

May 2016

Bachelor of Business Administration (BBA) Examination

VI Semester

Retail Management

Time 3 Hours]

[Max. Marks 80

Note : Attempt any four questions (out of seven questions) from Section A. Each question of Section A carries 15 marks. Section B carries 20 marks. (A case Compulsory)

Section A

1. Explain the functions performed by a retailer ? Why has the retailer emerged as a leader in the marketing channel?
2. Discuss the various pricing strategies that could be used by a retailer.
3. What is retail promotion mix? Describe its components.
4. Elaborate the significance of information system in retailing.
5. Discuss the scope of future trends of retail in India.
6. How waste reduction could be managed in retail stores ?
7. Write short note on the following:
 - (a) Retailing Environment
 - (b) Trends in Organized Retailing.

Section B

8. Read the case and answer the questions given, at the end :

WOONG THE INDIAN LUXURY CONSUMER

The Indian economy has one of the highest disposable incomes. Thereware, around 1,26,000 HNIs (high network individuals) and another three million households-earning over Rs. 10 lakh per annum-ready to consume luxury. In short, the number of HNIs is enough to fuel the growth of fashion and luxury brand in India.

The concept of luxury is complex, as it is subjective and built mainly on consumer perceptions. A single definition of luxury does not exist and while a brand may be defined as a luxury brand, all brands considered luxury brands may not be deemed equal, and one brand having a higher perceived luxury in one product category may have a lower perceived luxury in another product category.

The Luxury Market in India

Luxury retail is not really new to India, considering that India was for long the land of rajas and maharajas. The luxury market is growing at a rapid pace in India-with a compounded annual growth of 25 per cent. The entire

luxury market can be divided into three categories-luxury products, luxury services and luxury assets. According CII- A.T. Kearney Report published in 2010, in the last few year (2007-2009), the luxury products market has grown at 22 per cent. In 2009-10, India consumed luxury goods worth US\$ 1.5 billion. The escalation can be attributed to the evolving number of wealthy shoppers in India-today, nearly 70% of India's wealth is concentrated in the five metros. While India has one of the highest GDPs in the world, its luxury consumption, in absolute terms, is still-very small. Figure 1 shows growth of luxury market in India.

Some of the key luxury brands that have created a presence in India include leading names like Louis Vuitton, Chanel, Hugo Boss, Tiffany's, Bvlgari, Salvatore Ferragamo, Aigner, Dior, Ermengildo Zegna, Burberry, Canali and Fendis, to name a few.

The Luxury Consumer

It is believed that the size of the luxury market bears direct correlation to the household income (GDP/capita), the number of high net world individuals and/or their wealth. Even though Mumbai stays as the cosmopolitan face of India luxury brands have

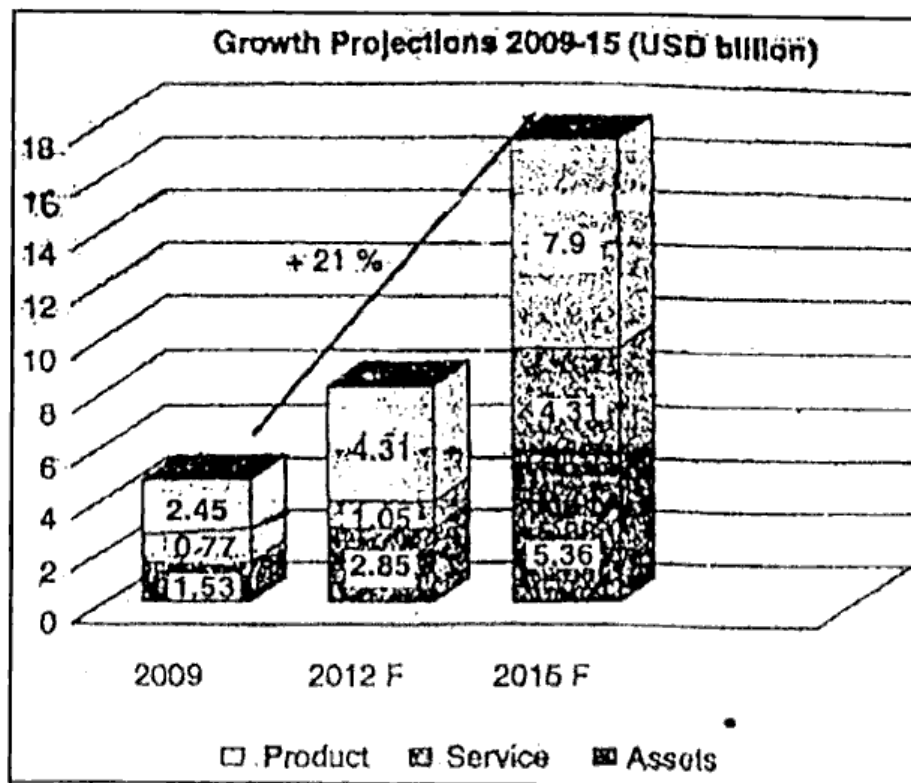


Fig. 1 : Projected Growth of the Luxury Market in India

chosen the capital city for setting up their stores in Delhi, as it offers a combination of industrialists, entrepreneurs, politicians and wealthy farmers as the target consumer base. Table 1 indicates the Estimated number of households classified on the basis of household income and the corresponding luxury products, services and assets that they are likely to spend on.

Table 1 : Typical Consumer patterns in Urban India : Metros and Tier 1 Cities

Household Income (Rs./Year)	Number of Housholds	Typical Occupations	Luxury Products	Luxury Services	Luxury Assets
10-50 lakh	2,80,000	Service industry professionals	Low-ticket items such as accessories, wines and personals care	Spas, infrequent fine dining	-
50 lakh 1crore	2,00,000	Corporate executives; self-employed professionals	Wathces, apparel, accessories, wines and personal care	Travel frequent fine dining, hotels, spas	-
1-5 crore	1,20,000 1,50,000	Medium enterprise owners; traditionally wealthy company CEOs; top bankers; professionals	All	All	Cars, yachts real estate, paintings

Source : 'Luxury in India : Charming the Snakes and Scaling, the Ladders' (a CII-A.T. Kearney Report)

Thus, in terms of consumption of luxury items, it is not restricted to only one class of the audience but has a wider appeal across various segments in Indians. Well-informed buyers with sizeable incomes are buying more, causing brands to rework strategies. As the luxury market in India evolves, luxury brand marketers have woken up to serve a demanding, well-travelled and discerning Indian consumer.

The Challenges

Indian consumers being evolved to an age of consumption, capturing the right consumer base has gained prime importance. The cost of real estate is very high and many retailers have to deal with high costs of rents, underdeveloped back-end infrastructure like warehouses and logistics as well as regulatory restrictions on FDI and high import duties. While India is in the midst of a mall-building boom, there are very few upscale shipping centres in which companies can showcase their luxury products alongside those of similarly chic retail neighbours.

Luxury brands have their presence in big cities like Delhi, Mumbai and Bangalore. Currently, there are two dedicated locations for luxury products - the DLF Emporio Mall in Delhi and the UB City Mall in Bangalore - apart from stores in five-star hotels. Real estate costs are high and strategic high street locations in the right catchments are in limited supply in the primary

cities, which makes them very expensive. Luxury retail consumers expect the right kind of convenience while visiting such a store. They expect accessible parking, which the location often cannot supply.

Managing and marketing luxury brands is as much an art as a science. The challenge is to create demand for a product, the value of which can truly be appreciated. Luxury brands are prestige products characterised by high-involvement decision-making that is strongly related to the person's self-concept. Retailing luxury revolves round the key elements of quality, value for money, customer satisfaction, and creativity. The right quality of manpower that has the right service and retail mindset is required to sell luxury products. However, lack of skilled manpower in India poses a problem for this sector. High import duties, especially in case of apparels, result in the end product being priced higher in the Indian market than other markets. Similarly piracy and the counterfeit market is a reality in India just as it is elsewhere in the world and requires issues of taxation and duties to be dealt with.

Questions for Discussion :

1. What are the factors that need to be considered for by a luxury brand entering India ?
2. For a country as diverse as India, what are the options in terms of location and product mix that the luxury retailer can develop ?
3. What could be service mix that must be developed by the retailer for the Indian market ?

