

The ever changing market place of oman marketing essay



Oman Retail Industry is characterized by a strong consumer demand, robust economic growth, distinct demographic factors and high end technology system that ensure the better customer service and efficient customer checks. The sultanate is one of the developing countries that has succeeded in achieving, within a short span of time, a high level of economic growth. Out of the total GDP 57. 1% is from the service industry. As in any other country Retail Sector in Oman is having both the sectors organized and unorganized retail sector. The paper is focused on the organized retail sector of Oman. Even in the organized sector, there is a stiff competition amongst large number of hypermarkets, convenience stores, warehouses and gas-station chain stores. Everyday new entrants are coming in the business with their new competitive strategies and niches. Oman has good organized retail markets in GCC. Oman's Per Capita retailing space is highest in GCC.

Major development happenings in the area of retail space in Oman are hypermarkets and malls. Oman is witnessing an exponential growth in the space occupied by organized retailers. The paper presents a comprehensive view of the organized retail industry across Muscat.

Keywords : Retail Industry, Hypermarkets, Competition, Developing Countries

Introduction

Oman is the second largest country in GCC after Saudi Arabia with total land area of 212, 960 square kilometers and over 80% of its current population of 3 million is Omani nationals. Oman is a middle income economy in the

Middle East with notable oil and gas resources, a substantial trade surplus and low inflation.

Oman Economic development has seen three phases. A phase of rapid expansion then economic retrenchment and rationalization because of oil prices collapse and the last phase a period of standardized growth since 1990. Economic growth and structural change have proceeded rapidly in Oman during the rule of His Majesty Sultan Qaboos Ibn Said. When HM Sultan Qabus Ibn Said assumed power in 1970's, he immediately implemented an economic development and modernization programs . Priority was given to expanding the countries nonexistent infrastructure. Economic Growth was accompanied by increase in contribution of the service sector from 18% in 1970 to 57% today. The GDP Average annual Growth exceeded the world as well as middle east growth rate by 3%(6% in 1991-2000 in Oman 3% in the middle east and Africa and world) Retailing consists of the sale of goods/ merchandise for personal or household consumption either from a fixed location such as a department store or away from a fixed location and related subordinated services. In commerce, a retailer buys goods or products in large quantities from manufacturers or importers, either directly or through a wholesaler, and then sells individual items or small quantities to the general public or end user customers, usually in a shop, also called store. Retailers are at the end of the supply chain. Marketers see retailing as part of their overall distribution strategy.

Retailing is not just buying and selling necessities, it is now more of a lifestyle statement, one whose foundation is based on choice, convenience and brand value. Shopping is buying things, sometimes as a recreational

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activity. Retailing is world's largest private industry. It is estimated to have US \$ 6. 6 Trillion sales annually.

Retail outlets can be divided into categories according to the amount of square feet of floor space, the level of services offered and width and depth of product offering. In practice stores may have different names in different countries and definitions based on selling area may also vary. Clarence Saunders, invented Keydoozle in 1930's in which shoppers stuck keys in glass display case to choose specific products which were taken via conveyer to check out line. This perhaps was the basis for today's Supermarkets and Hypermarkets. A variety of terms are used to large stores Hypermarkets, mass merchandisers, supermarkets, superstores, shopping malls and shopping centres etc. France, Belgium, Spain & Colombia are the countries in which supermarket industry is very well developed. Retailing is a two way street. There exist potential advantages and disadvantages to this retailing venture. A retailer has following things to offer consumers:

1. One price Policy : No Place for Negotiations
2. Selection of goods at a lower price
3. One Stop shopping
4. Large Assortments
5. Centralization of the nonselling functions
6. Amenities (Beauty Parlour, Free Decorations, Nursery)

7. Overall manner in which the goods are offered in store setting, including store site, parking facilities, instore setting and customer services.

8. More Personal Services than discounts

Retailing and Oman

Till late 70s and 80s the country was having unorganized retail market.

Traditionally the retail business was run by small souks. The traditional Arabic market place is called the souk and these are still found in many of the towns throughout Oman. More than 90% of retailers function in less than 500 Sq ft of area. Most of the items were bought by the liking of the souk owner and pricing was done on adhoc basis or on seeing the face of the customer. Selling prices were largely controlled by manufacturer. Weekly Juma Bazaars were very popular and almost all commodities were sold there including livestock. Juma bazaars are still an important weekly bazaar in Oman but now the main attraction now is second hand goods. Bargaining was common. Retailer to customer ratio was low. Most of the buying by mass population was need oriented. Impulsive buying or consumption was restricted to food or vegetables etc. Household items as well as traditional handcrafts are on sale in the souks. In some souks like Nizwa and Sinaw livestock are auctioned and bartered. Beside its obvious economic purpose, the souk has long been the fulcrum of social interaction.

Some of the Important Traditional Souks of Oman are Muttrah Souq

Muttrah Souq is the oldest market place in the Capital Area and is located behind the

Corniche of Muttrah, rumbling over a large area. Entering the Souq. A cornucopia of exotic sounds, smells and flavours assail in the senses in bewildering yet exciting chaos. The Souq of Muttrah is a maze of pathways leading in and out of each other. The important thing while shopping in a souq is bargaining.

Nizwa Souq

This traditional souq hosts a lively cattle market early each Friday morning where cows, goats and sheep are auctioned. The obstinate behaviour of the animals often provides great amusement for the spectators. There is an abundance of local handicrafts and produce in the new covered souq. Silversmiths can be seen hammering patterns into the hilts of Khanjars and women sell the burqa – a glittering, embroidered facemask worn by local ladies.

Sinaw Souq

It has similar ware to Nizwa souq, including a cattle market. Some of the silver shops sell the old silver Bedouin jewellery,

Ibra Souq

This one is unique: it is open to all, as long as you are female! It is a fairly recent innovation, opened in 1990 and is held on Wednesday mornings. It is the only souq in Oman which lends itself totally to the needs of women. Lotions, cosmetics, powders, textiles, perfumes and henna are amongst some of the items on sale.

Retailing in Oman: The New Dimension

Omani capital's mallspace is changing. Some of the indicators that the retailing has come out of age are fashionable store facades, daring displays an everchanging numbers of international brands, loyalty cards, cineplexes, foodcourts kids zone in malls etc. The mall and shopping centres in Oman not match Dubai in size and style but have their own character and ambience . Dubai depends upon a floating population of visitors, but Oman caters mainly citizens, residents and a small number of visitors. The Omani Capital Muscat has come a long way from the simple old souk to the ultramodern hypermarkets. The concept of the friendly neighborhood store, by all indications, appears to be on its way to becoming history.

It is the malls with their better ambience, wider choice, better facilities and the convenience of having all that you need under one roof that are attracting more and more customers . Retailers, realizing the potential have been quick to set both expansion and re-branding plans in motion. For retailers in Oman, the accent has been on acceleration. We can observe it if only we take a look at the number of malls and hypermarkets in the sultanate to see how quickly growth has taken place. The capital has number of shopping malls and hypermarkets. Customers are driven toward the hypermarket due to several alliance shops and international brands. Customers nowadays want a total shopping experience under one roof. The shift to hypermarkets as a natural progression along the retail evolution path. Customer perceives that as compared to small souks, hypermarkets, offer better variety at lower prices and the quality of products is guaranteed as well. Customers in Oman become more educated aware and demand

choice . Choice, it would seem, translates into convenience. Customers are the main beneficiaries in this shift from small shops to large hypermarkets. The move from micro to macro also owes itself to the strength of the economy. With the Omani economy growing at a very rapid pace, there is tremendous interest among retail sector investors in the region.

One of the reasons for the growing interest of Omani nationals is the increased income and spending power . The sultanate has seen in the past, a rapid increase in the income due to omanisation. Omanisation has created many job opportunities for the nationals who in turn have increased the spending power of the nationals which is driving them more and more towards the shopping malls. Oman is witnessing a retail sector boom in the past six years with a number of big-format hypermarkets slated to open and expand their retail chains in the country including the big names such as Carrefour, Sultan Center and Spinney's. Moreover, Muscat has total area of 190, 000 sq. meters in major malls in the capital area most of which was built in the 90's. This means that the Omani per capita area for these shopping malls. Retail sector is making headway with number of hypermarkets opening up in Muscat the foreign direct investment is maximum in the commerce, wholesale and retail trade represented 20. 75% services.

The expansion in retail sector as such has increased the levels of self awareness in the retail sector It is forcing the hypermarkets to constantly monitor the market in which they operate. The market includes a major price sensitive customer segment also. Backward integration, to further streamline operations, is another route that certain retailers in Oman are favoring. They <https://assignbuster.com/the-ever-changing-market-place-of-oman-marketing-essay/>

are launching its own private label across its outlets as a measure to counter escalating prices. The other major strategy used by these hypermarkets is of collaboration. For Example the car small within a shopping mall it is this basis, in novelty as well as practicality that promises to improve existing levels of customer convenience. Another strategy of Just Ask programme, where worldwide products are directly makes their way to the homes of consumers in Oman. The retailers understand that survival is not just about being fit. Hard work has to be combined with smart ideas that foresee the future. Considering the competition, everyone is improving their operations if they don't, they will lose their market position and share. Efficiency is not really a relative parameter. It is important that first time customers should become permanent customers and stay that way. Considering the competition, it is no surprise that all the players in the retail market are raising the stakes. Competition is healthy, and it is needed to improve the services and operations of the hypermarkets.

With more competitions the hypermarkets will come out with innovative ideas to improve upon their quality and services. With this the customer is gaining and slowly the market is moving towards customer's market. The markets are trying to differentiate themselves on the basis of factors like customer orientation, Number of retail outlets, low price, wide range, competent management, more space etc. The customer wants premium on good price, convenience and good customer service. Some of the major hypermarkets in Oman are as follows:

Sabco Commercial Centre, Qurum

Sabco Commercial Centre, Qurum, is one of the first shopping malls to open in Oman in 1985. The two-level centre has multiple retail outlets and a traditional souk. The souk has 27 walk-in shops that sell silver jewellery, handicrafts and clothes. The store targeted the wealthy market segment. As more and more oil fields were discovered in Oman, the store prospered. The store brought Godiva-a specialist gourmet and Belgian chocolate to Oman.

Sultan Centre

Sultan centre made several contributions to the development of the retail trade. It served not wealthy but upper income segment. A popular meeting place and great find for the latest in European and International fashion and accessories.

Lulu Hypermarket

The concept of hypermarket shopping has clearly caught on with shopper communities across the region. Emke Group recognized changing market trends and responded to them promptly, offering its customers bigger and better designed shopping environments by way of LULU shopping malls and hypermarkets. The group, has major interests in wholesale and retail distribution of food and non-foodstuff, manufacturing, export-import, frozen and processed food industry and IT has operation bases in all major cities of the Middle East, Asia and Africa. As part of their group's policy they have laid special emphasis on recruiting Omani nationals .

They acknowledged the significance of training the local youth and have been conducting on-the job training for these national recruits. Noted

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authorities in retail training were hired to develop and implement employee training. The group felt the pulse and strategically designed store facilities and imported the latest state-of-the-art equipment and technology. The extensive network of branch offices and sourcing centers was a big advantage in providing quality products at the most affordable prices. (Times of Oman). ' Khimji's Mart Supermarkets KR Group's Retailing Division manages the popular Khimji's Mart supermarkets and a chain of Welfare Markets for the Royal Oman Police. With 4 strategically located retail outlets in the Capital area and two large supermarkets in the interior, Khimji's Mart LLC is a key player in its category in Oman. Fully owned and operated by the Khimji Ramdas Group, Khimji's Mart caters to a mix of customers of diverse nationalities and varied shopping preferences by giving them unlimited options to buy the best international and regional brands in the food commodities, lifestyle and consumer non-durables segments. Khimji's Mart outlets have taken the lead in training young Omani nationals and integrating them into key positions. They are located at Ruwi High Street, Darsait, Wadi Kabir, Al Khuwair, Nizwa & Sur.

Markaz Al Bahja

Markaz Al Bahja Shopping Mall was developed to give Oman a mall of truly International standards, so as to offer the people an alternative to Dubai as a shopping destination. The 350, 000 sqft Markaz Al Bahja mall, located not very far from MCC, was opened in mid 2002. The three-level mall, easily accessible from the Capital as well as its growing suburbs, is another popular shopping destination . The mall also has a big parking facility, which can accommodate 1200 cars. Three floors of shopping and is a dream come true

for most Omanis. Markaz Al Bahja has established itself as the premier shopping Mall in the Sultanate of Oman.

Al Harthy complex Location : Qurm

Easily recognizable by its unique design which features a star filled dome, the Al Harthy Complex has spacious floors of shopping with over 100 retail shops. From textiles, antiques, perfumes, children's toys and games, fashion and beauty products, computer accessories, and watches to books, greeting cards and flowers, everything is available at the complex. With a video and amusement arcade, the laser game Q-zar and Sindbad's play city, the complex is a hot favourite with children. For lunch or a snack one can step into Kargeen Coffee Shop, or stop by for a bite at Burger King.

Muscat City Centre (MCC)

Carrefour opened its first supermarket in Annecy, Haute- Savoie, France, in 1960. The opening of Majid Al Futtaim Investment's (MAFI) Muscat City Centre (MCC) in 2001, ushered a new era for Oman's retail sector. The MCC, covering a total GLA of 540, 000 sq. ft. and 1, 500 parking spaces, claims a weekly footfall of 155, 000. Its main anchors include Carrefour and Magic Planet. This year, the MCC is poised for a further expansion, which is expected to add another 300, 000sqft of retail space to its existing strength. MAFI is planning to open a Carrefour outlet in the Qurum area of Muscat later this year. Major Shopping Malls of Oman, Sponsors, Number of outlets and year of start With so much of competition and options available to the customers, all the hypermarkets are thinking in terms of the loyalty programs to keep customers with them.

Some of the loyalty programs like privilege cards, vouchers, special discounts. But what loyalty program is to be used at a specific place is the matter of great creativity. The key ingredients for any successful retailer: brand experience, convenience, customer service, social responsibility, today's true differentiators. | Earning points toward rewards or free or discounted merchandise.

Using third-party partner currencies, such as airline miles for retail purchases.

Offering rebates or discounts for using a store-branded credit card.

Providing information that is relevant, valuable and exclusive.

Allowing member's access to products, services and experience otherwise unavailable to the public.

Recognizing best customers with " elite status."

Inviting customer involvement in opportunities such as beta testing, first access to new products, participating in an " advisory board," creating and submitting advertising ideas, even inviting best customers to parties and special events.

Challenges faced by the Retailers in Oman

Price war: Competition can lead to the price wars | Discount is expected by the gulf customer in case of bulk purchase. | Sale is one of the important factor which pulls the customers towards the malls and only two promotions a year are allowed which are too less to sustain the customer for 12 months |

More and more companies with international brands and structure are coming in the competition. Once upon a time, retailers knew all their customers personally. They knew their preferences and what was happening in their lives.

With this knowledge, retailers were able to react quickly and market to each customer individually. Along the way of growing chains and building malls and promoting self-service, many retailers lost touch with their customers. E-commerce is again coming as a new challenge to the hypermarkets. Less size of the population is another challenge in front of the retail sector as with more competition and less number of customers the market is moving more and more towards becoming the buyers market. Dubai again is a threat to the retail sector with its competitive prices and easy approachability. Tourism is growing but the growth is not fast enough to catch with the tourism in UAE.

Suggestions

More initiative from the government in the form of more commercial activities.

Connecting tourism with shopping: need to improve tourism to trap the enormous

potential present in this sector, which will enhance the retail sector further.

Duties on certain items should be reduced to encourage the retailers

Discouraging customers to buy from Dubai by creating an awareness program

those items are much cheaper here than in Duabi

International Service standards should be provided by the hypermarkets

Since the beginning of the 1970s, with Kilter's pioneering work, the topic of atmospherics effects on consumer behavior has gained popularity Managers of retail and service outlets have understood the importance of the built environment in enhancing product evaluations, consumer satisfaction with the shopping experience and sales.

There is a need for the ongoing training programs in Retail Management for the all managerial and non managerial staff members.

There is a need to give more boost up the Tourism Industry in the country.

Conclusions

The challenge in retail sector in Oman is perpetual. It was the same in the past and it

will remain the same in the future: understanding the retail consumer. In Oman consumers have higher expectations for lower prices. They are not prepared to compromise their desires and ethical values for simply more expensive products or basic low cost items. Shopping is becoming increasingly individualistic, driven by the growing diversity of the consumer marketplace, technology enablers and consumer's desire for greater influence and control. The retail power structure has permanently shifted

from sellers to buyers with more and more shopping malls in Oman .

Retailers have to use the problem solving approach. It means understanding what the consumer is trying to accomplish by looking at his ultimate goal.

The hypermarkets in Oman are constantly monitoring the feedbacks given by the customers and are very quick to respond to the problematic areas and suggestions. The hypermarkets as long as will keep their fingers on the pulse of the gulf customers will have a long way to go. The retailers need to understand that Retailers don't own customers, they own retailers. There is an increasing population switching from loyalists to non preference.

Consumers need to be connected. It means getting away from a transaction mentality and focusing on customer relationships, bonds of trust that create innovative opportunities to extend the relationship further. Live rich but act poor. Wealth levels and purchasing power are increasing, people overspend and retail has never been so good but there is a great consideration to shop where prices seems to be more justified.

Shopping should be not only convenient but easy, done in the consumer's way and speed. Innovative process, service and design solutions that are simple, intuitive and in tune with shoppers' needs. Consumers value what is scarcer and time is at the top of the first for many. They want it fast, they want it now (immediate gratification), they want it first (latest and greatest).

Innovative retailers are networking with companies in other business sectors to offer

new products or services outside their skills. The global trends are set in

more mature and yet still very dynamic markets, Similar trend with Oman
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Rapidly they spread across the globe carried by the increasing presence of worldwide known brands. The task is to understand the trends to anticipate the mood of the customers and as before and more then ever, there is a need to think global and act local.