

# Forecasting the Retail Future Trends for 2012

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## ABSTRACT

Change is the only constant thing that keeps happening everyday and this statement is much applicable in the business and economy space. Day-in and Day-out the business world has to face the challenges in meeting the changing expectation from the market which are otherwise denoted as the trends of the market space. Getting adapted with the changing market behavior/trend is a complex activity comparing to foreseeing the changes in the trend and preparing for it proactively.

This study aims in forecasting the trends that retail industry will be finding in the year 2012 on the grounds of retail space growth, growth of online retailing, shoppers' retail brand choice, penetration of foreign retail brands in Indian market, growth of specialty outlets, increase in the in-store service level expectation and the delivery.

The conclusion for this study has been derived with certain key statistical tools. The hypotheses are formulated in such a way that the impact of recession has been gauged across different class of retailers in the economy.

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## Introduction

In India, retail sector has been identified at its grass root level as an organized sector in the mid of 20th century itself, but more of changes and establishment in the retail sector happened only during the past couple of decades after the liberalization of the market. As the industry getting more organized every day, the trend has also become very dynamic at a high frequency at all levels from store formats to the shoppers behavior to the categories being retailed in the stores. The urge of keeping the track on trend

change has become very important for both the domestic and the international brands to plan out for their strategic goals.

## Review of Literature

Youn-Kyung Kim and Jikyeong Kang in their article said that "In the recent years, the retail industry has been undergoing major shifts. The successful emergence of new retail formats, such as category killers or big-box retailers and factory outlets, has significantly altered the market share of existing retail formats and intensified the

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competition in the retail environment. These changes in retail trend have been prompted by shifts in current consumers' socio-economic conditions and shopping patterns. The aging of the consumer population, notable the baby boomers and a higher proportion of dual-income families are causing a rise in the diversity of purchase priorities in the retail and services."

Michael Levy, Dhruv Grewal, Praveen K. Kopalle and James D. Hess has observed that "many retailers find it difficult to know how to price merchandise when their suppliers offer temporary "deals." They are also generally unaware of how their pricing strategy influences their overall image. As these issues demonstrate, optimal pricing is not a static problem. Retailers must be able to react quickly to changes in the environment or sales patterns.

John Dawson said that "Since the early 1990s there has been a substantial re-structuring of retailing in Europe. Further, even greater, re-structuring is likely over the next 5 years. The implications extend beyond Europe but they have had primary impact within European markets. The restructuring involves not only changes in horizontal competitive relationships amongst retailers but also involves new forms of relationship with suppliers and an extension of the activities of West European retailers into Central Europe. The restructuring has occurred alongside substantive changes in strategies, relationships and operations. These changes have encouraged the emergence of an alternative perspective of the role of retailing that places retailing as the initiator of added value activities in the economy rather than in its traditionally more passive role of building on the value being added in manufacturing. The new role places retailing in a global framework of international store operations, international sourcing of products, international flows of management and

managerial know-how, and international retailer brands.

Karen Gedenk and Scott A. Neslin states that "the extent to which purchases made under a retail promotion enhance or detract from the level of feedback, compared to non-promotion purchases. We apply the model to two product categories and compare the effects of price versus non-price retail promotions. We find that in-store price promotions are associated with negative purchase event feedback compared to non-promotion purchases, whereas non-price promotions such as features or sampling have no effect or in fact are associated with positive purchase event feedback, compared to purchases made off promotion."

Dieter Ahlert, Markus Blut and Heiner Evanschitzky discusses that, "Present-day consumers are faced with an ever-growing variety of retail formats to satisfy their needs and want. The emergence of new retail formats can be explained in at least three ways: First, it can be argued that the changing demand patterns of consumers may lead to different formats. Secondly, retailers themselves may decide to develop a certain format that best fits their internal strength. By so doing, they hope to obtain a competitive advantage. A third explanation for the emergence of new retail formats may be the changing role of the manufacturing industry. Excess product supply can force prices down, which in turn may lead retailers to purchase opportunistically.

The current study is concerned in exploring all possible futuristic trends by the year 2012 in the retail industry with a hypothetical scenario. The study has been model in such a way that a list of possible trends present are checked with the retailers of different class as the opinion makers to arrive at a conclusion with some set of possible trends that can be expected in the year 2012.

## Objectives of this Study

- The average percentage growth predicted by the respondents stays between 20% to 30% on the growth of online retailing in India.
- The predicted growth of retail floor space by the year 2012 will be double the current retail floor space in India.
- There is a significant positive relationship exist among the responses given by different class of retailers on their confidence index on customer brand conscious increase by the year 2012.
- Predicted growth of specialty stores will be the double the rate by 2012.
- There is significant differences exist among the responses of various classes of retailers on their confidence on more foreign investments in the Indian retail sector.
- There is significant differences exist among the responses of various classes of retailers on their confidence on more categories getting introduced in the Indian retail space.

## Methodology

### Research Design

The ex-post-facto research design was adopted to investigate the relationship between different factors of the retailer against their projection of numbers and their predictions towards the retail trend by the year 2012.

### Respondents

The target population consists of retailers from the Chennai region who belongs to standalone

retail outlet or a management authority from a retail chain brand. A total of 200 retailers have participated in this research as respondents to share their experience that they had during the economic slowdown which has started in the last quarter of the year 2008. Initially, the retailers are categorized based on their business/retail background accordingly their participation on this study is formulated by ensuring a balance in selecting the number of samples across all the class of retailers. For this study, retailers are classified in the following fashion, A1 - General merchandise store, Warehouse stores, Mom-And-Pop (or Kirana Stores), A2 - Department stores, warehouse clubs, Variety stores, Convenience Stores, Vending Machines, A3 - Supermarkets, Specialty Stores, E-tailers, A4 - Hypermarkets, Supermarkets, Malls, Category Killers or Category Specialist. The chronology of the class is based on the value of the retailer from bottom to top.

### Questionnaire

A set of questionnaire was prepared which includes six sections as follows; Section-1 captures the details about the survey and the details of the respondents. Section-2 and 3 includes the retailers' profiling on the class (i.e.,) type of store and the category of commodity under sale respectively. Section-4 captures the actual rating of the retailer in describing their projection on the online shopping growth and retail physical store space by the year 2012, Section-5 discusses their predictions on the shoppers' brands conscious quotients and foreign retailers' investments in the Indian market. Section-6 projects the retailers' confidence numbers on the growth of specialty stores in the Indian market by the year 2012.

## Statistical Tools

The questionnaires were administered to the respondents at the premises of individual retail units spread across the Chennai region. Prior to that, a detailed database was generated including all the prospective retailers in the city who could be relevant for the survey. Appointments are taken well in advance over email and phone for the survey. The researcher following the granted permission by the respective retail owners of the

selected brands approached them individually. The researcher explained the purpose of the study to the respondents. The respondents were assured of their anonymity and confidentiality of any information being provided. The respondents completed the questionnaires and out of the 150 copies of the administered questionnaire, all of it were collected and analyzed statistically using Pearson Product Moment Correlation and ANOVA testing.

## Results

From the analysis of the data collected, and testing of the stated hypotheses, the following results were obtained:

**Table 1 : Average Score of Projected Online Retailing Growth by 2012**

S. No	Retailer Type	Projected Online Retailing Growth by 2012
1	A1	12.4 %
2	A2	9.4 %
3	A3	16.84 %
4	A4	13.06 %
	Net Average Score	12.925 %

- “Net Average Projected Online Retailing Growth = 12.925 %” rejecting the hypothesis stated above which was set between 20% to 30% hypothetically

**Table 2 : Projected India's Retail Space Growth by 2012**

S. No	Retailer Type	Projected India's Retail Space Growth by 2012
1	A1	30 %
2	A2	26 %
3	A3	42 %
4	A4	53 %
	Net Average Score	37.75 %

- “Projected India's Retail Space Growth by 2012 = 37.75%” and hence rejecting the hypothesis as it is presumed in the hypothesis that the retail space will grow 100% from the current size.

**Table 3 : Relationship between the retailer type and the brand consciousness of the shoppers by 2012**

Variable	N	Mean	SD	correlation co-eff	Remark
Retail Brand Conscious Trend	200	3.055556	1.286067	0.200776	Higher the levels of retailers higher is their confidence on the prediction on the change of brand consciousness among shoppers

**Table 4 : Predicted growth of specialty stores by 2012**

S. No	Retailer Type	Projected Specialty store growth by 2012
1	A1	45 %
2	A2	33 %
3	A3	51 %
4	A4	31 %
	Net Average Score	40 %

- The average growth of specialty stores by 2012 is predicted as 40% and hence rejecting the hypothesis which requires 100% or more growth predicted.

**Table 5 : One-way ANOVA Testing on Retailers' confidence and foreign investment in Retail Sector**

	Sum of Squares	Df	Mean Square	Fisher F-value	Significance (p)
Between Groups:	1.055	3	0.352	0.196	0.899
Within Groups:	351.292	196	1.792		
Total:	352.347	199			

**Inference:** the “P” value (0.899) is greater than 0.05 at 95% confidence interval. So, we are accepting H0 and thereby concluding that there exists a significant difference in opinion expressed by the retailer of different classes on the forecast on the trend of foreign investments in the retail sector in India.

**Table 6 : One-way ANOVA testing on retailers' confidence of new category introduction by 2012**

	Sum of Squares	Df	Mean Square	Fisher F-value	Significance (p)
Between Groups:	3.26	3	1.087	0.536	0.658
Within Groups:	397.052	196	2.026		
Total:	400.312	199			

**Inference:** the “P” value (0.658) is greater than 0.05 at 95% confidence interval. So, we are accepting H0 and thereby concluding that there exists a significant difference in opinion expressed by the retailer of different classes on the confidence index on prediction of service level expectation as trend will be in the year 2012 in Indian retail sector.

## Discussion and Findings

Hypothesis one is rejected as the results on average online shopping growth hasn't fallen in the range of 20% to 30% and hence the hypothesis is proved wrong. The result infers that though online shopping growth rate is at rocket speed, retailer believe that the growth of the same will stay less than the 20% as the average predicted online shopping is marked at 12.925%. This seems to be very controlled growth for the online shopping by the year 2012 and it also shows a great relief for the organized traditional retailers who believe that their most of business are taken up by online shopping portals. The idea generated is that the investment on online shopping will be limited by the year 2012.

Hypothesis two results the average retail floor space will grow at the rate of 37.75% by the year 2012 and hence not proving the hypothesis right. The hypothesis set projects for 100% or more

than 100% as growth for retail floor space in India by 2012. This shows that the trend in the growth of retail space will remain limited as for the simple reason that the investments on all the metros are reaching a saturation point and also only when the investments skews towards tier-2 cities it is possible to find the retail sector in India growing further.

The results for the hypothesis three made it to accept the same as it exhibits a positive relationship among the response of different class of retailers in their opinion on shoppers' getting more brand consciousness by the year 2012. The average score falls on the positive skew and the correlation factor remains at 0.2 which is a positive correlation. So the retailers on the higher class believes that the brand consciousness of the shoppers on selecting the retail outlet will be more when comparing to the opinion given by the lower class of retailers.

When specialty stores are having good response from the market, it is observed from the results that these concept stores will grow at a rate of 40% and hence leaving the hypothesis getting rejected. The hypothesis set expect a double growth in this specialty store sector and the result obtained remains at 40% though it is not a poor number. It is noted by the market players that specialty stores would bring the retail sector to the new level and it is expected to have a good growth in the forthcoming years with good amount of investments getting pumped in the economy for establishing specialty concepts which caters unique categories for the shoppers.

Hypothesis five is accepted and hence it is understood that retailers of different class who have participated in this study have predicted the foreign investment in the Indian retail sector and hence this data thread cannot be much helpful in projecting or to come for a decision whether the investments by foreign brands will increase in India or not by the year 2012 though.

Hypothesis six tried to show the significant difference in the responses given by different class of retailers on the grounds of increasing category range in the retail sector by 2012 in India and the hypothesis is accepted which deliberately says that there exist a difference in the responses given by different class of retailers. So we can conclude saying that they are projecting this scenario with respect to their nature of business and class of their retailing. Though we cannot give a solid answer for the overall retail trend on the entry of new categories it is observed that the opinions of retailing nature dependent.

## Suggestions

- Retailers can concentrate investing on the tier-2 cities as there exist a potential market.
- As the online retailing is projected at a growth rate of 12% around the physical retailers can continue concentrating in giving their best.
- As specialty stores are identified to be the future of retailing in India, even the local players can concentrate developing retail formats with unique category ranges only.
- Entry of new categories in the retail space is always expected in the market and the retailers should be smart enough to select the prospective categories for their shelf to make better revenues.

## Conclusion

From the results obtained from this research that when considering the retail trend for the year 2012, the online retailing will grow at a minimum and at a controlled growth of 12.95% with the specialty segment grows at the rate of 40%. The overall retail floor space by 2012 will grow at a rate of 37.75% which is quite convincing though the hypothesis set has been rejected in this study. Moreover the projection on the foreign investments are not taken in consideration as it is observed that there exists a huge difference among the responses of the various class of retailers taken part in the study. It is also inferred from this study that new categories in the retail sector are completely dependent on the type of the store and it is not possible to give one conclusion.

## References

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