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SALES PROMOTION PRACTICES IN APPAREL RETAIL SECTOR AND CHALLENGES AHEAD

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ABSTRACT

Indian organised retail industry is poised for growth. Apparel sector in particular has a great opportunity with alignment of Indian economy to globalised markets. With the widespread use of sales promotions- short term activities which provide material inducements to consumers and trade it becomes imperative for managers to understand such practices and understand challenges. This study investigates sales promotion activities of six apparel stores in Ahmedabad market and compares them on various dimensions. It presents major findings and provides insights on consumer behaviour. Lifestyle, for instance, has a loyalty programme called 'The Inner Circle', while Pantaloons offers a 'Green Card' Rewards programmes, Westside has 'Club West' to woo the customers. Managerial challenges are posed in planning and implementing such activities. The paper concludes with future bright outlook.

Introduction

In India, clothing retail accounts for 36% of organised retail business. It is the largest sector. Ready-made apparel accounted for an estimated 20% of domestic clothing sales in 2005¹. With growing working women wearing western wear to work, and pressed for time, market for good readymade clothes is likely to grow. India is a film-crazy nation, and the largest producer of films, with more than 1,000 every year. They provide entertainment and an escape from reality for India's masses, and set the popular fashion trend. Bollywood fashions have become pan Indian. They affect various sectors of the market including clothing, footwear, weddings and fashion accessories.

With the advent of modern format retailers and the growth of plastic cards, affluent urban Indian women are shopping like never before. They spend mornings browsing in stores looking for deals or latest styles. Upper income urban women are adopting ethnic chic. These are designer clothes that incorporate Indian motifs, ethnic fabrics and are a fusion of western and Indian styles.

In the large urban centres, apparel retailers, like Shoppers Stop, Westside and Pantaloon have popularised their private labels, which have attracted urban shoppers. Westside carries only its own private labels, while for the other stores, 20-30% of their apparel turnover is from

¹ Consumer Lifestyles in India, Euromonitor International Consumer Lifestyles Database(2005)

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private labels. Customers have loyalty to a store rather than any particular garment brand. This has led to a thriving unbranded or local brand market for ready-to-wear clothes leading to severe competition. Hence organized retailers like Lifestyle, for instance, has a loyalty programme called 'The Inner Circle', while Pantaloons offers a 'Green Card' Rewards programmes, Westside has 'Club West' to woo the customers. Customers look to design and fit of the clothes, and use the shop's name as a quality standard.

According to a report by Datamonitor (2006)², global apparel, accessories & luxuries market is likely to grow by 4.5% annually and Asia Pacific region is anticipated to acquire leadership position by 2011. Apparel sector in India poses a lot of challenges to a marketer. So far India's share in world apparel trade has been insignificant (less than 3%). World garment trade is estimated at around 195 Billion US\$ annually. The Biggest manufacturer & supplier is China producing over 50 billion \$, followed by Mexico which produces over 8 billion and followed by many countries like India, Sri Lanka and Bangladesh, being the third place countries making and exporting garments worth 5- 6 billion \$ annually.

Characteristics of Apparel Retail Sector

As apparel retail is led by fashion, a player needs to keep a close watch on fashion amongst teenagers as they are the trend setters. Role of Bollywood in spreading fashion needs to be understood. Seasonal variations on stocking pattern and need to clear inventory at the end of season should be understood by apparel retailer. Typically once an item is sold from the outlet, retailer ensures that there is no repetition of same. It gets replaced by different design, style, colour. Importance of store layout, décor is very critical. A browser visiting the store frequently likes to see changes in the layout otherwise he may carry the impression that stocks are not moving out of the store. Category management becomes very crucial function as transformation of design into production and delivery has to be completed before fashion or fad changes in the market.

This 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 retailer's financial and inventory risk and consumer's financial risk and psychological risk.

This paper compares various sales promotion activities followed by apparel retail stores in organized sector. Both exclusive and multibrand retailers in apparel retail sector are studied. On the basis of practices, it poses few challenges which managers in the sector encounters.

Literature Review

Several studies on apparel retail sector and usage of promotions are reported in the context of developed markets. A brief overview is presented below:

Deeter-Schmelz, Dawn R.; Moore, Jesse N.; Goebel, Daniel J, (2000) examined Prestige clothing shopping by consumers by a confirmatory assessment and refinement of the PRECONscale. 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

² Global Apparel, accessories and luxury goods, Datamonitor, (2006)

for the United States apparel retailers dealing in prestige clothing.

Kincade, Doris H.; Woodard, Ginger A.; Park, Haesun (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.

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.

In the context of French market, Meyer-Waarden, Lars; Benavent, Christophe. (2006) studied the Impact of Loyalty Programmes on Repeat Purchase Behaviour based on the BehaviorScan 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.

Hyllegard, Karen; Eckman, Molly; Descals, Alejandro Molla; Borja, Miguel Angel Gomez (2005), studied Spanish consumers’ perceptions of US *apparel* speciality retailers’ products and services. The study emphasized that speciality 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.

Motivation for the Study

Inspite 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. With the rapid growth organized retailing in India, there is a dire need to understand such practices, explore rationale behind it and pose managerial challenges.

Objectives

Hence, the present study attempts study practices of sales promotion of apparel retail outlets

- i) To compare usage across exclusive and multi brand outlets
- ii) To explore rationale behind such activities by examining consumer behaviour

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iii) To pose challenges ahead

Methodology

Six apparel retail outlets in organized sector were selected for studying sales promotion practices. As the purpose of the study was exploration, sample of six was deemed fit as they would represent the population of organized apparel retail outlets in Ahmedabad market- a mini metro in western part of India. Ahmedabad being an important hub for textile industry in past as well as current times such practices were studied in this market. Also nature of such activities is not likely to vary across different markets because most of the outlets were a part of chain and their head office would typically plan such activities and endorse the budget and promotional calendar which these outlets would undertake during the year. An in depth structured guide was prepared to gather the data about store profile and sales promotion activities undertaken by the store.

Table 1: Store Profile and Information on Sales Promotion Activities

Store name	Pantaloon	Megamart	Lifestyle	Westside	Wills lifestyle	Max
Format Type	Multibrand	Exclusive Arvind's brand-	Multibrand	ExclusiveTata(Trent group)	ExclusiveITC	MultibrandLandmark group
Positioning	Family store	Value for Money		Style & affordability	Enjoying the change	Family shopping destination & value pricing store
Floor Size	28000 sq. ft	5000 sq.ft.	50,000 sq. ft	15,000-30,000sq.ft		
Location	CG Road, Ahmedabad(posh locality)	Drivein Road, Ahmedabad(not very posh, crowded)	Satellite Highway,cross Road	CG Road, Ahmedabad	C.G. Road, Ahmedabad	Gallops Mall,Sarkhej Highway, Ahmedabad
categories	Apparel & accessories for men,women & children	Menswear, womenwear, homefurnishing	Apparel accessories for men,women	Stylized clothes,footwear& accessories	Relaxed wear,body care products,appareal &accessories	Foot wear,accessories,home furnishing
#of skus	45000	450 categories	34 categories	NA	NA	NA
#of suppliers	20-25	1 (Arvind Mills)	94	NA	NA	NA
Average billing per customer	Rs.1800	NA	Rs 800	Rs199-1999	3000 during sales promotion and 2500 without sales promotion	Rs750 to 1450
Average footfalls	1000on weekday & 1500 to 2000 on weekends,holiday days	100-120 on weekday & upto 250 on weekends	1200 in week days & 6000 during week end	25-45 per hour	65 perday & rise upto 120	450 per day& Weekend 1200
Sales Promtions						
1.End of season	Yes	No	No	Yes	Yes	Yes
2.Festive Promotions(Diwali,Christmas etc)	Yes	No	Yes	Yes	No	Yes
Loyalty card Programme	Yes	No	Yes	Yes	Yes	No
Special Promotion(event)	Yes(Exchange offer)	Yes	Yes	No	Yes	No
Joint promotion	No	No	Yes	No	No	No
Media used	Hoardings,print,electronic(SMS,E-mail),POP	Instore,Electronic	Hoardings,Instore	Print,electronic,hoardings,Instore	Tele marketing,print,Electronic,outdoor	Instore
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	Disconts,gift vouchers	Lucky draw.free coupons,discounts
Evaluation of promotion	Sales, Quarterly profit	Sales	Sales	Sales, Quarterly profit	Conversion, footsize,sales,average bill size,stock movement	Sales,average bill size,conversion(footfall)

Findings

The table-1 below gives Comparative Apparel Store Profile and information about sales promotion activities.

- From the above table which gives comparative picture of various sales promotion activities and manner of announcement, evaluation etc., it is clear that four out of six stores engage in end of season sale. This reinforces the fact that seasonality affects apparel sector and hence it becomes critical for a retailer to clear off the stocks at the end of season otherwise he may have to incur substantial inventory carrying costs, allocate scarce shelf space and out of fashion apparels maybe worthless- may remain unsold forever! 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 upto 50% of the MRP(Maximum retail price).
- Four stores, both multibrand and exclusive use loyalty cards to reward loyal users and encourage them to visit the store often and buy more by offering wide range for men, women and children. Some store also offer home furnishings, accessories and footwear, thereby providing convenience for one stop shopping. Examining the various terms and conditions of loyalty programme revealed that some rewards were quite complex and confusing. e.g. lifestyle's card- Inner circle. The conditions to be fulfilled is not very clear to a card member. For example, if any other promotions are prevalent then purchase made during those promotions would entitle for the card reward points or not was not very clear.
- All the stores used in store media to announce promotions. However use of mass media and electronic media varied across the sample under study. Use of only instore 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.
- In terms of type of consumer sales promotions, almost everyone used discount, coupon programmes and few used lucky draws, contests, gift, buy one get one free type of promotions. Only Pantaloon had a unique scheme of an exchange offer which is normally prevalent in durable goods industry. Relating it to a cause- donating old pairs collected in exchange scheme to charity would enhance the brand value among the consumers.
- 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.

Rationale for Sales Promotion Activities

Usage of sales promotion activities has a direct impact on behaviour as it motivates a consumer to buy now rather than in future, enhances value of an offer temporarily till the promotion period, encourages switching, reinforce or reward loyalty etc. Broadly, objectives set for these activities are; i) to generate store traffic, ii) to move excess inventory, iii) to enhance store image

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and iv) to create a price image (high or low). Traffic building is achieved by special event promotions like Diwali, Rakshabandhan promotions; inventory reduction through end of season sale; creation and building store image through feature advertising and displays and joint promotions and price image by highlighting the discounts. It helps consumer reduce not only financial risk but also psychological and social risk by making consumer confident of his/her purchase, conformation to group norms by shopping at famous stores/brands and possibility of acquiring wellknown branded apparel during promotions. Promotions may induce non buyers to walk in to the store and loyalty programmes may encourage to buy more, more often or upgrade to better quality. 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 upgradation but hedonic benefits like feeling confident, feeling of excitement and entertainment etc.

Managerial Challenges

From the findings it is apparent that use of sales promotions is quite widespread and variety of activities are used to address variety of objectives; clear off old stock, load the consumer, encourage brand switching, to reward the loyal user, to create excitement at point of purchase etc. The manager in charge of apparel retail operations need to understand impact of various types of promotions on consumer behaviour and objectives attained. In a crowded promotional environment it is challenging to retain loyal consumers. 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. A manager needs to be aware of these problems and have to plan strategies to overcome them. Loyalty card programmes require good administrative support and good database records and data mining abilities to exploit to the fullest. Also IT investments are required to keep records and evaluate the impact. Big players like Pantaloon have a policy to invest in IT. They have implemented SAP so database is available. Such investments in decision support systems may give competitive edge to retailers. For that one would need trained people to handle decision support systems.

Manager needs to strike a delicate balance between percentage split across proactive and reactive promotions. If it gives a first mover advantage then manager needs to allocate higher proportion of budget to proactive promotions. Managers also need to plan such activities which will synergise company's positioning and advertising campaign efforts rather than erode brand image or equity. He needs to understand critical role of integrated marketing communications which will signal unified message and image about the brand/ store. To what extent promotional calendars need to be unified across markets for the chain and to what extent local managers need to be given freedom to plan their promotions in local areas is a constant struggle between head quarter and regional chain stores.

Execution of these activities also require proper coordination of selling effort, availability of promoted merchandise and managing product line pricing. At times, if certain item in a product line is promoted, it may disturb the logic of line pricing.

Future Outlook

Apparel sector is likely to grow with growing Indian economy. Many multinational players either have already plunged into Indian market or plan to do so in apparel sector. They will bring many promotional practices which they have been following in developed markets which will increase the use of sales promotion activities even further. Indian brands will have to withstand

turbulent conditions and learn to survive. If the role of such activities is understood well it may help any player a long way to survive and grow.

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