

A Study on Perception Index on Private Label Brands and National Label Brands Offered by Organized Retailers: Theoretical Approach

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ABSTRACT

The retail sector and its environment have experienced radical changes in the last decade. Most of the changes are due to changing demographics, and changes in the retail sector including the addition of Landmark group, Aditya Birla group etc. This paper provides information about the growth of retailing industry in India. It examines the growing awareness and brand consciousness among people and focus on growth of retail sector in India, strategies, strength and opportunities of retail stores, retail format in India and recent trends. Growth of Retail Companies in India exhibits the boom in the retail industry in India over the years. I discuss how corporate retailing might benefit small retailers and consumers and consider how small and large retailers might coexist in a country. The present study structured in to major four parts. In the first part of the study the attempt has been made to understand current issues in the Indian Retail Industry. In the second stage a brief overview of organized retailing. In the third it has been highlighted to identify the determinant factors for private label brands in the industry. Finally an attempt has been made to understand challenges/road ahead for retail industry in organized market. The paper is resourceful for the readers to get the insights of retail industry. Domestic and multinational corporations have begun to enter retailing in India, raising concerns that they will destroy the millions of small stores and street vendor businesses that presently dominate retailing in the country. Policymakers know that corporate retailers can improve the efficiency and productivity of retailing and distribution in India, but they are also concerned about possible harm to small businesses and loss of jobs among those who might not have the skills and training needed to find alternative employment.

Keywords: Organized retailing, Retailing, Retail growth

Introduction

There has been a significant increase in Private Label brands in recent years worldwide and we can announce that in India Private Label brands are moving at a great pace as well.

Private Labels are growing faster than manufacturer's brands. They are more popular today than at any time before. Private Labels have gained an increased market penetration and are growing at a rapid rate. A Private

Label is defined as ‘the products retailers sell under their own names’. According to the Private Label Manufacturers’ Association (PLMA), “Private Label products encompass all merchandise sold under a retailer’s brand. That brand can be the retailer’s own name or a name created exclusively by that retailer”. The term retailer’s own-brand is often used interchangeably with private label, own-label, retailer brand or store brand. Private labels have come a long way over the past three decades. In the past, Private labels were a cheap, low-price alternative to manufacturer brands but today, private labels have taken on a premium brands image. They are no longer seen as just cheap and poor quality products bought by less affluent customers but rather they Endeavour to be an alternative option of value or quality to manufacturer’s brands. Retailer’s brands are to be found next to national brands in every category.

Whether FDI in multi-brand retailing is allowed in India will depend on several considerations. Joseph et al. (2008) observed that it is necessary to meet growing consumer demand and bring needed investment to the supply chain infrastructure. They reported that an expansion of corporate retailers has a limited, short-term effect on small stores. In addition, they suggest that new and better jobs in small-scale manufacturing, food processing, and distribution are likely to more than make up for any loss in jobs due to the growth of

organized retailing. Still, a report by the Parliamentary Standing Committee on Commerce (2009) expressed reservations about the effects of organized retailing on jobs in informal retailing and about the potential for predatory pricing and monopolistic practices by corporate retailers. This paper examines key issues related to the development of organized retailing in India. Section 2 reviews the recent performance of India’s retailing sector. Despite bold projections, it turns out that organized retailing has been only moderately successful. Large retailers have struggled for profitability while small retailers, including those selling food, have prospered and grown. Section 3 discusses possible reasons for the modest success of large retailers. Section 4 outlines short- and long-term prospects for retailing in India. Private label is still an emerging concept in the Indian Environment and there is an increasing acceptance of private labels in India. According to a Global Private Label consumer study by AC Nielsen, 56% of their survey respondents in India considered private labels to be good alternatives to manufactures brands. A study done by the AC Nielson (2006) named “Asia pacific Retail and shopper trend”, stated that, although private labels are a fairly recent phenomenon in India, it is a trend that is catching up very fast. According to this report, out of a total number of shoppers who shop in supermarkets or hypermarkets in India, 69% are aware of private labels.

Types of retail businesses in India are commonly categorized as either formal or informal and as organized or unorganized. To understand the Indian retail climate, we must define these distinctions. According to the Ministry of Labor and Employment, the informal sector consists of unincorporated businesses that are owned and run by individuals or households. These businesses are not legally distinct from their owners, who raise capital at their own risk and have unlimited personal liability for debts and obligations. Informal businesses typically employ family members and casual labor without formal contracts. Formal businesses are corporation's limited companies, and businesses run by or on behalf of cooperative societies and trusts. The organized sector comprises incorporated businesses. Information about this sector is available from company budgets and reports. Importantly, partnerships, private and limited companies, and businesses run by cooperative societies and trusts are not considered to be organized businesses in India. Instead, they are classified as part of the unorganized sector, which also includes all businesses in the informal sector.

Review of articles

Dhar and Hoch (1997) define private labels as those products owned, controlled and sold exclusively by a retailer and for what the retailers must accept all responsibility from developing, sourcing, warehousing and

merchandising to marketing such as branding, packaging, promoting and even advertising. Nielsen A.C. (2003) defines private label as follows: "any brand that is sold exclusively by a specific retailer or chain". These definitions bring out two main ideas. First, it is the retailer who owns and controls the brand whereas this was traditionally the role of the producer. Second, the retailer has exclusive rights to the product. This means that different retailers do not sell identical private labels, which is not the case when retailers sell manufacturers brands. Thus the development of private labels does not only change the relations between producers and retailers (because of the retailer has a new role), but also affects competition between retailers, as private labels are an additional way of differentiating between retailers. Positive growth rate in Private labels/brands start from 2000 onwards in India. Presently there is an overabundance of different names and definitions used to describe this concept. While some authors use the term private labels, others prefer words like own brands, retailer brands, wholesaler brands or distributor own brands.

Retail employment grew at a slower rate than overall employment in India between 2005 and 2006. More recently, the two have grown at about the same rate because retail employment rates have risen and overall employment rates have fallen. Between 1999-2000 and 2004-05, employment in retailing grew by more than

30% in rural areas and by less than 3% in urban areas. Thus, the major growth in employment during this period was in rural areas. The Parliamentary Standing Committee on Commerce (2009) has noted that there is still no systematic, large-scale study examining how corporate retailing affects small stores. Limited evidence is provided by Joseph et al. (2008), who use the results of a survey to conclude that the entry of an organized retailer leads to the annual closure of about 1.7% small stores in its neighborhood. The authors note that by changing the mix of the merchandise and offering more services to consumers, small retailers were able to regain sales and profits that they initially lost when a corporate retailer entered their neighborhood. First, total retail sales increased by approximately 70% between 2004 and 2009, from \$294 billion to \$496 billion. Second, sales grew over this period by about 43% for retailers in the formal sector and about 97% for retailers in the informal sector. The annual average rate of sales growth was about 11% for all retailing, 7.5% for organized retailing, and 14.5% for informal retailing. Thus, from 2004 to 2009, retail sales grew almost twice as fast in the informal sector as in the formal sector and at a substantially faster rate than India's GDP, which grew at about 8.5% over the period. Third, in 2007, total retail sales in the informal sector surpassed those of the formal sector. By 2009, the informal sector held about 56% of retail sales, 8% higher than

its 48% share in 2004. These data suggest that informal retailing is more than surviving; it is flourishing. At present growth rates, the gap between formal and informal retailing will continue to widen — family-owned stores and street vendors will take a larger share of retail sales. There may be several reasons why sales in formal unorganized retailing grew more slowly than organized retailing and informal retailing. First, it is likely that large corporate retailers compete most directly with other retailers in the formal sector and less directly with retailers in the informal sector. For example, hypermarkets and department stores might take disproportionately more sales from mass merchandise stores and specialty stores than from kirana stores and street vendors. Second, to take advantage of growth opportunities, some formal unorganized retailers might have incorporated and registered and now are reclassified as organized businesses. For example, a privately owned appliance store might grow into a store selling a full range of durable goods, which have seen substantial demand in the last five years. It might then be reclassified as an organized retailer after it develops into a larger organization and registers as a corporation. The factors for growth in Indian organized retail sector are many and that the reason behind its massive growth. But for this to continue both the Indian retailers and the government will have to work together. Growth of Retail Companies in India is still

not yet in a matured stage with great potentials within this sector still to be explored. Apart from the retail company like Nilgiri's of Bangalore, most of the retail companies are sections of other industries that have stepped in the retail sector for a better business. The Growth of Retail Companies in India is most pronounced in the metro cities of India, however the smaller towns are also not lagging behind in this. The retail companies are not only targeting the four metros in India but also is considering the second graded upcoming cities like Ahmedabad, Baroda, Chandigarh, Coimbatore, Cochin, Ludhiana, Pune, Trivandrum, Simla, Gurgaon, and others. The South Indian zone have adopted the process of shopping in the supermarkets for their daily requirements and this has also been influencing other cities as well where many hypermarkets are coming up day to day.

The preceding discussion about the benefits of improving the distribution system would be worthwhile even if India was not expected to change in any significant way in the next twenty years. But the need for a more modern distribution system becomes urgent when we consider the ways in which the country is expected to change. The most significant changes from the perspective of retailing are (1) the magnitude of the expected increase in demand over the next twenty years, and (2) the rapid and ongoing urbanization of the country. Regarding long-term demand, if India's GDP

grows at an average annual rate of even 7% per annum for the next twenty years, it will multiply by a factor of about four by 2030. If retailing accounts for even 30% of GDP, the increase in retail sales between 2010 and 2030 will exceed a trillion dollars. This is far too large to be accommodated entirely by unorganized retailers or to be left alone with no significant effort to improve the productivity and efficiency of the distribution and retailing system in India. According to census reports, the number of people living in Indian cities grew from 290 million in 2001 to 340 million in 2008. India has the second largest number of urban dwellers in the world. Furthermore, only 20% of the population increase in cities is due to migration; the rest comes from the expansion of city boundaries or the reclassification of rural areas. From 2001 through 2008, India's urban population grew 58% faster than the population of the country as a whole. A study by the McKinsey Global Institute (2010) predicts that by the year 2030 India will have a population of 1.47 billion and 40% of the population will live in urban areas.

From a retail perspective, the flow of good and service relates to classical economics theory, which generally tries to find an equilibrium point between maximizing producer's profit and consumer's utilization. Some authors suggest a relationship between retail activities

and society, such as Howard (1933), Nystrom (1948) and Severa (1943). In his writing, “The whole Truth in Retail Advertising”, Howard (1933) explained how retail advertising activities affect society behavior. He argued that “manipulative advertising” can destroy social’s society structure. Nystrom (1948) examines the minimum wage in retailing and Severa (1943) examined the US Retail Credit in Wartime. The discussion about retail and its effect on society in this era (1925-1945) speaks about retail planning after World War II, price policy strategies and fulfilling the needs of society after war. Copeland (1942) in his commodity theory suggests the need to classify goods and services, based on consumer needs in order to make distribution easy. Zanna and Fazio (1982) and Ajzen (1989) point out that an evaluative dimension is a common feature of all definitions of attitude. Shim et al. (2001) indicates that an individual’s positive or negative evaluation of relevant behavior, is characterized by the person’s beliefs regarding the perceived outcomes of performing the behavior. From this perspective, knowledge of consumers’ attitudes can help explain the reasons behind their favorable and unfavorable evaluations of an object or a behavior. For example it can explain why consumers do or do not buy products of a particular brand name or shop at certain type of store. In a discussion of the most appropriate formats for shopping for various products, Urbany, Dickson, and

Kalaparakal(1996) and Ailawadi, Neslin, and Gedenk(2001) specifically developed a scale for measuring attitudes toward grocery shopping. Childers et. al. (2001) developed a scale to measure attitude towards shopping that utilizes a technological device. Donthu and Gilliland (1996); Donthu and Garcia (1999); Beatty and Ferrell (1998); Reynolds and Beatty (1999) and Ellis (1995) observed that shopping enjoyment actually pertains to the “affective” aspect of the shopping attitude which leads to know about the fit match about the types of product and the appropriate retail format . Specialized retailers are developing rapidly in segment s such as consumer durables and white goods, books, music, lifestyle goods, household furnishings, healthcare and beauty. In the late 80’s there were approximately 300 different types of cars, 400 brands of beer, and 21000 products in the average super market in the United States (McKenna, 1988). Literature in marketing and related behavioral sciences suggests a breadth of consumer motives for shopping. Howard and Sheth (1969) have developed the idea that the utilitarian motive to obtain desired items motivates consumers. In the present study, an attempt is made to highlight the most important products being sought at modern retail outlets and the appropriate formats for their sales. The study may prove useful for the organized retailer to understand the consumers’ preferences for

various products and the appropriate retail formats.

About perception and loyalty –

Conventional wisdom maintains that PL use is associated with higher store loyalty. For example, Richardson, Jain, and Dick (1996) state that “store brands help retailers increase store traffic and customer loyalty by offering exclusive lines under labels not found in competing stores.” Likewise, the Private Label Manufacturers Association (2007) Web site states that “retailers use store brands to increase business as well as to win the loyalty of their customers.” However, empirical evidence on the subject is mixed. On the one hand, a positive correlation between PL use and store loyalty has been observed in some studies (e.g. Ailawadi, Neslin, and Gedenk 2001; Kumar and Steenkamp, 2007). Corstjens and Lal’s (2000) analytical model supports PLs’ ability to build store loyalty, and Sudhir and Talukdar (2004) report indirect support for PLs’ store differentiating ability. On the other hand, there is evidence that consumers may not differentiate between different retailers’ PLs; that is, PL users may be loyal to PL products in general, not to the PL of a particular retailer (Richardson 1997). If this is the case, it is difficult to understand how PL use would increase store loyalty.

Kunkel and Berry (1968) believed that an image is acquired through experience and thus learnt, and found retail store image to be the total conceptualized or expected reinforcement that a person associates with shopping at a particular store. Crosby et. al (1990); Sharma (1997); Williams (1998) have mentioned that companies should focus on customer satisfaction, trust and commitment through implementation of customer oriented selling, thus leading to a long term relationship. Consequently because salespeople are often communicating with customers, their behaviour and activities are crucial in maintaining relationships with customers and enhancing customer retention. Zimmer and Golden (1988), however, took a different approach, focusing on consumers’ unprompted descriptions of image, without directing them towards affective dimensions or specific attributes. Thus these researchers argued that their results captured more deeply consumers’ evoked retail store image. Donthu and Gilliland (1996) carried out a study to profile the Infomercial shoppers and found that those who purchased using infomercial advertisements were more convenience seekers, brand and price conscious, variety seeking, impulsive, and innovators. Moschis (1976) studied the cosmetic buyers and found that besides being store loyal, shoppers were also loyal to the brands that they bought. These shoppers showed a problem solving approach to shopping. Bettman (1979) highlighted that

situational variables affect in store decision making in various ways. Store knowledge determines the extent to which product and brand search is guided by internal or external memory. Hutcheson and Mutinho (1998) found that shoppers used a combination of the quality of staff and “the occurrence of low prices and the frequency of promotions” in choosing a store. A study by Venugopal (2001) has investigated the retail business from the perspective of a retailer’s expectations from the suppliers. Dash et al. (1976) found that the level of pre-purchase information regarding the brand determined the type of store chosen. Shoppers who had higher levels of prepurchase information generally shopped at the specialty store, whereas shoppers with low pre-purchase information bought at departmental stores. This is mainly attributed to customers adopting a risk reduction policy with regard to their impending purchase. A store is chosen based on the self-confidence that the customer has regarding the store; about the nature and quality of product and service he will receive. Malhotra (1983) proposes a concept of preference threshold. It is suggested that shoppers tend to show a preference for a store depending on the threshold value allotted by the shopper. It is assumed that if the perceived value is less than the threshold, the shopper may not choose the store. Sinha (2003) brought out the shopping orientation of the Indian shoppers. The analysis indicates that the

Indian shoppers seek emotional value more than the functional value of shopping. Although there is an indication of shopping being considered as a task and should be finished as soon as possible, this orientation is overshadowed by the entertainment value derived by the shoppers. The study also indicates that though there are some similarities in the orientation of Indian shoppers and shoppers from developed countries, there are some significant differences too. Martin and Turley (2004) studied the attitudes of the young segment (19-25 years old) towards malls, and factors motivating consumption. They found that they were more likely to be objectively rather than socially motivated to patronise. Ruiz et al. (2004) used the activities that shoppers perform in the mall as a basis of segmentation. They identified four segments, namely, recreational shoppers, full experience shoppers, traditional shoppers and mission shoppers. Underhill (1999) observed that when you enter a shopping mall today, you are never sure if you are in a store or a theme park. The importance of creating a positive, vibrant, and interesting image has led innovative marketers to blur the line between shopping and theater. Both shopping malls and individual stores must create stimulating environments that simultaneously allow people to shop and be entertained. Consumers generally desire to trade where store personnel, particularly salespeople, are perceived as helpful, friendly,

and courteous (Loudon and Bitta 1993). Bloch et al. (1994) have identified seven dimensions of shopping malls that collectively explain consumers' motives for visiting malls. These dimensions are: aesthetics, escape, flow, exploration, role enactment, social and convenience. Wakefield and Baker (1998) discovered that gathering information by exploring new products or stores was a perceived benefit of the mall experience. They suggested that exploration taps consumers' desire for variety. For example, many people are interested in learning about new trends in fashion, styles, or technology. Kaufman (1996), many shoppers select shopping areas based on hours of operation and travel time. Retail location theory also posits that consumers prefer to shop as close to home as possible. Because many consumers spend relatively little time at home, a definition of convenience that uses the home as the focal point may be misleading.

Private Label – A differentiating factor

Differentiation through own brands is a pervasive objective among retail practitioners; for example, as Moberg (2006) states, "with PLs, we can better differentiate ourselves and our brands. We can increase customer loyalty." However, recent evidence has suggested that there are limits to this approach (Ailawadi, Pauwels, and Steenkamp 2008). Moreover, there are indications that consumers consider

PLs a group of similar brands with common demand drivers across chains (Ailawadi, Neslin, and Gedenk 2001; Bonfrer and Chintagunta 2004) or, as observed by Richardson in an experimental setting, that consumers "perceive no differentiation between ... store brands" (Richardson 1997, pp. 393–94).

This study complements recent studies by Ailawadi, Pauwels, and Steenkamp (2008) and Hansen and Singh (2008), which also involve the possibility of PLs to differentiate from rival retailer-owned brands. Both these studies investigate the association between PL buying and store patronage. In the current study, the central issue is how PL experiences in one chain shape consumers' subsequent quality beliefs about the PL of a rival chain and its choice share vis-à-vis NBs. Thus, our study differs from those of APS and HS not only because we focus on cross-retailer effects through learning dynamics but also because we use a different outcome metric— a PL's choice share relative to NBs within a specific category and store, when the consumer is in that store and has decided on a category purchase.

The development of retailers' brands in France, commonly named private labels (PLs), remains topical 30 years after their creation. Since the 1990s, the PL market share has doubled, and a recent study emphasized that their development is continuing (Moati, 2008).

These PLs currently represent 32 percent in value and 37 percent in volume of the sales of consumer products by the mass retail industry, which indicates that PLs have become an inescapable part of what is on offer in supermarkets. These figures obscure the fact that there is a high degree of heterogeneity among departments (PL market share remains low in the 'baby food' and 'health & beauty' sectors, respectively 1.3 and 7.4 percent, whereas it reaches 45 percent for frozen food). According to Raju et al. (1995), PLs are more likely to be introduced in categories with smaller cross-price sensitivity among national brands (NBs) and a smaller number of NBs. Nowadays, the penetration rate of PLs is still disparate across French retailers (from 23 to 45 percent). At the international level, PL development ranges from 16.4 percent in Italy up to 40 percent in Switzerland, Belgium, Germany, and the United Kingdom (percentages are in volume).

Although academic research has provided useful insights to combat increasing PL sales, several gaps in our understanding have yet to be addressed. First, there is a dearth of research on whether and when consumers continue to be willing to pay a price premium for NBs over PLs (for an exception, see Sethuraman and Cole 1999). This is remarkable because the ability of NBs to charge a price premium has a strong impact on

profitability (Marn, Roegner, and Zawada 2003). Second, although there has been a lot of research into the consumer-side factors that drive PL success (e.g., Ailawadi, Neslin, and Gedenk 2001; Erdem, Zhao, and Valenzuela 2004), supply-side factors, in particular marketing and manufacturing, have received far less attention (for two exceptions, see Dhar and Hoch 1997; Hoch 1996). Third, almost all the existing research has been conducted in countries in which PLs are highly developed. Although it is reasonable that researchers first focus on these markets to understand how NBs can fight PLs, it is paramount that we conduct research in countries with a more recent PL history. Because the economic and marketing environments of these countries are different from those of more developed PL countries, the best ways to fight PLs may also differ.

Strategies

Studies on private and national brands have mostly focused on the United States and European markets. Whereas there has been relatively little research of markets, like India where brands in apparels are not so well established or where they are in earlier stages of development. As India is amongst the developing economy, the scope of study is huge but dimension is less. In other words as the concept of emergence of private brands through malls is of recent origin in India, so not much researches has been conducted in this area covering Indian markets. On the basis

of literature review, gaps have been identified across time and geography.

As it is already discussed that not much research work has done in Indian perspective. Organized retailing in India is at quite nascent stage, though there are significant numbers of retail players are there. Now, if we try to focus on the provision of apparel business in select stores in India, the story is not much illuminating. India has a population density of 937 people per square mile. By contrast, China and the United States have population densities of 360 and 82 people per square mile, respectively. Japan, which has 873 people per square mile, is similar to India in terms of population density, and small stores have continued to prosper in Japan. The population densities of Indian cities, and of certain neighborhoods within cities, are remarkably higher than the population density of the country. For example, Delhi has a population density of 24,197 people per square mile (comparable to New York, which has 27,532 people per square mile); Seemapuri, the densest neighborhood in Delhi, has 76,342 people per square mile. But Delhi and Seemapuri pale in comparison with Mumbai and Dharavi. Mumbai has 57,000 people per square mile and Dharavi, its densest neighborhood, is eleven times as dense as the city and has about 600,000 residents per square mile.

High population density offers other advantages to small stores. Consumers tend to make smaller, more frequent purchases in denser areas because they have smaller homes and cannot stock up on necessities. Large stores in urban areas in India can seldom attract large numbers of distant consumers because only those with cars typically travel to a distant store. These customers are likely to make the trip to a large store infrequently because of the time and inconvenience of negotiating traffic and finding parking. In contrast, small retailers serve consumers within a small radius and, unlike closely located organized stores, take phone orders and can offer personalized services at low cost. For example, they can afford to make home deliveries because it is relatively inexpensive to send a delivery boy to ten homes that are close by. This is also why small stores can afford to make home deliveries in New York, where unskilled labor is far more expensive than it is in Indian cities.

Challenges

Some of the key challenges faced by the sector are:

1) Shortage of skilled manpower -

Front-end/retail assistant profiles in stores form a major proportion of the employment in the retail sector while store operations account

for 75-80% of the total manpower employed in the organized retail sector. Unfortunately, there are very few courses specific to the retail sector and graduates/post graduates from other streams are recruited. Further, retail training opportunities such as niche courses for areas like merchandising, supply chain and so on are limited. The condition is more alarming in the unorganized sector where the manpower is not equipped with even the basic level of retail specific and customer service skills, which adds to their incompetence vis-à-vis the organized sector. A cohesive effort to develop skills within the sector can have a significant potential impact on productivity and competitiveness, both within the sector and on the wider economy.

2) Lack of industry status

Due to the absence of 'industry status', organized retail in India faces difficulties in procurement of organized financing and fiscal incentives. The Government should grant the much needed 'industry status' to the sector so that the sops that come with it helps promote both big & small retailers.

3) Policy induced barriers

Organized retail in India is managed by both the Ministries of Commerce & Consumer Affairs. While the Ministry of Commerce takes care of the retail policy, the Ministry of Consumer Affairs regulates retailing in terms of licenses and legislations. There is a need to

govern retail operations through a single apex body. A single agency can take care of retail operations more effectively, especially with regard to addressing the grievances of retailers. The development of the retail sector can take place at a faster pace if a comprehensive legislation is enacted.

4) Real estate

Lack of sophisticated retail planning is another major challenge the sector faces. Available space is easily interchangeable between commercial and retail use. In most cities, it is difficult to find suitable properties in central locations for retail, primarily due to fragmented private holdings, infrequent auctioning of large government owned vacant lands and litigation disputes between owners.

Growth Pattern

The core purpose is to inform the target customers about the offering of the mall, persuade them to visit the mall and remind them about the mall. The mall developer can create awareness about the offering among the target customers in a number of ways. Various communication tools available to the mall developer for this purpose may include advertising, buzz marketing (WoM), and celebrity endorsement, use of print media, press releases and viral marketing.

Effective Visual Communication - Retailer has to give more emphasis on display visual

merchandising, lighting, signage and specialized props. The visual communication strategy might be planned and also be brand positioned. Theme or lifestyle displays using stylized mannequins and props, which are based on a season or an event, are used to promote collections and have to change to keep touch with the trend.

Strong Supply Chain - Critical components of supply chain planning applications can help manufacturers meet retailers' service levels and maintain profit margins. Retailer has to develop innovative solution for managing the supply chain problems. Innovative solutions like performance management, frequent sales operation management, demand planning, inventory planning, production planning, lean systems and staff should help retailers to get advantage over competitors.

Changing the Perception - Retailers benefit only if consumers perceive their store brands to have consistent and comparable quality and availability in relation to branded products. Retailer has to provide more assortments for private level brands to compete with supplier's brand. New product development, aggressive retail mix as well as everyday low pricing strategy can be the strategy to get edge over supplier's brand.

Further Scope

The Indian government have allowed 51% foreign direct investment (FDI) in the India

retail sector to one brand shops only. This have made the entry of global retail giants to organized retail sector in India difficult. This is a challenge being faced by the Indian organized retail sector. But the global retail giants like Tesco, Wal-Mart, and Metro AG are entering the organized retail sector in India indirectly through franchisee agreement and cash and carry wholesale trading. Many Indian companies are also entering the Indian organized retail sector like Reliance Industries Limited, Pantaloons, and Bharti Telecoms. But they are facing stiff competition from these global retail giants. As a result discounting is becoming an accepted practice. These too bring down the profit of the Indian retailers. All these are posing as challenges facing the Indian organized retail sector. The challenges facing the Indian organized retail sector are there but it will have to be dealt with and only then this sector can prosper. There is a need to limit the extent to which corporate retailers can obtain special privileges, such as access to desired locations to set up stores. Corporate retailers are making some of the largest and most expensive deals in metropolitan centers. However, there is no ceiling on the size or number of commercial outlets that may be started in a given commercial zone once they comply with some basic criteria of breadth of road. The central government has no control over this matter, and state governments have yet to devise policies related to these issues. Concern has also arisen about enforcement of

existing regulations governing operation issues such as opening and closing hours. Some large stores remain open for ten or eleven hours a day, including Sundays.

As always, policymaking must be based on a balanced assessment of the present and future needs of different groups in society. In the short run, small retailing as a whole is not surviving but thriving, and large corporate retailers are finding it difficult to become profitable. In the long run, large corporate retailers can survive if they improve system wide efficiency and productivity in the distribution chain, something that the country needs and that can benefit small retailers as long as appropriate incentives and regulations are provided. The economic growth of rural areas will become a bigger concern, and policymakers should find ways to direct investments by corporate retailers to benefit the rural economy and citizens. There are several issues associated with potential misuse of power that will require careful consideration by policymakers to keep both consumer markets and distribution systems competitive and open. Lessons learned from developed markets should be used in formulating domestic policy in India.

Conclusion

In summary, we expect three broad trends in retail sales. First, overall sales will grow at a slower rate than GDP. Retail industry is one of

the flourishing sectors in Global economy. The concept is emerging drastically with new formats like hyper markets, supermarkets, malls, departmental stores, and specialty stores. Retailing industry has seen phenomenal growth in the last five years. Organized retailing has emerging from the shadows of unorganized retailing and is contributing significantly to the growth of Indian retail sector. Western Style mall culture is started appearing in Indian markets. Now the Indian consumer is enjoying world class shopping experience. The industry is in inflexion point, where the growth of organized retailing and rising in consumption levels by the Indian population is turning towards a higher growth trajectory. According to the market research reports 2007, in depth comprehensive cross industry review on Indian Retail Industry which explores the macro economic scenario of Indian economy which coupled with growth of GDP led to the shift of consumer purchase patterns and build up confidence in the retail sector there by giving shape to the Government allowance for FDI in the Indian Retail Sector. In recent times the organized retailing by Indian players emerging with multi formats retail in India.

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