Retail Merchandising in India
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Abstract
The retail sector in India is witnessing rejuvenation as traditional markets make way for new formats such as departmental stores, hypermarkets, supermarkets, specialty stores, shopping centers, multi-storied malls and the huge complexes that offer shopping, entertainment and food all under one roof. To create customer traffic and to increase the sales, retailers are using various Merchandising techniques. Retail merchandising instantly motivates a consumer to buy a product and act as a silent salesman. The biggest challenge for organised retailing is to create an environment that pulls in people and makes them to spend more time on shopping. This paper focuses on various merchandising strategies used in modern retail formats in India.

Introduction
The centre of economic gravity in the world today is shifting to the east, towards Eastern Europe and Asia. The Asian market which covers 40 per cent of the world’s population and over 20 percent of the global GDP (Gross Domestic Product) is growing at the rate of 8-9 per cent. In a growing market like India and China retail pie continues to expand on the back of rising incomes and increasing consumer spending. The retail industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. Rated the fifth most attractive emerging retail market, India topped the global retail development index of 30 developing countries drawn up by a AT Kearny (Supriya Kurane, 2007).

Traditionally, the Indian retail industry has been dominated by unorganized local players, with consumers shopping at mom-and-pop operations, roadside markets, and small grocery stores for their daily needs. While an estimated 85 per cent of retail outlets continue to operate in these traditional formats. The last few years has seen a rise in modern retail formats such as hypermarkets, department stores, multi-storied malls, and specialty stores, particularly in urban and semi-urban areas (Preeti Chaturvedi, 2010).

The organized retailing in India is expected to grow stronger than GDP growth in the next five years driven by changing lifestyles, increasing income and favorable demographic outline. Moreover the Indian consumer has changed and the shopping trends are changing. Thus creating a good shopping experience to consumer at the retail outlet the choice of merchandising techniques plays a crucial role.

Indian Retail Scenario
Indian retail industry is shining again after global recession. The retail sector in the second half of financial year 2009-2010 was valued at $148 million, whereas it was $57 million in the corresponding period last year. According to the study by Indian Council for Research on International Economic Relations (ICRIER), by 2010 the retail sector is going to contribute 22 per cent of India’s GDP (Basu and Datta, 2010). A large young working population with median age of 24 years, nuclear families in urban areas, along with increasing working women population and emerging opportunities in the services sector are going to be the key factors in the growth of the organised retail sector in India. These key factors have been the growth drivers of the organized retail sector in categories like Apparel, Accessories, Appliances, Electronics, Cosmetics and Toiletries, Home and Office Products, Jewellery, Travel and Leisure and many more. Priya Chadrasekar (2001) highlights that the
emergence of retailing in India has more to do with the increasing purchasing power of
buyers especially after liberalization which has resulted in increase in product variety and
increase in economies of scale, with the aid of modern supply and distribution management
solutions.

Indian retail is expected to grow 25 per cent annually. Modern retail in India could be worth
US$ 175-200 billion by 2016. The Food Retail Industry in India dominates the shopping
basket. The Mobile phone retail industry in India is already a US$ 16.7 billion business,
growing at over 20 per cent per year. The future of the India Retail Industry looks promising
with the growing of the market, with the government policies becoming more favorable and
the emerging technologies facilitating operations.

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Source: Indian Retail Report 2005

Currently two popular formats hypermarkets and supermarkets are growing at a
rapid pace. Hypermarkets have emerged as the biggest crowd pullers due to the fact that
regular repeat purchases are a norm at such outlets. Hypermarkets not only offer consumers
the most extensive merchandise mix and brand choices under one roof, but also create
superior value for money.

**Shopping for Experience**

The whole concept of shopping has altered in terms of format and consumer buying
behavior, ushering in a revolution in shopping in India. Today, consumers don’t want to
experience shopping, they want to shop for experience. Modern retailing is all about directly
having a firsthand interaction with customers, offering them such a satisfying experience
that they would like to enjoy repeatedly. Providing great experiences involves a great deal
of discipline in identifying those *experience enablers* and consistently providing those to
customers without fail.

In modern retailing, customer experience comes from a variety of factors like the store’s
delightful product/merchandise offerings or its operational excellence, or through gaining
intimacy with its customers that eventually would contribute to the store attaining
leadership. It requires building an image in the customer’s mind. The purchasing and
shopping habits of the Indian middle class have changed considerably over the past few
years given the increasing affluence, education and global exposure (Nirmalya Kumar,
2008). Shopping has now come to being an established form of social science, defined by
experts as retail anthropology. Shopping is an intriguing activity, and its rationale goes
much beyond its mundane definition of searching for or buying goods or services.

In the book titled *The science of shopping*, the author Paco Underhill states that the science
of shopping is an *observational science* which helps retail outlets take the right decisions
as to how to design a sign that shoppers will actually read and how to make sure each
message is in the appropriate place and also how to ensure that shoppers can reach and
want to reach every part in the store.

There are various motivations for shopping. While some see it as a form of recreation, a
diversion or a break from routine and boredom, others look at it as an important and
gratifying activity. It is also seen as a way to learn about new products and trends, and the
physical environment filled with lights, colours, movements, scents, sounds, and so forth,
provides a pleasant sensory experience (Malini Reddy, 2004).
There has been an attempt to reflect the cultural consciousness and economic tendencies behind the shopping orientations of their customers. So when the Raheja Group started Shoppers Stop in 1991 as the first operators in modern retail in the country, the brand was promoted with the central idea of private and convenient shopping and the slogan in the ad campaigns was "Shop at your own convenience" (Preeti Chaturvedi, 2010).

Today retail chains and retailing becoming more and more organised, the complete endeavor of shopping is changing. Shopping is being made more enjoyable. According to Reena Mehta (2010, p. 37) shopping is a daily affair that needs significant time and energy. The shopping motives largely affect individual’s shopping behavior. Gender is a factor which can bring about different degrees of importance to shopping motives. Gender based retailing refers to both men and women since many differences show up in the shopping behaviors of both men and women. Hence, it is imperative for every retailer to drill deeper into gender differentials.

**Merchandise Management**

Merchandise Management is one of the most important functions in retail. Understanding consumers better will lead to better approaches towards product management and assortment (Anjali Prayag, 2007). Developing and implementing a merchandise plan is a key phase in a retail strategy. To be successful, a firm must have proper assortments of goods and services. According to Barrey and Joel (1992), merchandising consists of the activities involved in acquiring particular goods and/or services and making them available at the places, times, and prices and in the quantity that will enable a firm to reach its goals. Dennis Johnson (2009) states that Merchandising is the strategic placement of product so the consumer with little or no effort can become attracted to and purchase that product.

**Retail Merchandising**

The word ‘merchandise’ means ‘goods for sale’ and the term merchandising embraces “**all activities undertaken at the retail shop to promote sales**” and attract the customer. Merchandising is another key activity in retailing. Merchandising is essentially the ability to decide which items will go on the shelves. The other important merchandising decision relates to the categories to which the store will give importance.

To be a good merchandiser, basically a person should have the qualities that make up a good buyer. He must know what exactly the customers are looking for and be able to source, buy and offer that product at competitive prices.

Good merchandising at the store level influences the buyer in different ways.
- To buy now rather than later
- Buy more than the originally intended quantity
- Buy a particular pack size in preference to another

Merchandising instantly motivates a consumer to buy a product. Merchandising activities act as a **silent salesman** in the retail outlet (Muruganantham and Kaliyamoorthy, 2005). It is the last chance to communicate with the buyer.

Merchandise presentation includes major trends, store layout, assortment, category coordination, sample displays, lighting colours, window displays, etc. In the modern retail format there is room for creative, intelligent and effective merchandising. Merchandising provides customers with useful information, like reminding the buyer about other relevant products and any special offers. Many methods are available to retailers for effective presenting of merchandise to the customer. To decide which is best for a particular situation, retailers must consider the following aspects like merchandise should be displayed in a manner consistent with the store’s image, nature of the product, packaging of the product and profit potential influences display decisions. Some of the merchandising tools used by the retailers are leaflet, stickers, posters, show cards and cardboard cutouts, branded racks or display units, in-store sampling, window displays, plasma screens, magic mirrors, etc.

As far as retail merchandising is concerned “**Eye level is the buy level**” for the consumer. In the retail outlet people like to touching, hearing, smelling and tasting on the premises. People want to experience merchandise before purchasing. Two-thirds of retailing expenditure in the world is spent by middle class consumers on unplanned purchases (
Ramesh Kumar, 2007, p. 115). Today retailers are trying to get as close to reality as possible with a customer and this trend is propelled by the development of a new technology - observational research otherwise known as retail ethnography (Malini Reddy, 2004). With so many products fighting for their life on the shelves retail merchandising is crucial. Customers frequently choose one product over another and in a store ranging a variety of products, presentation may be the factor that wins or loses the sale. The implementation of effective merchandising strategies will stimulate sales at the point-of-purchase and enhance the overall image of the product range within the retail store environment.

In store Marketing

According to Rajita Chaudhuri (2007), worlds leading fast moving consumer companies are shifting their focus from traditional advertising to in store advertising. P&G spends at least 500 million dollars on shopper marketing. Today most of the Consumers purchases are unplanned and impulsive. Research, too, has proved that more than 70% of purchase decisions are made inside the store. So chances of an advertisement being seen in-store and causing a sale is more than an ad seen “in-home” or elsewhere. Big retail outlets instore TV is becoming popular with custom made advertisements. Wal-mart TV (inside Wal-Mart stores) today is probably more influential than regular TV.

In china in-store advertising contributes 4-6 percent of the total sales of a store. Mumbai malls estimates that selling ad space in-stores accounts for 15% of the mall’s revenue. With prime time TV prices increasing and viewership dropping, with increase in clutter, marketers have realised that brands can best be built in a retail environment.

When Unilever launched Axe in the US it used Wal-Mart’s in-store TV to advertise their Axe effect campaign. That had an immediate impact on its sales and created a category in the US. Mike Flynn (2003), highlights that creating in-store brand experience goes beyond the merchandise.

The music, interior design and the way the employees act and look, all contribute to the brand experience. Retailers should pay attention to how the store environment aligns with brand. An interior designer, who understands the retail brand, as well as the basics of retail engineering, will create an environment that is a total brand experience. The flagship brand of Meridian Telecom, Fly, primarily focusing upon the in-store branding exercise and its apparently paying well in India. According to Khanna,(2008) CEO, Fly mobile, the company spends huge money on the in-store advertising just because that buying decision is made inside the shop. Fly strategist belive in fighting it out where the real action lies, rather than secondary mediums like TV.

Retail Store Differentiation

In retailing store differentiation is need of the hour. The retailers in India takes efforts to position the store brand in the customers mind. Gibson Vedaman, (2006), points out that the fashion retail store creates the right atmospherics-the design of its space and its various dimensions, like exteriors, interiors, merchandising, visual factors, decoration, music, and audio, etc to evoke the fashion life styles differentiation. Differentiated employees set the service standards of the fashion store. Retail store employees are consultants and not just sales and customer service personnel. In the modern retail store format ambience matters. Appropriate environments for luxury shopping will play a vital role in defining buying patterns. Consumer psychology, therefore, plays a huge part in deciding one's consumption habits.

Modern Indian Retail outlets differentiate their offerings in terms of number of SKUs(Stock Keeping Units), Sales promotions, in-store service personnel, store design and private labels. The chances of senses dictating sales are important reasons for the organised retailers to bring in professional designers while developing a new property. And, that is why retail chains like Music world, Baristal, Piramyd and Globus are laying major emphasis and investing heavily on ‘in store design’.

Enterprises like Big Bazaar, a low-cost hypermarket that is part of the Future Group that owns Pantaloon Retail, is one of the other retailers that has successfully adapted and designed its stores according to the Indian way of shopping while keeping in mind the geopolitical nuances (Preeti Chaturvedi, 2010). As Pantaloon's Kishore Biyani rightly says, the economic, social, and cultural diversity of Indian consumers forces marketers and
retailers to view the mass of consumers not as one single market but as a 'mass of niches. Indian consumers need to be talked to throughout their shopping process, not by the sales people, but by the sheer design of the place. For instance, while store in western countries have to be instructional, there should be a thread of emotion in Indian stores. Therefore, stores have to be spacious and lead consumers on a discovery path. At HyperCity for instance, the retail environment, the store atmospherics and planning have all been anchored around the brand positioning of 'there is more to discover.'

Magppie, a design led brand for premium home accessories, has thrice been awarded the ‘Red Dot Design Award’, one of the most prestigious international design awards and is the first Indian company to have ever received an award of this repute. The company’s latest store at Mumbai, designed by Vibe Design Lab, uses a concept of ‘Indulge your senses’ to create a memorable shopping experience. At all point of time, the act of shopping is overshadowed by the experience of the store, creating a lasting imprint on the customer’s mind, thereby ensuring that they come back again and again (Thaker, 2010).

Category Merchandising

Different types of merchandising techniques are used by the retailers based on the product range, method of display and consumer buying psychology. In both full-service and self-service stores, customers have liked to see the entire range of a product before deciding on a purchase. The customer felt they were making sure they got the best deal and the full value of a product when they shopped this way. This method of merchandising or organising a store is called Category merchandising. All items are placed together on one aisle or in one section of the store to get maximum exposure. If Hair care could be considered as a category, it would have hair oil, Shampoo, hair tonics, conditioners and anti-dandruff offerings. There may be several variants in terms of types, SKUs and brands. When products are displayed according to a specific attribute by brand, by flavor, by price point the perceptual salience of that attribute increases (Charles, Dale and Pamela, 1999).

Lifestyle or Solutions Merchandising

Consumers have drastically less time to shop than before and shopping is seen less as a pleasure and more as work, thus shopping habits have changed too. Stores that are attuned to their customers’ needs are able to select a limited range of products and focus only on these, as they are confident about their customer’s choices. All the merchandise is displayed in a lifestyle setting so customers can imagine how it would look in their homes. Most of these stores have no separate sections for different items. Instead, the entire store is organised and displayed like a home, with living room furniture displayed with accessories, bedrooms with the beds made in assorted linens complete with the nightstands and sleeping attire. This method is called Lifestyle or Solutions Merchandising as it provides solutions to consumers. Consumers are not always looking for products, instead they are often looking for solutions and might not have identified what exactly they want to buy.

Vertical Merchandising

Another common way of organising merchandise is vertical merchandising. In this method merchandise is presented vertically. Customers shop much as they read a newspaper from left to right, going down each column, top to bottom. Stores can effectively organise merchandise to follow the eye’s natural movement. Many stores put national brands at the eye level and store brands on lower shelves because customers scan from eye level down (Michael and Barton, 2007).

Visual Merchandising

Visual Merchandising(VM) is a highly creative and aesthetic field. It educates the customers about the products and services offered creatively and effectively. Enables a successful selling process, from browsing to buying. Establishes a creative medium to present merchandise in a lifelike 3-D environment, thus creating a strong impact and recall value. Establishes the linkage between fashions, product design and marketing by keeping the focus on the product. Draws the attention of the customers and help them match their needs with the visually merchandised product.

Visual merchandising is a store’s primary point of contact between product and customer. It involves managing store space, display of its merchandise, presentation and sensory cues, besides innovative promotional activities. VM complements the actual process of selling
products and can bring in profits by simply working on sensory perceptions when a customer enters the store or even walks past its windows. It is what makes a store unique, driving home the point of its USP (Unique Selling Proposition) in the customer psyche, turning the window shopper into an active customer.

The Indian consumer now demands state of the art service, global standard of the product, and international level of shopping experience. In view of this trend the Visual Merchandising in India, is fast emerging as a lucrative and much sought after profession. There are various institutes, in the country and overseas, offering courses in visual merchandising. There is also a mushrooming of companies manufacturing fixtures, props, display systems etc as well as providing complete visual merchandising solutions for fashion and other retailers. India continues to be the big retail opportunity which is reflected in terms of international design houses set up operations in the country.

The Indian retail industry is waking up to the need for visual merchandising and the Indian society, attaining an international outlook is subconsciously creating a demand for it. The year 2006, for instance, saw some big spends, with large department stores like Shopper's Stop, Lifestyle and Westside spending in the range of Rs. 30,00,000 - 40,00,000 per season on visual merchandising (Sharmila Dua and Anjali Karolia, 2010).

Everything that meets the eye of the customer is a part of visual merchandising. The store derives as much of its identity, character and gravity from its physical contours, as from the products it houses and the individuals who manage the transactions there in. In tangible terms, it includes not only the products on sale but also the decor, the shop floor and ceiling, restrooms and trial rooms, staff uniforms, lipstick color of female personnel and tie knots of male personnel. It is also inclusive of the attitude of retail showroom personnel who interact with customers. Hence everything that makes an impact on the prospective customer is part of visual merchandising. Visual Merchandising is about appeal and attracting the customer to all the sensory pleasures.

Retailers like Food Bazaar use visual merchandising to educate customers regarding how their products are made and distributed. Visual merchandising, which once upon a time was known simply as product display, has now evolved into a science and even a job description for larger retail operations. The typical visual merchandiser is involved not only with design and display but also with inventory management (Paul Bubny, 2009). Visual Merchandising is an important support for retail operations. It gives the business an edge over competition. Strategically used, visual merchandising can even create a brand identity.

**Point Of Purchase Advertising**

Harish Bijoor (2005), a leading brand consultant says Point Of Purchase (POP) advertising is a popular tool to use in marketing mix more and more. POP is silent selling at its best. POP can be used to create awareness and interest in the product as well as fire up that desire to possess and get the consumer onto the action of actual purchase as well. The future of retail selling is all about the clever use of POP. It will emerge in the near future as a credible alternative. POP is a potent impulse driver. POP material offers positive strokes at the point of purchase.

Entry of global brands and the increasing emphasis of Indian companies on point of purchase advertising have ensured high delivery standards. But with retail poised to evolve into the next level, what the industry requires right now is an impetus in the form of new ideas, technologies, investments, practices and processes. As both fashion brands and retailers in India strive to convert brand thinking into retail thinking, Point-Of-Sale (POS) promotion is steadily gaining a bigger slice of the promotion pie. Ramesh Kumar (2007, p. 106) highlights that display of the brands has to take the consumer psyche into consideration. In a large supermarkets, when consumers come inside the shop, they may take time to adjust to the lighting and atmospherics of the outlet and hence may not be able to notice the brands kept near entrance. Care should be taken to ensure that display should attract the involuntary attention of consumers.

PepsiCo’s in-store visibility for the summer season, where just colours, visuals and designs added up to communicate the ‘summer feel’ and made the category a ‘summer stop’. April and May are the peak months for beverage category in India. Capturing the essence of the
summer and translating it into an attractive POP element, PepsiCo used lot of design solutions with objectives to establish beverages as the destination category during summer and to build excitement around the category. PepsiCo has a great range of products to offer to the customer and among them 7up, Nimbooz and Slice were the products that were easily recognised as summer themed products. The design was made using lots of summer elements and colours corresponding to the product, like Nimbooz in shades of green and yellow with citrus and summer elements. Slice was represented in shades of green and orange with elements of summer mangoes, birds, sun, etc. Beverage being an impulsive purchase category required the visuals to be enticing, rich, crisp and vibrant (Reena Mehta, 2010).

**Atmospherics**

Atmospherics refers to the design of the retail environment via visual communications, lighting, colours, music and scent to stimulate consumers’ perceptual and emotional response and ultimately to affect their purchase behavior. It is the overall physical attributes of the retail outlet. Many modern retailers have discovered the subtle benefits of developing atmospherics that complement other aspects of the store design and the merchandise. There are two aspects which are important basic considerations for the modern retail are locations of the store and the store atmosphere (Michael and Barton, 2007). A good example in recent times is the location of Cafe Coffee Day and Barista retail outlets. These outlets are located at places which have a very high traffic of the target segment-urban youth who would like to have a ‘social experience’ at the outlets and not price sensitive. Besides, the atmospherics, the motivation to socialize and the menu served in the outlets that draw the crowd.

Apparel shopping has also undergone a change. Allen Solly studios in prime locations were exclusive outlets of the brand, which created a new way of retailing. Consumers could touch and feel the pre-washed fabric. Store atmospherics are becoming important in retailing and it motivates the consumer to stay longer in the store and probably spend more (Ramesh Kumar, 2007, p. 100). Presently apparel is in the second position occupying 32.2 per cent of retail space. To drive the sales, apparel retailers are using social networking cites like Facebook, Twitter, Orkut, etc, to understand the fashion demand of the youngsters and the recent trends.

**Significance of Retail Image**

Retail image refers to how a retailer is perceived by consumers and others. To be successful the retailer must create and maintain a distinctive image. Retail image is composed of quality, prices, assortment, fashionability, salesmanship, outside attractiveness, advertising, merchandise offering, locational convience, shopping pleasure, transaction convenience which includes billing time and delivery, ease of credit, friendliness of sales people, sophistication, cleanliness of facilities, congestion, parking facilities and other criteria.

Malini Reddy (2004), observes that purchasing power of Indian urban consumer is growing and branded merchandise in categories like Apparels, Cosmetics, Shoes, Watches, Beverages, Food and even Jewellery, are slowly becoming lifestyle products that are widely accepted by the urban Indian consumer. Indian retailers need to take advantage of this growth to pay more attention to the brand building process. The emphasis here is on 'retail as a brand' rather than retailers selling brands.

The focus should be on branding the retail business itself. In their preparation to face fierce competitive pressure, Indian retailers must come to recognise the value of building their own stores as brands to reinforce their marketing positioning, to communicate quality as well as value for money. Sustainable competitive advantage will be dependent on translating core values combining products, store image and reputation into a coherent retail brand strategy. The Spanish apparel brand Zara opened its first Indian store in New Delhi. They are not spending on advertising, instead the focus is on its retail outlet to built its brand. The store ambience and plush interiors and change of inventory twice a week build the store image among the target audience. Customers will find fresh styles every time they come to the Zara store (Taneesha Kulshrestha, 2010).
Conclusion

Retailing in India is entirely different from western countries. Upgraded kirana stores are growing at the same rate as organised retailers. In the changing retailing environment, understanding the psyche of consumer is critical to success in retailing. Indian consumers are still family-driven entities. Shopping, entertainment and eating out are family events. Since these decisions are normally group decisions, moreover Indian consumers have become more sensitive to quality, customer service and status. He/She is ready to pay, sometimes, astronomical sums provided their needs are satisfied. Consumer is the source of competitive advantage for the retailers and understanding consumer can be a source of redefining retail business and gaining sustainable advantage. Consumer dynamics in India is also changing and the retailers need to take note of this and formulate their retail merchandising strategies to deliver the exact expected value to the customer.

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