

Is retailing really necessary in a country marketing essay



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The retailer is considered to be the intermediate between the wholesaler or the producer and the customer. But at the same time, the benefits that had been allocated from the retailers are much more than delivering the products and the services to the customers, instead the retailer had provided several merits for all of the national and international organization, individuals, and governments. For the purpose of the full illustration of the role of the retailing in the serving of the country and the whole society, there would be a huge investigation about the main issues that had been dealt with and problems that had been solved by the presence of the retailing in the country. Based on the level of the importance of the retailing is considered to one of the industries that the country cannot get rid of it or lose. However, there may be no many direct clear relationship between the retailing process and the social benefits, there would be consider that from the point of the view of the business, the loss of any kind of business, will naturally cause harmful effects to the economy of the country. Within the following, general academic verified studies and approved theories are going to be studied for the purpose of the identifying the degrees of the importance of the retailing in the country.

Literature review

Retailing is considered to be one of the ancient merchandising processes in the history (Jon H. Hanf & Zsombor Pall, 2009). In the past the retailer's role had been acted by the producers of the products and the services (Michael Levy & Barton A. Weitz, 2012). According to the modern businesses structures, the retailer becomes so far from the production process, with no direct or indirect influence over the whole manufacturing process (Michael

Levy & Barton A. Weitz, 2012). Despite of this fact the retailing had been considered to have a huge impact on not only the related institutions, but also the whole country (Michael Levy & Barton A. Weitz, 2012). The evolution of the retailing role in the business markets, led to huge interests and advantages that had been enjoyed by the overall society in the terms of the economical and the social aspects (Michael Levy & Barton A. Weitz, 2012). The retailing is considered to be one of the most important and attractive growing industries in the world (Jon H. Hanf & Zsombor Pall, 2009). The retailing system is considered to be following certain specific universal stages (Jon H. Hanf & Zsombor Pall, 2009). The first stage is the in sourcing of the retailing process from the producers, which means that the retailers will not have any contact with the customers anymore (Jon H. Hanf & Zsombor Pall, 2009). The second stage is the agreement with the producer about the rules and the procedures that should be followed by the retailing organization in order not commit any lack of quality of the products (Jon H. Hanf & Zsombor Pall, 2009). The third stage, the retailer will be offering the sale of the products and the services of the producers and the supplier presented as the retailer, who act on behalf of the producer (Jon H. Hanf & Zsombor Pall, 2009).

Indian Retail Revolution

The demographic profile of an Indian consumer is worth noting. The Indian consumers have the ability to spend over USD 30, 000 a year (PPP terms) on prominent consumptions which represents 2. 8% of the entire population. (What

represents 2.8% of the total population?) It seems like a small percentage but when we consider the mammoth Indian population of 1.07 billion people, this

number amounts to 30 million people, a market next only to USA, Japan and China. Consumers are the king and they only drive the retail growth but it is in turn driven by following factors. (Increase in Urban Population- Economic growth- Demographics- Credit availability) (Dr. Vipul Jain 2010)

One of the important faces of the retailing systems is the organized retailing system (Illm, 2012). The organized retailing include the identification of well-chosen a pre-agreed actors in the retailing process, so there would not be any unexpected presence of middlemen, who turn the transactions to be less efficient and losing the ability to achieve its goals (Illm, 2012). In addition, not only the actors are predetermined, but also the interaction system between them is determined and agreed upon (Illm, 2012). Throughout the following of such system, there would be assurance about the attainment of efficiency and effectiveness in the retailing process (Illm, 2012). In addition, not only benefits are going to be allocated by the actors, but also the benefits will lead to a higher economic benefit that will enhance the interests of all of the society and the national future economy (Illm, 2012). Several researches and studies supported the fact that the retailing has several disadvantages mainly the idea of the presence of the retailers encouraged the raise of the prices of the good and the service of the market (Illm, 2012). In the fact the evidence support the opposite results. Based on the studies and the researches the organized retailing processes can have a great positive impact on the economics of the country (Illm, 2012).

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The review of literature has been broadly categorized into two headings, namely:

- Overall Retail Scenario

Hino (2010) shared his observation about the emergence and expansion of supermarkets that gradually decreased the market share of the traditional formats by displacing them and the factors that helped supermarkets in gaining consumers favors over the traditional stores are the 'consumers economic ability' and the 'format output'. (Goyal and Aggarwal 2009) opine that In India, a consuming class is emerging as a result of increasing income levels and dual career families with high disposable incomes. The most appropriate retail formats for various items are: Food and grocery-Supermarket; Health and beauty care services-Supermarket; Clothing and Apparels'- Mall; Entertainment-Mall; Watches-Hypermarket; Pharmaceuticals-Hypermarket; Mobile, accessories & Services-Hypermarket; Foot wares-Departmental store. The study by (Satish and Raju 2010) throws light on the major Indian retailers which highly contribute to the retail sector in India. Pantaloon, Tata Group, RPG Group, Reliance Group and A V Birla group are some of the major Indian retailers.

- Drivers of Retailing

(Arshad et al 2007 and Ghosh et al 2010) stated that 47% of India's population is under the age of 20 and this will increase to 55% by 2015 and this young population will immensely contribute to the growth of the retail sector in the country.

The changing retail structure has provided the consumers with more options in the form of formats and services such as less travel time, large variety of products and quality products etc, as observed by (Popkowski et al 2001). (Lather et al 2006) and (Gupta 2007) study uncovered six main indicators: viz., price, sales personnel, quality of merchandise, assortment of merchandise, advertising services and convenience services that play key role for retailers in choosing the type of retail formats that may help them to cope up with the changing references of consumers. Application on literature review

The findings of the studies declared that the organized activates of the retailing operation led to the minimization of the presence of the “ middle man,” in addition it enhancement of the formation of strong infrastructure (Michael Levy & Barton A. Weitz, 2012). Then merits of the retailing in the economics of the country led to decrease the prices for the clienteles, as well as, the enhancement of the development of the economy of the country and the quality of the life (Michael Levy & Barton A. Weitz, 2012). Some of the consequences of the organized retailing system are the enhancement of the efficiency of the value chain and the abolition of mediation actors, which led to high financial reimbursements (Michael Levy & Barton A. Weitz, 2012). For instance some of the positive consequences of the organized retailing system are the elimination expenses to producers, healthier prices to consumers because of the greater reduction of the prices that the producers will perform to gain much demand on the products (Michael Levy & Barton A. Weitz, 2012). In addition, one of the most important merits is the formulation strong infrastructure that headed to improved loading and demonstration of

goods, and the increasing of the consumers' understanding and involvement in the process (Michael Levy & Barton A. Weitz, 2012). Another important success for the organized retailing was the Job formation across the whole process, which led to the enhancement of opportunities for many unemployed population (Michael Levy & Barton A. Weitz, 2012). The most important part of the good consequences of the organized retailing system is the enlargement of the amount of money that are paid for taxes and gathered by the government (Michael Levy & Barton A. Weitz, 2012).

Organized Retailing will lead to affect the Traditional unorganized Retailers.

Furthermore the Comparative Analysis regarding the acceptability of the mall concept and the impact of Shopping Malls on the general living standard of the society are being considered. There is increased sophistication in Customers shopping pattern which has led to emergence of big retail chains in metros, mini metros and towns now becoming the next target. There is a drastic change in the customer's tastes and preferences leading to radical transformation in their lifestyle and the spending patterns thereby giving rise to new business opportunities. This generic growth, driven by changing lifestyle and strong increment in income is to be supported by the favorable demographic patterns But among the important benefits obtained by consumers is also the fact that these firms are likely to sell safer products. Food-borne illnesses and contamination are long-standing issues in India. Counterfeit drugs are alleged to account for 20-25 percent of total pharmaceutical sales in the country (Express India 2009) The Indian consumer and his behavioral response towards the development of organized retail can be attributed to the economic and social changes taking place in the country. The growing fragmentation of consumers into multiple

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segments with different values and buying priorities is the natural outcome. They have become more pragmatic, educated and demanding learning the time and money management. The Value for Money concept rather than simply low prices has become the order of the day. The study by ETIG (Economic Times Intelligence Group) also confirms this. According to (Sen 2000), in case of Hypermarkets main motives of preference in decreasing order are low prices, possibility of buying everything at same place and general appearance formats (Chandrashekhar, 2001) while other studies point out the relationship between the type of store and the type of Products (Sen, 2000, Bhatnagar, 2002). These studies indicate the utility of specialized and traditional stores for fresh products, while of the store. Other investigations emphasize the co-existence of several store (Sen, 2000, Bhatnagar, 2002).

A significant advantage for organized retailers relates also to prices. The organized retailing corporations have the ability to seek out the lowest-cost suppliers around the world. This ability spurs opposition to multinational retailers, and feeds suspicions that firms like Wal-Mart, which have the reputation of destroying mom-and-pop stores in countries like the United States, will do the same in India (Swamy 2011). But India itself is one of the low-cost countries from which multinational firms buy products. Although mom-and-pop stores outside India have no easy access to these low-cost producers, unorganized retailers can buy from the same (or similar) sources, possibly through representative cooperatives like Bhartiya.

According to the experiment of the organized retailing in India, there had been assurance that the system success led to the evolution of the industry <https://assignbuster.com/is-retailing-really-necessary-in-a-country-marketing-essay/>

ion India for more than thirty percent annually (Illm, 2012). In addition, the governmental reports stated that the reports the share of the commerce had reached twenty percent out of the gross national product by the end of 2010 (Illm, 2012). The gathered information assure that the organized retail industry are considered to be as developed as any other developed country, which ensure the efficiency and the effectiveness of the system to be used by the developing countries, and its is exclusive to the developed nations (Illm, 2012). The researchers suggested an indication of the fact that India investments had been facing a rise of about twenty percent in the last years (Illm, 2012).

According to the National Readership Survey of 1999, 6. 6% of the urban adults and 2% of the rural adults are estimated to be shop owners(Illm, 2012).

Summary

The retailing process is considered to be one of the greatest events that can take place in the life if any country that's why it should be considered to have the potential for the achievement of the progress in any developed nation in short period throughout solving many of the economical problems that are facing the country and the industries of retailing. The perceived evidence showed the huge impact that can be led by the organized retailing system on the economic system of the country, as well as, the benefiting of both of the customers' and the producers' sides.

The retail sector in India is expected to gross \$427 billion by 2010 and \$635 billion by 2015 (Moriarty, Ben-Shabat, Gurski, Padmanabham, Kuppuswamy,

& Groeber, 2007, p. 9). India is, in fact, one of the fastest growing economies across the globe. India's gross domestic product (GDP) is expanding at 7.5% every year, and the potential for further growth is forecasted to be 12% annually during the next decade (Prahalad, 2007). In 2006, the Economist Intelligence Unit surveyed 1,006 chief executive officers (CEOs) of international corporations (Kim, 2007). Among those CEOs surveyed, 89% expected that India would be connected to future growth for their businesses, as compared to 6% five years ago.

Indian consumers have typically patronized small, traditional retail stores, similar to independently owned "mom and pop"-Small Business- stores in western countries. This is due to the high level of personalized service and the low-priced apparel products with low-cost tailoring offered by these small Indian stores (Sinha & Banerjee, 2004).

Rapid economic growth, spurred by multinational investments in India in the past five to seven years, has resulted in greater incomes for the booming Indian middle class. Disposable income in India is expected to increase at an average of 8.5% per annum until 2015 (Kulpati, 2006).

Retailing is one of the largest industry in India and one of the biggest sources of employment in the country. Numerous business groups are attracted in the past few years, including some renowned business groups like Bharti, Future, Reliance, and Aditya Birla to establish hold, showing the future growth in times to come. In addition, organized retail sector has also grabbed the attention of foreign companies, showing their interest to enter India. After looking up these

facts, the paper strategically analyzed the Indian retail Industry. The results of the study depict that infrastructure, economic growth and changing demographics of consumers are the major driver of organized retail in India.

Recommendation

It is recommended for every ill-developed nation to adapt to this organized retailing process to be able to commit change and evolution for the economic structure and system of the government, as well as the formulating of new opportunities of investments for the population to be hired and enrolled within the system.