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"M-Tailing" - The New Buzz Word in Retailing

K. A. Shreenivasan^{1*} and P. Vaijayanthi²

¹School of Management, SASTRA University, Thanjavur – 613401, Tamil Nadu, India; shreenika@mba.sastra.edu ²School of Law, SASTRA University, Thanjavur – 613401, Tamil Nadu, India; vaijayanthi@mba.sastra.edu

Abstract

Objectives: This paper is on the concept of M-Tailing wherein the power of the mobile phone technology is harnessed in retailing. With the exponential increase in communication technology and penetration of mobile phones, M-Tailing will be the future-retailing model. This paper traces the evolution of M-Tailing, the drivers, the hurdles and its future in the country. The explosive growth of E-commerce bodes well for the future of M-Tailing. The retail sector growth in today's India is considered to be the major driver of M-Tailing India is seen today as the organized retail destination and the GRDI has placed India as number two developing retail market in the world. Organized retail and mall development have gone hand in hand in the country and today we have both large international and local companies making their foray into retail. One other driver is the changing Indian demographics. The increasing upward mobile urban youth market that is very tech savvy will be the future hunting ground for M-Tailers. **Applications:** The growth of mobile technology i.e. the launch of the 3G in India will be one of the key factors, which will further fuel the growth of M-Tailing. Every coin has the other side. The hurdles to M-Tailing are also examined in this paper. **Findings:** The paper concludes with what the future model should be and how retailers should design and develop their offering for the future.

Keywords: E-Commerce, E-Retailing, Mobile Retailing, M-Tailing, Technology Transformation

1. Introduction

Retailing, the leading sector in the international market, is experiencing a changeover era throughout the globe. Retailing is the most lively and striking sector of the last decade. In the recent past, the concept of "M-Tailing" has witnessed so much dynamism in India. It's an innovative bandwagon that has witnessed hordes of companies leaping onto it. While international retailers have started entering into the market now, it witnesses a very large potential¹.

Equally, the other sector, which grows at a very rapid speed, is the Information Technology and software. We stay alive in an amazing land of technical unification that facilitate us to communicate, shop and get entertained through a sole connection, the 3G mobile phone. Particularly, technology offers always-on wireless GPRS/3G similar to a broadband Internet connection. These technologies promises the users' access to the Internet roughly 12 times faster than the current WAP.

On India, a McKinsey report states that the organized retailing would amplify the capability and productivity of economic activities and helps to achieve higher GDP growth. Indian Government's plan of altering the FDI guidelines in this sector reflects the significance attached to retailing. The strategies of leading corporate houses have further driven the major fund infusion in the sector. An intentional associations, infrastructural acquisitions in prime areas give the essence of the frame of mind in this sector. Both Indian firms and foreign players want to get their share of this mushrooming pie².

With recent retail store formats, emergent players are progressively deploying sophisticated IT tools for administration of their supply chain, warehousing, logistics necessities and the marketing requirements³. Given this background, a convergence in the technology part and retailing part is on the cards. "M-Tailing has the potential to become a giant force, but it isn't going to happen overnight" says Mark Carleton, Director of Strategies, KPMG in Denver M-Tailing market⁴. It must also develop a

^{*}Author for correspondence

feasible business model where the investors in to it should earn some profit. But then, there is lot of technical issues related to this. Three most important technologies, all different technologies rule the mobile market, incidentally all three finds its own share, viz., TDMA, CDMA and GSM.

India as a country is one among the rapidly growing mobile phone markets in the globe. A report in "The Hindu" the premier newspaper in Tamil Nadu has stated that 2 out of 3 members of the population in Tamil Nadu use a mobile phone. The statistics of mobile phone usage and penetration as per TRAI:

- The mobile subscribers' base in India at the end of April 2009 has grown to 403.66 million.
- On an average, India adds 10-12 million mobile subscribers monthly.
- One can find 270 million mobile users in the nearly saturated urban India.

This market penetration of mobile phones will confirmedly have a significant M-Commerce potential. "M-Commerce can be defined as communicating and transacting through public and private networks by handheld mobile devices with wireless Internet connections⁵. For example, by the end of 2020, a forecast says there will be more E-Commerce on wireless devices⁶. It is also emphasized that M-Commerce will revamp retailing through service differentiation; while others bicker that retail will be a major failure in mobile experiments. What do these developments foretell for marketing in the future especially in the retail scenario?

2. Drivers of M- Tailing

2.1 Retail Growth

The first driver for M-Tailing is the unpredictable growth of the organized Indian Retail Sector. As opportunities increase challenges as well increases. Retail and Real Estate have been the booming sectors of India in the recent past. Retail, one of country's imminent industries, has emerged as a dynamic and fast paced industry with an influx of players entering the market. Contributing for over 10% of the country's GDP and more than 8% of employment⁷, retailing is steadily moving towards becoming the next resounding industry. As discussed, with the growth comes a horde of challenges, which, the players have to

face and conquer to remain successful in the context of the upcoming onslaught of sharp competition.

Retail Industry is a crucially growing sector in India contributing to conspicuous employment creation. Retailing in India is characteristic of street markets and convenience stores, which accounts for 96% of the turnover and majority of these stores are very small. Organized retailing in India which is still in an embryonic stage accounts for only 4 percent of the total market. Organized retailing is expected to increase phenomenally in the coming years. This demonstrates that growth of retail sector is very much expected and inevitable. Table 1.

But the organized retail sector is documenting an exceptional growth and will entirely transform retailing sector over the next five years. The sector is contributing 10-14~% to GDP employing about 7-8~% of the total work force. India stands fifth globally, as the favorite destination with an estimated retail market growth of US \$ 1.3 trillions (approx.)⁸ in 2020.

Transformation in life styles is promoting changes in retail environment. Increase in disposable income, time constraints and traffic congestion has produced a requirement for new types of retail format. Receiving the right product, at right time and at the lowest possible cost is an

Table 1. Global scenario of organized retail

Country	Share of Organized Retail (%)	Share of Unorganized Retail (%)	Remarks	
India	6	94	Huge Opportunity for the growth of organized retailing.	
China	20	80	Organized retail growth phase is on.	
South Korea	15	85	Vast opening for the growth of modern retailing	
Indonesia	25	75	Developed Organized retailing.	
Philippines	35	65	Developed Organized retailing.	
Thailand	40	60	Highly Developed Organized retailing.	
Malaysia	50	50	Highly Developed Organized retailing.	

Source: Assocham conference on Re-inventing retail in New Delhi on 26th September 2008, www.assocham.org/events/recent/event_271/vikas_visal.pdf.)

advantage the consumers would enjoy in the edge of this retail transformation.

The Global Edge report on Market Potential for Emerging Markets (2008), states that India ranks seventh in the roll and has been able to sustain itself around this status for quite some years now. In fact, according to Global Retail Development Index (2015), India is sited as the principal destination for retail investment peaking the chart above Russia, Mexico and Saudi Arabia. India's organized retail sector is growing at a faster pace than was anticipated and could represent 12% of the overall retail sector by 2020.

According to a research on retail sector conducted by Deloitte Haskins and Sells, organized retail sector in India had 8% share of general retail market in 2007 in contrast to 5% in the year 2006 and is projected to grow still further. The reason for the growth was the favorable demographics of the Indian Population. India's consumer class, intercontinental exposure, increasing accessibility of retail space, wider range of products and brand awareness are all contributing major opportunities in the organized retail sector in India, which is on the edge for an emphatic period of growth. For a booming retail story what is necessary is the effective utilization of these growth prospects. Table 2.

During the last decade, many MNCs have penetrated the Indian retail market on the strength of rising prosperity levels of the young Indian population along with the discriminating awareness of global brands, global shopping experiences and the enlarged availability of retail real estate. The progress of India as a spring hub shall additionally make India a striking retail opportunity for international retailers.

PricewaterhouseCoopers in its third publication of Retail and Consumer study, "From Beijing to Budapest: New Retail and Consumer Growth Patterns in Transitional Economies" reviews development opportu-

Table 2. Growth path of Indian retail

Year	Retail Market (\$ US billion)	Retail Space (mn. sf.)	Retail Penetration (%)
2004	275	31	3
2006	300	52	4
2008	353	90	7
2009E	383	145	9
2010E	416	200	12

Source: Censusindia.gov.in referred in Pratiyogita Darpan, Exam Oriented Series-1, code790 nities in fourteen countries in Asia, Central and Eastern Europe (CEE) and Russia. It has slated six countries with "GO" recommendations in terms of investment: China, Turkey, Thailand, India, Malaysia and Hungary. The study confirms that the most pressing prospect in the retail sector lie in China. India offers more long-term prospects for venturing in the sector.

3. Changing Indian Demographics

The major optimistic point as far as retailing is concerned is that India's population is undergoing an important demographic changeover. A large population of working youth with an average age of 24 years, nuclear families in metropolitan areas, rising working-women population and emerging prospects in the services sector are the more contributing demographic change factors. The fast rise in the country's middle and upper income classes, more than overall GDP growth per se, is likely to direct to a remarkable increase in the demand

4. Key Factors Responsible for the Transformation

4.1 Increasing Urbanization

The metropolitan population in India will grow up by 85 million over the subsequent 10 years, the second in the world Table 3. This will almost be equal to the collective change in urban populace in Thailand, Malaysia, South Korea, Taiwan, Indonesia, Pakistan and Vietnam. This is bound to generate demand for products and services and innovative methods of marketing Table 4.

4.2 Migration of Income Groups

Much of this increased demand for goods and services is not generated from the existing households in various

Table 3. Rural and urban population graph

Year	% Rural Population	% Urban Population	
1901	89.2	10.8	
1951	82.7	17.3	
1981	76.7	23.3	
1991	74.3	25.7	
2001	72.2	27.8	
2011	83.3	37.7	

Source: NCAER - Changing demographics in India

Table 4. Middle class population

Indian Middle Class	1984-85	By 2025
As a a% of total Population	< 10%	> 40%

Source: Atkin DJ, Jeffres LW, Neuendorf KA.Understanding Internet adoption as telecommunications behavior. Journal of Broadcasting and Electronic Media. 1998; 42(4):475–90.

revenue groups, as it is actually originating from the migration of households into higher income groups.

4.3 Mobile Phone Penetration

The third major driver for M-Tailing is the penetration of the mobile phone among the upwardly mobile educated urban youth for whom the mobile phone has literally become an extension of his personality. India has crossed the 400 million mark for mobile subscribers, although growth slowed from the record breaking figures earlier. The TRAI has stated that a total 9.19 million telephone connections were added during March 2015 as compared to 8.88 million connections added in Feb 2015. The total number of telephone connections reaches 996.49 million at the end of March 2015 as compared to 987.3 million in February 2015. Out of this phenomenal numbers 40% are used by the youth segment. This segment today is characterized by high spending, exposure to foreign culture, tech savvy and with a propensity to consume. All the above would certainly have an influence on the future of M-Tailing.

Given the above background in the retailing arena and mobile phone penetration how marketers and retailers can leverage the mobile as an instrument for reaching products and services to customers.

The customers' move, from brick shopping to clicks shopping is a process of continuous innovation. The users of Internet would be generally more prone to choose M-Tailing as method of purchase as compared to the non-Internet users. Today the number of online portals offering goods and services to the consumers through the Internet medium is growing at a very fast pace. This explosive growth would not take place unless there is a demand for such services and products. The marketers need to leverage this segment and convert them to M-Tailing customers. Given the growth of the mobile market and the projections this logical extension of e tailing to m tailing is bound to happen in the near future.

4.4 Growth of Mobile Technology

Mobile technology today is growing in leaps and bounds. The launch of the third generation (3G) technology in India augurs well for the development of M-Tailing. This new technology, which has been recently launched in India, is bound to give fillip to M-Tailing. 3G expertise is proposed for the multimedia cell phone - typically called smart phones. The special features found in this type are amplified bandwidth and transfer rates to hold net-based applications and phone-based audio and video files. 3G networks encompass potential transfer speeds of up to 3 Mbps. For contrast, the fastest 2G phones can achieve up to 144 Kbps. 3G's high data rates are perfect for downloading information from the Internet and distributing and receiving bulky, multimedia files. 3G phones are like small laptops and can contain applications like video conferencing, getting video from the Net and instantaneously downloading E-mail communications.

Advantages of M-Tailing

With the kind of scenario shown above the marketers can design specialized marketing campaigns aimed at specific target groups with customized offerings. Further retailers can operate with virtual stores as against the brick and mortar structure. This consequent lowering of the cost and can lead to better and more competitive pricing to the target segment. This action will trigger further exodus from the brick and mortar to M-Tailing thereby increasing the scale of operations of the M-Tailer.

The cost of reaching the target segment as against the traditional methods through the mobile technology will be far lower. Thus the ad spend can be stretch to a larger audience. What is more critical here is that "ad clutter" will not be a factor to be considered since the message is specifically beamed to the target customer. However it is possible that the customer may not view the message but this is only a remote possibility as the human psyche, which is curious by nature, will certainly read anything new, but may not act on it.

The other causes for M-Tailing becoming a hot prospect can be credited to numerous factors.

 No Real Estate Costs: M-Tailers need not spend on showrooms or warehouses in prime locations; the real estate costs in the metropolitan cities are rocking high. Further this, maintenance costs of a virtual store in comparison with a physical store are to a large extent less.

- Easy and Comfortable: Easy and comfortably acquired information is major advantage that shopping on the mobile presents. Product information is now a call away, all accessed in the ease of a home. Customary retailing stands out in barren disparity: The consumer seeks out frantically, runs up and down and grills a poorly skilled store assistant who is not capable to help him out. In the process, precious time is lost. Customers favor to save this time so that they can allot more time for their practice and personal priorities.
- Better Interface with the Consumers: The supreme benefit of online trade is its facility to establish interfaces en-masse. Interaction denotes the ability of reaching the user on an individual basis and reacts suitably to the reactions of customers. Interaction is an imperative means for collective customization. Examples include online selling of flowers, software, texts, books and education. This has in addition led to greater contentment amongst the online shoppers. According to a study, 82% of the buyers have been found to be contented with their online buying.
- Mass Media: A superstore has restricted physical area
 of operation. It furnishes to customers of a city and
 its suburbs, however a mobile user can be contacted
 from any part of the country or from whichever part
 of the world and it increases the prospective customer
 foundation.

The Impediments

M-Tailing would face stern challenges in the years to come with respect to the technology and usability front. Shopping on a mobile gadget is not as easy as buying online and it will be giving a different experience altogether. In fact there are many drawbacks. The technology limitations includes: Low Bandwidth, Overcrowded Keyboards and Displays, Limited storage and Processing potential, Inadequate Battery power, Difficult screen steering and Strikingly low speed.

Unless most astonishing technological breakthrough occurs, the mobile device manufacturers and the software developers find it very difficult to balance the enhanced features and the device size, weight and cost.

The question that dominates many of the M-Tailers in the market is whether M-Tailing remains an expertise in seek out of need. As of today it is an arguable question and it all appears that it is a case of supplier identifying an opportunity and thrusting the idea to the buyers now.

Nearly all of the M-Tailing ventures may not be as costeffective, the reasons being:

- Despite a higher mobile penetration, Metros may not be a place of safety for an M-Tailer. The rationale being, for things like groceries, there are shops out there at every corner. All that a user has to do is immediately make a phone call and the merchandise are delivered at his doorstep, with free of charge home delivery with a month's credit.
- Cheap labor: Due to easy availability of domestics at a reasonable cost, not many customers engage them for doing domestic chores, which include shopping. With the customary Indian dislike to use credit cards citing security reasons and the lack of attractiveness of debit cards, M-Tailing may find it a mounting task to catch on.
- The competition pressure for the online buyers is even now at an embryonic stage. The proceeds of the sector is comparatively small and several players have by now penetrated into it. For that reason many M-Tailers will be eyeing an undersized market, wielding more demands on operating margins.
- Shopping is even now a touch-feel-hear occurrence. Not like the Western counterparts, Indians do not suffer from 'time- paucity' and shopping is thought-out to be a family day out even in today's context. Therefore this type of a background generates a setback of customer retention.
- Further our culture does not hold change and anything new is viewed with suspicion. Given this attitude, how much would we be able to believe an online retailer and purchase products based on the strength of a visual description.
- Complex Purchase Decisions: Lack of data given when the clients requires it for specific items such as garments, beauty care products and so forth include higher client inclusion. Most clients are open to purchasing books through electronic mode in light of the fact that the data required for settling on a buy choice is straightforward. Yet, not all that when a client needs to purchase a fabric. Here the client would need to know: Which shade of fabric would be suitable? How can it feel on skin? How effortlessly does it wrinkle? This issue does not manifest in customary selling. In the internet, then again, the purchaser is typically kept from significant data. Just the dealer thinks about the genuine nature of items. This is an unmistakable instance of "data asymmetry".

7. The Future - What Next?

What type of M-Tailing form is on the way to convey the merchandise in the Indian situation?

- For a response, think of the accompanying. The fore-most and vital cost point of interest of M-Tailing originates from whittled down store front expenses and end of delegates and prudent conveyance. That implies the working capital expenses are chopped down definitely. Further not only that, a M-Tailer is compensated ahead of paying his merchant. The suggestion: requirement for lesser working capital.
- Collective trade (E-business): A M-Tailer might work together with a few producers and suppliers. A M-Tailer can attach with stockrooms of his wholesalers. So every time a request is put with him, he can filter the distribution center nearest to the client and complete the conveyance. As a rule the dispersion expenses are generously lower since satisfaction is done privately
- Build economic value: M-Tailers ought to make monetary worth for the client as opposed to anomaly esteem. They ought to discover reasons, regarding why clients ought to purchase through versatile trade as opposed to a brick and mortar store and attempt to impart this motive viably.
- According to the KSA yearly buyer viewpoint, the shoppers are happier with purchasing certain things. An illustrative rundown with a rate of the shoppers are: Books plus music 47 for each penny, home outfitting 29 for each penny, sports attire 25 for each penny, easygoing garments 21 for every penny, shoes 14 for every penny, perishables 9 for each penny and custommade garments 9 for each penny through electronic trade.

M-Tailing allows for a targeted promotion. The promotion efforts can be targeted to specific prospects as
the 'Texting" facility of the mobile allows customized
messages in the forms of SMS to be delivered to the
prospective customers hand phone.

M-Tailing in India can be a win if the E-Tailers amend their plans of action and understand their clients further more.

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