in summers. Another reason for the malls being attractive is due to the availability of huge space. Malls also attract people who want to spend a good amount of time with their friends along with window shopping. Hence it is clear that malls have attained the level of preference, this explains that frequent and prolonged electricity

and water cuts are some of the strong reasons why the common man in India is attracted towards this modern way of retailing.

Conclusion

Retailing involves the sale of goods and services to consumers and it is sole priority of every retailer to provide best offerings to the customer. When it comes to retailing in India, there are varieties of retail outlets which are engaged in retailing. Of all the retailing types, malls have been accepted in the country with open arms. Most of the middle class people of the urban areas of the country are engaged in purchasing through malls which has led to the growth of these institutions of buying. Also, since the start of this decade, Indian consumers and their lifestyle have transformed thereby making the Indian market as one of the most potential markets of the world in terms of business opportunities. The perfect mix of economic and personal factors like lifestyle has contributed significantly towards change in shopping habits. Shopping malls are in growth stage in the country and this can be seen from the increasing competition for a large chunk of market share. Also, organised retailers should work in order to develop knowledge resource centre that collects, analyses and spread information on techniques of profitable operations of retail. Hence, it becomes essential for retailers to tap the potential of changing lifestyle which is evident in the form of growing mall culture in the country in order to be a part of this process of retail revolution.

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