

RETAIL SALES PROMOTION IN INDIAN APPAREL INDUSTRY
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ABSTRACT

Like any other business retail sector cannot deny importance of promotion. Retail promotion is simply the way that retailers communicate with their target customers. The prime objective of the Retail promotions is to generate more retail sales. Retailers usually design the store promotions by employing a combination of advertising, sales promotion, personal selling and publicity. Nature of product, market profile, availability of recourses and, more particularly, the objective of retail store decide the degree and nature of usage of each of the promotion method. A well designed promotion will include both long-term and short-term strategies for attracting the customers to the store. Thus, to survive and make profit in the rapidly changing environments, a store needs to concentrate on retail promotion strategies. In this paper we have tried to discuss different promotional strategies adopted by Indian retailers. The paper has also tried to thrash out the effectiveness of these promotional techniques. This study also investigates motivation behind retail promotion activities by examining consumer behaviour.

INTRODUCTION

Retailing industry has been growing at a phenomenal rate all over the world. Large retailers on Europe and USA deal in products from food, groceries and household items to motorcars, insurance and financial services. Thus there are outlets which specialize in customized merchandise. The trend is catching up and we are likely to see a retail revolution which is already happening. Foreign retail giants have started to enter Indian markets, giving home-grown companies a run for their money. Well, this trend argues not only for economic development but also for tremendous potential employment generation.

If the evolution of retail industry would be divided into four phases like 1) Fragment Phase 2) Exploratory Phase 3) Consolidated Phase 4) Matured Phase (PWC and Kantar Retail, 2014), We will find Indian retail market only at first stage, far behind other emerging economies like China, Brazil, Thailand, Indonesia, Malaysia and Singapore. The exhibit-1 demonstrates the positions of retail markets in different countries in these four phases of evolution in the time frame from the fragmented phase.

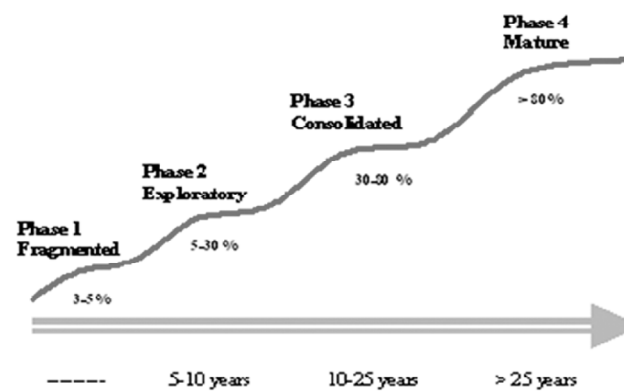


Figure 1: Phases in Retail Evolutions

As per a survey, it takes 8-10 years for the organised retail industry to achieve 5-10% of market share. Most emerging markets like China, Brazil, Thailand, Indonesia, Malaysia and Singapore which saw an emergence of organized retail in 1980 (like India) have been achieved the market share of 20% to 40%. However India is still at fragmented stage. The market is still dominated by pop-and-mom stores and kirana stores.

Indian retail market is fully fragmented having approximately 12,000,000 retail stores and only 3-5% of them are organized retail players.

In comparison to that China retail market is at the second stage i.e. exploratory stage where only a few global retailers have entered into the market. The market is developed within a fine frame of 5 to 15 years and organized retailers claim for a share of 5-30% of the total retail market in the country. Local retailers go for a large scale innovation on formats and value propositions. Whereas countries like Brazil are at third phase called consolidated phase where most global phases stated aging the market. The market is developed within a time frame of 0-25 years and organized retail market claim for a share of 30-80% of the total market. The countries like Singapore which are at the fourth stage of retail evolution, probably is the latest stage of the modern retailing, where multiple global retailers are in the top ten list and only 3-4 winning local retailers survive and flourish in the market. The organized retail market claim for more than 80% of the total market and the market is developed from the fragmented stage in more than 25 years. However to achieve a similar level of penetration, India would have to overcome key roadblocks or obstacles like:

1. Lack of FDI approval
2. Lack of proper infrastructure
3. Development of supply chain management
4. Adoption of proper technology
5. Overcoming manpower issues
6. Overcoming reality issues, more particularly high rentals and initial investments

Nevertheless, India is considered as a potential gold mine as it is rated as the fifth most attractive emerging retail market. As per the report by AT Kearney GRDI Report (2012), the annual growth rate of departmental stores is 24 percent. India is also ranked second in a global development index of thirty countries.

This paper highlights the importance of sales promotions- short term activities which induces trade or consumer to buy now rather than in future as the value of apparel after the season goes down substantially and inventory carrying burden turns out to be very high. Apparel retailer needs to understand critical role of sales promotions. Attractive promotions induces purchase acceleration, stock piling and brand switching on the part of a consumer which substantially reduces retailers financial and inventory risk and consumer's financial risk and psychological risk.

The Unique Indian Apparel Market

Today, the shoppers can shop for goods and services at a wide variety of stores. This study presents an overview on the present situation of organized retail formats with special reference to apparel markets. A study by McKinsey Report (Nov. 2007) says that fresh food, ethnic apparel and consumer electronics will be the key categories for organized retail. The same study by McKinsey, which makes an analysis of Indian organized retail market, suggests that the total market for organized food retail is estimated as \$252 billions of which 38% of share is occupied by fresh food, vegetable and perishables. The consumer electronics market for organized retail is estimated to be \$20-25 billions of which 40% is of telecom and mobile phones. When we talk about Indian organized retail market for apparel whose total market is estimated to be \$40 billions, it is found that, one of the only markets where men's apparel market is much larger than that of women's.

The growth of readymade men's wear business in India was very slow till the early 1980's. The main reason for this was that Indian men were used to buy clothes and get their outfit tailored mainly through local tailoring shops from the unorganized sectors. Consequently there were no national brands in this category for a longer period. By the mid 1980's however, customers' mindset seem to have started changing gradually along with increasing urbanization and changes in the social and economic statuses and lifestyles. As the branding takes place, the number of men in the age segment 14-34 years (the largest consumers for branded clothing) grew during the late 1980's, the readymade garments business started expanding. Several factors like fashion & clothing turning into a mode of self-expression; increasing consumerism, proliferation of Indian middle class and increase in their purchasing power have contributed to the growth of apparel industry in India. In 2003 men's clothing saw higher penetration of ready-to-wear apparel and growing rapidly. The numbers of listed players are growing day by day. The players are such as Madura garments, Raymond apparel, Bombay Deying, Arvind Mills, Pantaloon, Zodiac Clothing and many more catering the Indian market.

Indian consumers shop with family. Indian women and children play important role in decision making about apparel purchase. Young, adults and others differ in their view about the trustworthiness of the brands of their own country and from foreign countries.

Unlike other countries, Indian consumers perceive foreign brands as more qualitative than local brands and they trust less on the brands from their own country. The habits of Indian shoppers present fascinating challenges for multinational eyeing the market. Nearly 40 percent of the mass market Indian shoppers have their most important shopping occasions resolved around special events, such as wedding and annual religious festivals which are a figure dramatically higher than the one for shoppers in the other emerging markets (McKinsey, 2007). It is also been reported that, to a great extent than elsewhere, shopping is a family activity in India; nearly 70 percent, more than twice the average of Brazil, China, and Russia view shopping as the best way to spend time with family. Preference for family oriented shopping is consistent across age groups, income segments, regions and city sizes. As in many markets, in India, women are the primary decision makers in apparel purchases for the entire family. But India's men also have an important role. The other unusual characteristics of the great Indian market is that the market for men's apparel is larger than the women's market, where traditional Indian apparel still dominates (McKinsey, 2007).

Literature review:

Several studies on apparel retail sector and usage of promotions are reported in the context of developed markets. Hyllegard et al., (2005), studied Spanish consumers' perceptions of US apparel specialty retailers' products and services. The study emphasized that specialty retailers' success in international markets is contingent upon their knowledge of culturally-defined values, norms and behaviour that influence consumer decision making and impact acceptance of products and services. The study examined consumers' store patronage and apparel purchase behaviour, acceptance of US apparel brands, perceptions of retailers' products and services, and perceptions of the impact of foreign retailers on local communities. It found out that the perceptions differed regarding quality, fashionability, product assortment, extent and quality of customer service, convenience of location, payment options, national brands and store layout. Consumers' acceptance of US apparel brands was a function of age, household income, apparel product country of manufacture and price.

Deeter-Schmelz et al., (2000) examined Prestige clothing shopping by consumers by a confirmatory assessment and refinement of the PRECON scale. Aspects studied include background on the symbolic aspects of

consumption; prestige shopping behavior; reassessment and refinement of the PRECON scale and impact of income and age on prestige shopping. The paper concludes with managerial implications for the United States apparel retailers dealing in prestige clothing. Liu Yuping, (2007) found out the Long-Term Impact of Loyalty Programs on Consumer Purchase Behavior and Loyalty. Using longitudinal data from a convenience store franchise, the study found out that consumers who were heavy buyers at the beginning of a loyalty program were most likely to claim their qualified rewards, but the program did not prompt them to change their purchase behavior. In contrast, consumers whose initial patronage levels were low or moderate gradually purchased more and became more loyal to the firm. For light buyers, the loyalty program broadened their relationship with the firm into other business areas. Thus there is a need to consider patronage to decide rewards for loyalty programmes.

Kincade et al., (2002) studied Buyer-seller relationships for promotional support in the apparel sector which is critical for success. The purpose of the study was to define promotional support categories offered to apparel retailers by manufacturers, to identify the retailer's perceptions of the offering frequency and importance of the promotional support, and to investigate the relationship between offering frequency and perceptions of importance. Results indicated that monetary support was regarded as the most important promotional support. A positive and significant correlation was found between items the buyers perceived as important and the frequency of offerings of these items. In the context of the French market, Meyer-Waarden and Benavent (2006) studied the Impact of Loyalty Programmes on Repeat Purchase Behaviour based on the Behavior Scan single-source panel which has been compared with the store data base. The double jeopardy phenomenon was present and loyalty programmes did not substantially change market structures. When all companies had loyalty programs, the market was characterized by an absence of change of the competitive situation.

Rationale for the study

With the rapid growth of organized retailing in India, there is an awful need to understand retail promotion practices, explore rationale behind it and pose managerial challenges. In spite of the widespread use of sales promotion activities in India no study was found

examining sales promotion practices in apparel retail sector. Apparel sector is poised for growth in domestic and global markets due to liberalization. This paper compares various sales promotion activities followed by apparel retail stores in organized sector. Both exclusive and multi-brand retailers in apparel retail sector are studied. On the basis of practices, it poses few challenges which managers in the sector encounters.

Objectives of the study

The prime objectives of the present study are as follows:

1. To compare various sales promotion activities followed by apparel retail stores in organized sector.
2. To investigate motivation behind retail promotion activities by examining consumer behaviour.
3. Critically examine the requirement and managerial implications of retail sales promotion.

Findings & Analysis

Store profile, retailing strategies and information on sales promotion activities of major organized retailers of India are depicted in Table 1. Further, as depicted in Table 2, we could get some valuable information on various sales promotion techniques adopted by the retailers and its impact on overall sales. Out of all the promotional techniques, end of season sales are generally

adopted by retailers to increase the sales, reduce the excess inventory and attract more number of customers to the stores. Out of five retailers three use this technique. This emphasizes that apparel sector is affected by seasonality because if the stock remains unsold the retailer is going to spend more on maintenance of the existing stock. To make minimum annual inventory cost and to sell out of fashion apparels this is a very effective way. Thus stock clearance seems to be very important objective for apparel retailer in using end of season sale twice in a year wherein discount given is up to 50% of the MRP (Maximum retail price).

Indian people observe lots of festivals, so it's a chance for the retailers to exploit this by providing some offers. Three out of five retailers provides this festive time offers. Shopping during a festival can be taken as a great opportunity to increase the sales. Only except Wills Lifestyle all other retail stores under study are using these types of promotional offers to increase sales. They offer the same during the festivals like Dusshera, Ganesh Utsav, Pongal, Diwali, Holi, Karva Chauth etc. Loyalty card programme is a very common way of promotion now-a-days. These cards are used to reward loyal users and encourage them to visit the store often and buy more by offering wide range for men, women and children. Loyalty is rewarded and helps in customer retention. It encourages repeat purchase and help in spreading good word of mouth.

Table-1: Store profile and Information on Sales Promotion Activities

Store name	Pantaloon	Megamart	Lifestyle	Westside	Wills lifestyle
Format Type	Multi-brand	Exclusive Arvind's brand	Multi-brand	Exclusive Tata (Trent group)	Exclusive ITC
Positioning	Family store	Value for Money	Style & premium	Style & affordability	Enjoying the change
Avg. Floor Size	28000 sq. ft	5000 sq.ft.	50,000 sq. ft	15,000-30,000sq.ft	
categories	Apparel & accessories for men, women & children	Menswear, women wear, home furnishing	Apparel & accessories for men, women	Stylized clothes, footwear & accessories	Relaxed wear, body care products, apparel & accessories
Average billing per customer	Rs.1500-1800	NA	Rs 800-1000	Rs199-1999	3000 during sales promotion and 2500 without sales promotion
Average footfalls	1000on weekday & 1500 to 2000 on weekends, holidays	100-120 on weekday & upto 250 on weekends	1200 in week days & 6000 during week end	25-45 per hour	65 per day & rise upto 120

All the stores use in store media to announce promotions. However use of mass media and electronic media varied across the sample under study. Use of only in-store media would restrict the announcement to those who walk into the store. It can be assumed that only loyal/ frequent visitor would know about the offers. Whereas variety of media used would enhance footfalls to the store and trigger word of mouth. Only one store used joint sales promotion tying up with brands like, MacDonald, Havmore, Gold's (local) Gym and Kaya skin clinic. No other store has yet explored avenue of joint sales promotion. Such joint promotions have advantages in terms of sharing costs of promotions, cross selling opportunities to each other's customers, higher visibility etc.

Table- 2: Sales Promotion Activities

Store name	Pantaloon	Megamart	Lifestyle	Westside	Wills lifestyle
End of season	Yes	No	No	Yes	Yes
Festive Promotions (Diwali, Christmas etc)	Yes	No	Yes	Yes	No
Loyalty card Programme	Yes	No	Yes	Yes	Yes
Special Promotion (event)	Yes (Exchange offer)	Yes	Yes	No	Yes
Media used	Hoardings, print, electronic (SMS, E-mail) POP	In-store, Electronic	Hoardings, In store	Print, electronic, hoardings, In store	Tele marketing, print, Electronic, outdoor
Promotion type	Price off, free gifts, exchange offer	Price promotion, free gifts, contests, combo offer	Lucky draw, discounts, contests, free gifts	Cause related, gift vouchers, discount, contest, combo, coupons	Discounts, gift vouchers
Evaluation of promotion	Sales, Quarterly profit	Sales	Sales	Sales, Quarterly profit	Conversion, foot size, sales, average bill size, stock movement

Discounts, free gifts are generally adopted by all retailers. These are general attraction to a customer to visit the stores. Every retail outlet measures impact of sales promotion activities by looking at sales made during the promotional period. Few others also look at the footfalls, conversion from footfall to buyers, average bill size during promotions etc. Very few measure profits made during promotions by relating revenues to costs of promotions. Beyond that no

evaluation is done. The problem of isolating effect of different promotions in a situation of promotion overlap is not addressed. Rich database that a retailer possesses is yet to be explored for further diagnosis and building future promotions.

Limitations and Scope for Future Studies

The study has concentrated on promotional techniques adopted by only five retailers but concluded for the whole market, for which the findings of the study may not stand valid for other retailers. Thus, future academic researchers may effort to have a comprehensive study of other major retailer in India. The problem of isolating effect of different promotions on sales has not studied. The situation of promotion overlap has not been addressed. Combined effect of two or more different promotional techniques may be carried in future. It's not only promotion but integrated marketing communication will have better grip over sales. Therefore, a study of combined effect of promotion along with advertising can have better applicability.

Implications and Conclusions

The very requirement of sales promotion in retail industry is to generate store traffic, to move excess inventory, to enhance store image and to create a price image (high or low). All promotional measures like discounts, free gifts, special festive offers etc. add to these objectives. As a result of these offers customers get attracted towards the apparel collection and frequency of purchase and amount of purchase can be enhanced. Exciting promotions also have tendency to generate positive word of mouth and help consumer feel a smart shopper. Thus not only utilitarian benefits like, saving of money, time or quality up gradation but hedonic benefits like feeling confident, feeling of excitement and entertainment etc.

Sales promotion techniques are used to obtain various beneficial objectives. Different objectives imply different ways of promotion. Clear off old stock, load the consumer, encourage brand switching, to reward the loyal user, to create excitement at point of purchase etc are some of the techniques used which is clearly noticeable from the study. The manager in charge of apparel retail operations need to understand impact of various types of promotions on consumer behaviour and objectives attained. In this competitive era one need to emphasize on customer retention. All promotional methods along with customer attraction tricks should be directed towards retention. Managers must be very careful about use of these techniques. They should make

a perfect blend of attraction and retention techniques. Excess of everything is wrong. So offers should be made balanced. Too frequent use of promotions may evoke indifferent attitude among consumers or shape deal to deal buying. Predictability of promotions (promotions linked to festivals like Diwali) may result in coinciding purchase with such promotions leading to loss of margin an opportunity loss to sell at full price. Loyalty card programmes require good administrative support and good database records and data mining abilities to exploit to the fullest. A manager needs to be aware of these problems and have to plan strategies to overcome them. Careful designing of promotional strategies can bring a competitive edge over competitors.

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