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Significance of Relation between Retailing and Tourism

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Abstract: *The relationship between tourism and retail is relatively well understood. Conversely, the relationship between tourism and retailing is not just a semantic one, but one with major conceptual implications. This paper offers a reading of the connections between tourism and retailing. A supply-side, retailer-focused perspective contributes a deeper understanding of tourist shopping, revealing as it does the social relations of exchange in tourism shopping episodes, different types of tourist shopper and how cars and other commodities may be usefully deployed to develop enduring, long-term destination marketing themes*

Keywords: Supply Chain Management is used as SCM, technology.

I. INTRODUCTION

The World Tourism Organization defines tourists as people "Travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes." (World Tourism Organization)Tourism is one of the most popular parts of human life in 20th century. India is a land of tourism. Retail consists of the sale of physical goods or merchandise from a fixed location, such as a department store, boutique or kiosk, or by mall, in small or individual lots for direct consumption by the purchaser. Retailing may include subordinated services, such as delivery. Purchasers may be individuals or businesses. In commerce, a **"retailer"** buys goods or products in large quantities from manufacturers or directly or through a wholesaler, and then sells smaller quantities to the end-user. Retail establishments are often called shops or stores. Retailers are at the end of the supply chain. Manufacturing marketers see the process of retailing as a necessary part of their overall distribution strategy.

The term **"retailer"** is also applied where a service provider services the needs of a large number of individuals, such as a public utility, like electric power. Retail businesses that benefit from tourism revenue are also part of the tourism services sector. Travelers who shop for the socks they forgot at home, or who get a haircut while travelling, contribute dollars to the local economy.

Objectives

The main purpose of this research paper is to study Significance relationship between tourism and retail management.

- To study the various opportunity in Indian retail and tourism sector.
- To study retail product and services complement local attraction.
- To study Successful development relationship between retailing and tourism .

II. METHODOLOGY

The data collection is based on primary and secondary sources. The primary data is collected through survey methods and interviews of local people, whereas secondary data is collected from the literature of other researchers and Govt. published reports of several departments. For example, reports of the various departments, census handbook.

Subject Theme

Tourism in India

Tourism is one of the largest service industries in terms of gross revenue and foreign exchange earnings. Its role and importance in fostering economic development of a country and creating greater employment opportunities has been

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well recognized worldwide. It has been an important vehicle of widening socioeconomic and cultural contacts throughout human history. A wide array of interests – entertainment, sports, religion, culture, adventure, education, health and business – drives tourism. With the world becoming more integrated with the growth in overall economy, communication and transport the demand for tourism can only go up. Tourism promotes broad based employment and income generation.

• Investments in tourism infrastructure fuels generation of employment and income. This leads to a cycle of further growth in demand of tourism and subsequent flow of investments in the sector.

• Adding to the demand of a variety of products and services, tourism offers potential to exploit
synergies across a number of sectors – retail being one of the most visible beneficiaries.

• In India, the tourism industry has the potential to grow at a high rate and ensure consequential development of the infrastructure. It has the capacity to stimulate other economic sectors through its backward and forward linkages and cross-sectional synergies with sectors like agriculture, horticulture, poultry, handicrafts, transport, construction, and retail specially. The Foreign Tourist Arrivals (FTAs) in India during December 2010 and January 2011 were 6.55 lakhs and 5.38 lakhs respectively. State-wise break-up of FTAs is not available.

The Foreign Exchange Earnings (FEE) from tourism during December 2010 and January 2011 were Rs.7039 crore and Rs.5777 crore respectively. State-wise break-up of FEE is not available.

Foreign Tourists Arrival (FTA), Foreign Exchange Earnings (FEE) & respective Growth Rates

Duration	**July 2011**	**July 2010**	**July 2009**
FTA	4.98 lakh	4.52 lakh	4.33 lakh
FEE (in INR)	7116 crore	5444 crore	4983 crore
FEE in US$	1603 million	1163 million	1028 million

Foreign Tourist Arrivals and Foreign Exchange Earnings in September 2011

Year	Foreign Tourist Arrivals (FTAs) (in lakh)	**Growth Rate(Percentage)**	Foreign Exchange Earnings (FEE)	**Percentage**
2009	3.31		3798 crore	
2010	3.69		4678 crore	
2011	4.01	8.7	5748 crore	

Retail in India

India tops At Kearney’s list of most attractive markets for global retailers for the last two years (India Retail Report, 2007). India is for sure at the peak of attractiveness for retailers right now as its USD 270 billion (Rs.1200, 000 crore) retail market continues to grow at the rate of 13 percent and all indicators seem
to suggest that there can only be further acceleration from here on. What is even more heartening is the fact that India's miniscule organized retail market has gained the momentum required to propel it to the next phase of real rapid expansion: at prevailing prices, this segment grew 42 percent in 2006. Organized
Retailing has increased its share from thee percent in 2004 to 4.6 percent and is valued at Rs.55, 000 crore (USD 12.4 billion).All that Indian retail now needs is an un-interrupted supply of investment.

Investments in Retail Sector

A report by investment banker Goldman Sachs, credits India with the potential to deliver the fastest growth over the next 50 years with an average rate of more than five per cent a year for the entire period. All these are clear portends in terms of investments and returns. By the end of 2008, FDI (foreign direct investment)is expected to touch the magical figure of USD10 billion with investments in infrastructure development and capital market continuing to flow in at a rapid pace.

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India is investing over US $130 billion in infrastructure by the end of this decade. Indian retail industry itself has attracted investment of over Rs.200 billion (over USD 4 billion) in creating infrastructure, systems & shop-fit. The additional retail space is expected to add Rs.300 billion (USD 6.67 billion) ofbusiness to organized retail. In this land of 15 million retailers, most of them owning small mom and pop outlets, we are likely to haveno less than 100 million square feet of shopping centre space by 2007- 08, generating retail sales to the tune of over Rs.50,000crore. Industry studies indicate that today's total of 50 hypermarkets will grow to 1,200 across India by 2011, at which time there will be 3,000 supermarkets, twice as many as there are today.

Relation between Retailing and Tourism

Although retailing and tourism have shared a long and successful journey, often it is known only by those who are intimately familiar with both or either industry. As per an essay by Maria Fok , "Beyond our imagination – the retailing and tourism relationship" (Woolsworth, NSW), up to 81% of visitors to Australia consider shopping as one of their primary leisure activities. Tourism generated $77 billion in consumption in one year in Australia out of which $17.7 billion (23%) was retailing expenditure by the tourists. We know of countries like Hong Kong, Singapore and Dubai, which have successfully leveraged retailing to develop tourism. Globalization has made the same products available in most countries at the same time. Shopping is becoming less differentiated on a locality basis. Tourists buy from retailers all forms of goods and merchandize. Apart from necessities like food & beverage, prominent categories are gifts and souvenirs. Tourism services providers are also specialty retailers of a particular category – hotels, restaurants, tour operators, ticketing agents, guides etc.

At a commercial level there is a mutual interdependence that is fundamental to both industries for revenue generation and growth.

• Tourism and retailing contribute significantly to any economy both directly and via the multiplier effect as expenditure in both industries filter throughout the economy and pull other sectors in process.

• Tourism drives growth and development in Retailing. Retail districts have always been places of special significance in urban settings. The development of "Themed Market Places" as a viable format of retail has only been possible with the focus on tourists as shoppers. Dilli-Haat in New Delhi is a prime example of the same. It showcases ethnic Indian clothes and artifacts for selling to tourists.

• At the same time Retailing drives growth and development in Tourism. "Incredible India" has been established as a brand by government initiative, which can be used as a marketing tool available to retailers to promote the Indian authenticity of their products. This development can enable retailers to incorporate tourism into their on-going business strategy and deliver a more uniquely Indian retail experience to tourists.

Tourism and Retailing share many similarities.

The labour force of both industries share the common characteristics of being on average young, working on part time and casual employment basis, relatively low levels of formal education and highturn over rates.

Both of these industries need to comply with some common government policies and regulations. Government responsibilities which affect both include zoning laws, road and transport infrastructure, health measures, food standards, consumer affairs, labour management laws etc. Government's policies on visitor entry from any country directly impact the sales level in both the industries.

Tourism and retail are similar in that they are commonly marketing and managing the brand of their products. In the case of retail the products are generally tangible goods whereas tourism products may include package tours with focus on special interests such as shopping. As a good business strategy, food retailers may consider innovative packaging which focuses on portability and shelf-life; making it attractive for tourists to take products home.

Tourism and Retail are highly 'people' oriented industries where the growth of customer relationships is of paramount importance. The two industries use strategic customer loyalty programs and relationship marketing in order to grow their customer base and aim for repeat business.

Tourism promotes understanding and learning which can enhance the way retailers do business. In travelling across the globe, individuals gain insight and exposure to new ideas, learn the advancements in retail overseas and broaden their

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vision of the changing needs. Travel also exposes retailers to identify new vendors, global outsourcing possibilities and development of networks.

Airports are a converging point for tourism and retail relationship. Retail attractions are positioned to maximize tourist exposure and increase their likelihood of spending. Though retail is not the primedriver of facility visitation by the people at airports, there is an increasing emphasis on including a
retail experience for tourists. Retail is a growing source of revenues for airports as airport retailerstarget a captive audience, which is cash rich and time poor.

Within big urban centres like Delhi, a lot of tourist movement happens through convenient citytransportation systems like Delhi Metro. The Metro stations provide a very good opportunity for retailbusiness. There is already recognition of this phenomenon by major retailers like Big Bazaar andMcDonalds who are teaming up with builders like Parsvanth and Delhi Metro Rail Corporation to
create retail stores for them at prominent Metro stations.

Opportunities of Investment in Indian Tourism Industry

Tourism makes a significant contribution in India's foreign exchange earnings, which grew from US$ 6.17billion (Rs.27944 crore) in 2004 to an estimated US$ 11.96 billion (Rs.49413 crore) in 2007 (Min. ofTourism, Annual Report 07-08).

The nodal organization for the development of tourism in India is the Ministry of Tourism. The Ministryplays a crucial role in formulating national policies and incentives as well as in coordinating the efforts ofprivate investment; strengthens promotional and marketing efforts; and helps in providing trainedmanpower resources.The ministry, in order to develop tourism in India in a systematic manner and to facilitate investment (bothforeign and domestic) into the sector, has made several policy announcements and incentives. The most
important being the National Tourism Policy, which has been formulated with the aim to:-

Position tourism as a major engine of economic growth;

Harness the direct and multiplier effects of tourism for employment generation, economic developmentand providing impetus to rural tourism;

Focus on domestic tourism as a major driver of tourism growth;

Position India as a global brand to take advantage of the burgeoning global travel trade and the vastuntapped potential of India as a destination;

Acknowledge the critical role of the private sector with Government working as a pro-active facilitatorand catalyst;

Create and develop integrated tourism circuits based on India's unique civilization, heritage andculture in partnership with States, private sector and other agencies;

Ensure that the tourists to India gets physically invigorated, mentally rejuvenated, culturally enriched,spiritually elevated and 'feel India from within'.

As per all such initiatives, now 100% FDI is permitted in hotels and tourism through the automatic route.Also, the estimated foreign exchange earnings during 2007 were Rs. 49413 crore as compared to Rs. 27944
crore during 2004, showing an annual growth of almost 25%. These measures along with the embeddedadvantages of investing in India provide numerous opportunities to the investors in the tourism sector.

Ownership and Co-location opportunities in Tourism and Retail

This synergy for tourism and retailing can bring :-

• Cost savings in combining facilities and overheads
• Better buying terms for greater combined volumes of food & beverages
• Marketing and branding integration
• Savings on insurance (operations cost)
• Operational efficiencies, restructuring and rationalization of support offices
• Developments like co-location of facilities which will provide retailers with greater footfalls andconvenience for tourists and locals. The clustering of these facilities may evolve in the future intomajor one-shop entertainment, leisure and retail super-centres.

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• The industry similarities provide huge potential for sharing of intellectual capital and resources or jointinvestment in IT, marketing and customer-loyalty programmes.

• Airports and Metro stations will be a focal point for both industries simultaneously.

• More development of Themed Markets at places of religious or historical significance is anotherpotential opportunity for the two sectors.

There is a growing interest of private equity consortiums in retailers, tourism related industries and airlines.Depending on the entities in the PE consortium, there may be possibility of common ownership in future leading to control and financial support for some operations in the retail and tourism infrastructuredevelopment. As an example, we can see in Australia, the retail giant Woolworth Ltd.'s acquisition of theTaverner Group which includes tourism industry operations such as hotels, hospitality and gaming facilities. Common ownership possibilities will mean the way in which business is conducted will come under morescrutiny from investment consortiums which will offer new sources of funding for growth and investment and commercial insight from their involvement in vast ranging industries world-wide.

Scoping of Risk

The scope of risk associated with investment opportunities in Indian tourism sector are presented in the following table 3. These risks are mainly classified into two broad categories i.e. commercial risks and non commercial risks. Commercial risk can be further divided into three different categories i.e. financial market risk, operational risk and business risk.

Scoping of Risk in Investment Opportunities in Indian Retail and Tourism Sector

Commercial Risks						Non-Commercial Risks	
Financial Risks		Operational Risks		Business Risks Country		Country and Event Risks	
Risk	Sub-Risk	Risk	Sub-Risk	Risk	Sub-Risk	Risk	Sub-Risk
Balance Sheet	Asset Liability Provision Write Down Derivatives	Business Strategy and Market	Marketing Market Demand Product Price Resources Technology Support	Legal	Laws Documentatio n Judiciary Enforcement Litigation	Political	Confiscation Expropriation Nationalization Deprivation
Income Statement	Structure Profitability R-O-Assets Debt Service Revenue Risk Capital Cost Ops. Cost	Management Systems and Operations	Production Human Financial Training IT	Policy Change	Taxation Inflation Exchange Rate Industry Sector Labor Social Regulatory Tariff	Credit Worthine ss	Sovereign Provincial Local Municipal
Liquidity	Cash Cash-flow Current Asset	Business Disruption	Internal factors External Factors Acts of God	Infrastructure Service Failure	Transport Power Water	Policy failure Events	Banking Crisis Financial Crisis Capital Market
Currency	Volatility Convertibility Remittance 3rd Currency			Competition	Foreign Domestic New Entrant Dropout	Civil Society Pressure	Boycotts Sanctions Threats to Property Threats to People

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The Need for Risk Management Instruments

Managing success in Indian tourism is dependent upon the involvement of the financing community. Here, investors and lenders are averse to risks and this may lead to unexpected reductions in a firm's or project's cash flows, value, or earnings. This is the basic reason for application of risk management instruments in this sector. The risk management process can be described as the process by which an enterprise tries to ensure that the risks to which it is exposed are those risks to which the enterprise wants/needs to be and thinks it is exposed. One can use any of the four possible responses that the parties involved in an investment opportunity. They may adopt to deal with these risks.

Designing Credit Derivative Products to Finance Retailing and Tourism Infrastructure: A conceptual framework

To design credit derivative products, the first step is to identify causes of credit events. The risk factors presented in table 5 is helpful in identification of factors which may lead to credit events. So, a product can be designed which protects the investors against these causes. These products will be provided by financial intermediaries and will be used by investors in Indian tourism sector. There are a number of products available in and around the world. These kind of credit derivative products can be designed and to be made available for investors.

Risk transfer related products

Risk transfer is the easiest method by which investor can manage the risk in Indian retail and tourism industry. This have been discussed at a length that tourism and retail will further boost export and import activities. So, products can be think of, which covers different risk aspects of export/import business.

Political Risk related products

Tourism sector of any economy is dependent on the prevailing political situation in the economy. It is very difficult to predict and assess political risk and this is a major problem being faced in Indian economy. There are a number of products offered by multilateral financial institutions. Their availability is shown in the following table 5. Credit derivative products can be designing by covering different aspects of political risk.

Contractual Risk related products

Most of the players in Indian retail and tourism industry, has an integral risk element in the form of contractual risk. Now a days a number of derivative products are offered by different multilateral financial institutions. The following table 6 shows the coverage of contractual risk by these multilateral financial institutions. Of course, these products have an element of risk which may lead to credit event. So, there ispossibility of designing credit derivative products by covering different aspects of contractual risk.

Credit risk related products

Counterparty default is appearing as the chronic problem in Indian tourism industry. Increasing demand of a financial instrument for protection against credit risk results into a number of derivative products offered by many multilateral financial institutions. The following table 7 provides a partial list of the multilateral financial institutions offering partial credit guarantee. Such kind of products suits Indian tourism sector.

Awareness level of risk mitigation instruments

The awareness level about different types of products has been presented in the following table 8. There is very low level of awareness about devaluation risk instrument and contractual/regulatory risk instrument.

III. CONCLUSION

In the current times of accelerated change there is challenge yet opportunity for any business to compete for sales and revenue. For intrinsically similar sectors like Tourism and Retailing, it is imperative to co-opt for utilizing the synergies in customers and business opportunities.

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India, with its rich cultural heritage, religious as well as historic sites, abundant natural locations, wildlife etc. has immense potential to take a far greater share out of global tourism than what it has presently. At the same time, Indian Retail Market is one of the fastest growing markets in the world. Both of these sectors require huge investments in the infrastructure to sustain the pace of growth and encase the opportunities available. Successful developmentof the relationship between retailing and tourism will bring great benefits and prosperity at the industrylevel and also on the national image front.

Commonwealth games 2010 can be a pivotal event for both of
these sectors in India to come at the forefront of activities. This will require sustained investment in both the sectors individually but more importantly on a co-ownership basis.

There are various means of financing the infrastructure project in Indian tourism and retail sector. These means are private equity, venture capital, public issue, private issue, debt market. In every case, there is exchange of cash streams. This exchange of cash stream has an element of risk when there is no exchange of the scheduled cashstream. This will lead to a credit event. This situation creates an opportunity to design and develop credit derivative products which suits the requirement of infrastructure project in Indian retail and tourism sector.

This is based on the underlying philosophy that, in this global financial system, it is possible to manageeach and every type of risk associated with investment opportunities in Indian economy, due to availability of a variety of products. This frame work will help in designing and developing credit derivative productsto manage risk by the investors in infrastructure projects catering the demand of Indian retail and tourism industry.

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