Dynamics of Retail Business in Mangalore compared to Bangalore

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Abstract: *India's Retail Market – A Comparative Analysis of Mangalore & Bangalore*

India's retail market, valued at $950 billion in 2023, is a key driver of economic growth, contributing 10% of GDP and 8% of employment. With a CAGR of 9.5%, it is projected to reach $1.75 trillion by 2026, fueled by urbanization, rising incomes, and digital transformation. The e-commerce segment alone, growing at 19% CAGR, is set to hit $188 billion by 2025.

This study compares the retail dynamics of Bangalore and Mangalore, two vital cities in Karnataka. Bangalore, a Tier-1 IT hub, dominates modern retail with global brands, malls, and tech-driven shopping experiences, growing at 12% CAGR. Mangalore, a Tier-2 city, thrives on SMEs, local stores, and traditional retail, with a projected 6-7% growth rate. Despite its slower pace, Mangalore holds unique opportunities in FMCG, consumer goods, and agricultural trade due to its coastal and rural market connections.

Key factors such as consumer behaviour, infrastructure, government policies, and digital penetration will be examined to understand how both cities are adapting to evolving retail trends. This comparative analysis highlights regional market opportunities and India's broader retail transformation.

Keywords: *Retail Market, E-commerce, Growth, Consumer Behaviour, Urbanization, Digital Transformation*.

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1. Introduction:

India's retail sector is a key driver of economic growth, valued at **$950 billion in 2023**, contributing **10% to GDP** and employing **8% of the workforce**. With a projected **CAGR of 9.5%**, it is set to surpass **$1.75 trillion by 2026**, fueled by urbanization, rising incomes, digitalization, and organized retail expansion.

Despite this growth, the sector remains **diverse**, with **organized retail** (supermarkets, malls, e-commerce) rapidly expanding but still holding just **12% market share**, while **traditional retail** dominates, especially in Tier-2 and Tier-3 cities.

This research compares **Bangalore and Mangalore**—two cities in Karnataka with contrasting retail landscapes. **Bangalore, a Tier-1 metro**, is a hub for **global brands, luxury retail, and e-commerce**, with a **CAGR of 12% (2023–2028)**, driven by its tech-savvy, high-income population. In contrast, **Mangalore, a Tier-2 city**, leans on **local businesses, SMEs, and traditional trade**, with a **CAGR of 6-7%**, thriving in FMCG and regional retail chains.

By analysing these cities, this study explores **regional retail dynamics, consumer behaviour, infrastructure development, and technology adoption**, offering insights into India's evolving retail ecosystem.

2. Methodology:

o   **Research Design:** This study employs a comparative analysis approach to understand the differences and similarities between the retail sectors in Mangalore and Bangalore, focusing on the challenges faced by both organized and unorganized retail players. The research design includes a mixed-method approach combining qualitative and quantitative data. Primary data was collected through surveys and interviews with local retail businesses in Mangalore and Bangalore. The data gathered will help identify key challenges in the unorganized sector in Mangalore and provide recommendations for improvement.

o   **Data Collection:** The primary mode of data collection was through field surveys conducted in selected local areas in both cities. Respondents were local retail businesses involved in fashion, grocery, and accessories, ranging from those who have been in business for 5 to 20 years. • Mangalore: Surveyed areas included Hampankatta, Kottara, Bejai, and Balmatta. Businesses in Mangalore have varying levels of monthly income,

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ranging from below INR 50,000 (40%) to above INR 1,00,000 (60%). ● Bangalore: Surveyed areas included Commercial Street, Brigade Road, and Koramangala. In these areas, businesses are typically more organized, and a larger proportion have additional income streams compared to their Mangalore counterparts. The questionnaire focused on business type, income, challenges faced, employment nature (organized vs. unorganized), and benefits received. The study captured both quantitative data (income levels, financial stability, etc.) and qualitative insights on challenges in day-to-day operations.

o **Data Analysis:** The data was analyzed using descriptive statistical methods, with an emphasis on comparing the characteristics of retail businesses between the two cities. Graphical representations such as bar graphs and pie charts were used to visually represent income distribution, employment nature, and the primary challenges faced by businesses in each city. ● In Mangalore, the organized sector showed a higher percentage of employees (90%) as opposed to owners (10%), whereas the unorganized sector saw a more significant portion of business owners (60%). Challenges in the unorganized sector, such as financial and communication problems, were more prevalent compared to the organized sector, which mainly reported issues like technical and parking difficulties. ● In Bangalore, there was a notable difference in how businesses faced challenges, with a larger portion of the organized sector overcoming financial difficulties and receiving better benefits.

o **Ethical Considerations:** Ethical issues were minimal in this research, but the study adhered to all necessary guidelines. Confidentiality of business data was strictly maintained, and participation was voluntary. Informed consent was obtained from all respondents prior to data collection, ensuring that they were aware of the purpose and scope of the research.

3. *Research Objectives:*

o Analyze India's Retail Sector: Examine growth trends, key drivers, and the structure of organized (12%) vs. unorganized retail.

o Compare Mangalore & Bangalore Retail Markets: Study differences in growth, consumer behavior, and market potential.

o Assess Technology & E-commerce Impact: Evaluate how digital platforms influence shopping habits and business models.

o Identify Challenges & Opportunities: Explore key obstacles and emerging prospects, particularly for FMCG and local businesses in Mangalore.

4. *Hypothesis:*

Bangalore's Tier-1 retail market will exhibit faster growth, higher consumer spending, and a stronger shift towards organized retail, with a 12% CAGR (2023–2028). Mangalore, as a Tier-2 city, will retain a traditional retail structure, growing at 6-7%, driven by

local businesses and FMCG. Despite these differences, both cities will reflect India's broader retail trends, showcasing Bangalore's modern retail evolution and Mangalore's untapped SME potential.

5. *Scope:*

This research compares Bangalore and Mangalore's retail markets (2015–2023), with projections to 2028, focusing on consumer goods, FMCG, and fashion. It assesses the role of e-commerce vs. traditional retail, using secondary data from reports and surveys while excluding rural markets.

6. *Literature Review:*

o Ahirwar (2022) – Highlights digital transformation in Indian retail, with post-COVID e-commerce acceleration and omnichannel strategies.

o Gupta (2019) – Examines FDI policies in retail, their impact on organized retail growth, and conflicts with unorganized retail.

o Rao (2015) – Discusses e-commerce growth, emphasizing logistics, technology, and regulatory challenges.

o Dey & Ghose (2020) – Analyze e-retailing strategies, focusing on consumer behavior, competitive pricing, and fast delivery.

o Gawankar et al. (2019) – Link big data analytics to supply chain optimization and improved organizational performance.

o Mantur & Borgaon (2020) – Explore visual merchandising's impact on impulse buying behavior in sports retail.

o Kaur et al. (2020) – Study brand community identification, showing how digital brand engagement drives consumer loyalty.

Table 1.1 :Income Distribution (Mangalore vs. Bangalore)

The income distribution between Mangalore and Bangalore highlights a significant disparity in the financial performance of their retail sectors. In Mangalore, 40% of businesses earn below INR 50,000, while 60% generate over INR 1,00,000, indicating financial struggles, particularly within the unorganized sector. On the other hand, Bangalore exhibits a much stronger retail

landscape, with 70% of businesses earning above INR 1,00,000 and only 30% below INR 50,000, reflecting its more robust economic opportunities. This contrast underscores the need for Mangalore's retail sector, especially its unorganized businesses, to receive strategic interventions aimed at improving financial stability and closing the income gap to match Bangalore's more prosperous organized market.

Table 1.2 :Primary Source of Income
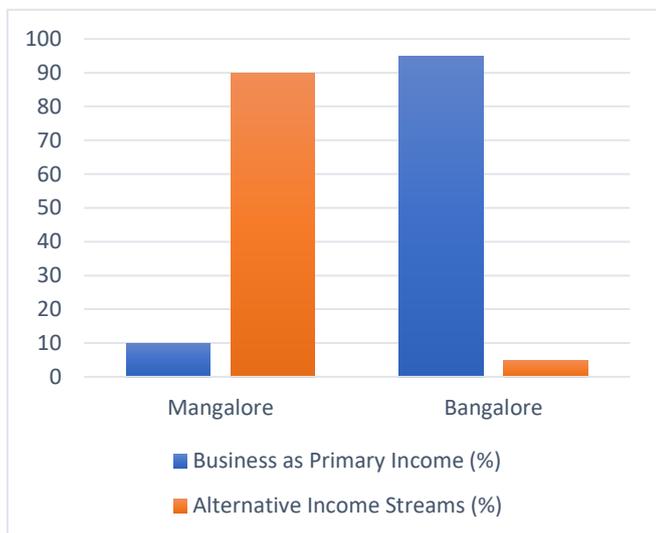
In Mangalore's unorganized sector, only 10% of businesses rely on their retail ventures as their primary source of income, with 90% depending on alternative income streams, reflecting financial instability and diversification out of necessity. In contrast, Bangalore's organized sector shows that 95% of businesses rely on their retail operations as their main income source, with only 5% seeking alternatives, indicating greater financial confidence and stability. This stark difference highlights the stronger foundation and focus of Bangalore's retail businesses, while Mangalore's unorganized sector faces challenges in maintaining sustainable income from its core operations.

Table 1.3: Challenges Faced by Businesses
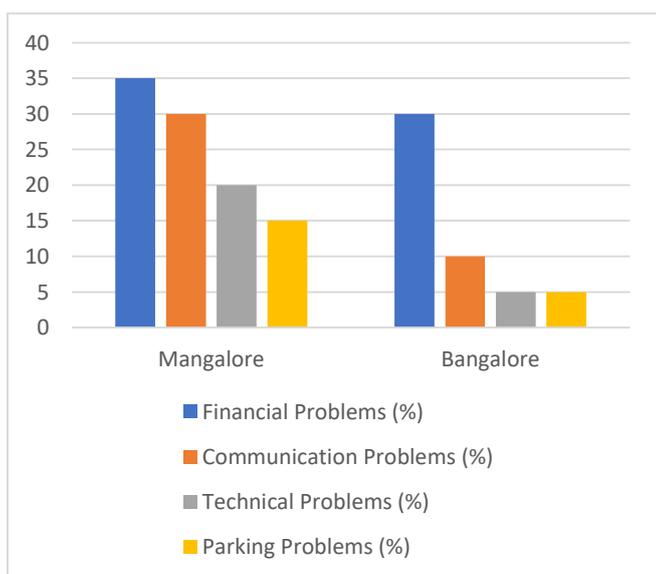
In Mangalore, unorganized businesses face significant hurdles, with 35% struggling with financial difficulties and another 30% dealing with communication barriers, highlighting fundamental operational challenges. Organized businesses there encounter

technical (15%) and parking (20%) issues, pointing to infrastructure limitations. Meanwhile, Bangalore's unorganized sector fares slightly better, with 30% facing financial issues and 10% communication problems, indicating a relatively stronger footing. However, Bangalore's organized sector deals with more advanced challenges, such as technical problems (5%) and parking issues (5%), reflecting a more developed yet infrastructure-constrained retail landscape.

Table 1.4: Benefits Received
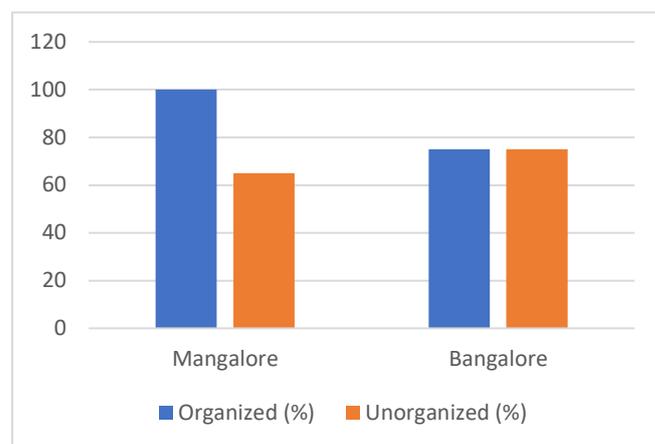
In Mangalore, 100% of businesses in the organized sector receive benefits, while only 65% of unorganized businesses enjoy similar support, reflecting a stark disparity in access to resources. In Bangalore, the organized sector is slightly good comprehensive, with 75% receiving benefits, but the unorganized sector shows improvement over Mangalore, with 75% receiving benefits. This contrast highlights the stronger support systems available to organized businesses in both cities, while unorganized sectors, particularly in Mangalore, lag behind in receiving adequate benefits and resources.

Table 1.5: Financial Difficulties Faced
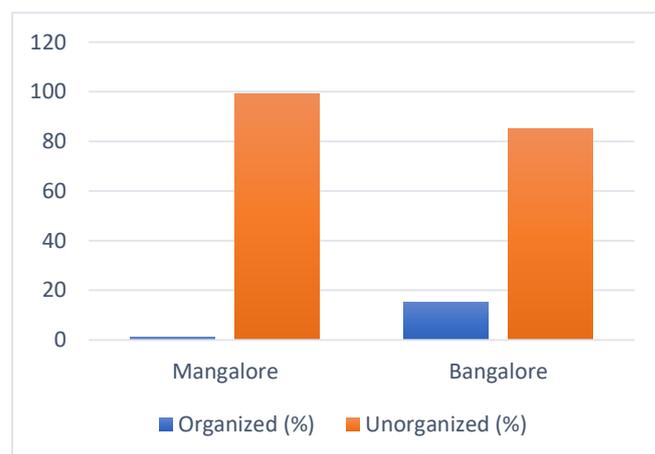
In Mangalore, financial difficulties are minimal in the organized sector, with only 1% affected, but the unorganized sector struggles significantly, with 99% facing financial challenges. In contrast, Bangalore's organized sector sees a slightly higher rate of financial strain at 15%, while its unorganized sector fares somewhat better, with 85% experiencing difficulties. This highlights the stark financial disparity between organized and unorganized sectors, especially in Mangalore, where the unorganized businesses are far more vulnerable to financial instability compared to Bangalore's relatively stronger retail landscape.

Table 1.6: Consumer Preferences: Mangalore vs. Bangalore
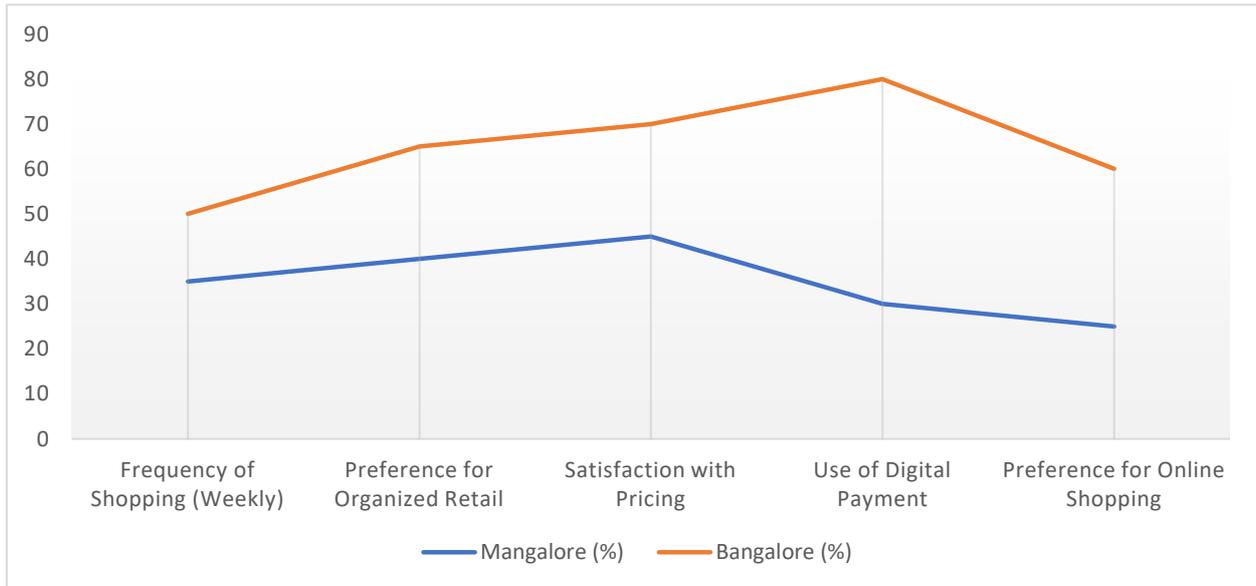
The survey data highlights key differences in consumer behavior between Mangalore and Bangalore. Bangalore sees higher weekly shopping frequency (50% vs. 35%) and a stronger preference for organized retail (65% vs. 40%). Pricing satisfaction is also greater in Bangalore (70% vs. 45%). Digital payment adoption is significantly higher in Bangalore (80% vs. 30%), as is the preference for online shopping (60% vs. 25%). Overall, Bangalore's retail sector appears more modern and consumer-driven compared to Mangalore.

7. *Results and Discussion*

1. Retail Market Size and Growth Rate

The retail business in both Mangalore and Bangalore has experienced growth in recent years, but the scale and pace of development differ significantly.

- **Bangalore**: As the capital city of Karnataka and one of India's largest metropolitan areas, Bangalore's retail market is expansive, characterized by a diverse range of organized and unorganized retail businesses. The city's retail sector has been driven by the growing population, increasing disposable income, and the emergence of high-end malls, supermarkets, and branded stores. The growth rate of organized retail in Bangalore has been considerably higher compared to many other Indian cities, with projections indicating continued growth in both the online and offline segments.

- **Mangalore**: While Mangalore is a developing city, its retail sector remains smaller compared to Bangalore. However, the city is seeing gradual expansion, particularly in the organized retail segment, as more national and international brands have started setting up stores in malls and shopping centers. The retail market in Mangalore is growing but at a slower pace than in Bangalore, mainly due to a smaller population, a less diverse consumer base, and lower disposable income levels.

2. Consumer Demographics and Buying Behavior

Consumer demographics and buying behavior in both cities also present noticeable differences.

- **Bangalore**: The consumer base in Bangalore is more cosmopolitan and diverse, owing to its large IT industry and influx of professionals from various regions. Bangalore's consumers tend to have higher disposable incomes, and their purchasing decisions are influenced by global trends, fashion, and convenience. Online shopping is also highly prevalent, with many consumers opting for e-commerce platforms for convenience and variety.

- **Mangalore**: The consumer demographic in Mangalore is more homogenous, with a stronger focus on traditional values and preferences. While there is a growing interest in branded products, many consumers still prefer local shops and markets for daily needs. The younger population, however, is beginning to embrace modern retail formats, but overall, the adoption of online shopping is slower than in Bangalore. Price sensitivity is also more pronounced in Mangalore, with consumers focusing on value for money rather than brand prestige.

3. Retail Infrastructure and Technology Adoption

- **Bangalore**: The infrastructure in Bangalore is well-developed, with numerous shopping malls, e-commerce hubs, and a high presence of international and national brands. The adoption of technology in retail is advanced, with retail stores implementing modern payment solutions, personalized customer experiences, and data analytics. The widespread use of mobile apps, digital wallets, and online-to-offline (O2O) business models has further contributed to the city's dynamic retail landscape.

- **Mangalore**: Mangalore's retail infrastructure is still catching up. The city has fewer large shopping malls compared to Bangalore, and the retail market is mostly

focused on local shopping areas and traditional markets. However, there is an increasing interest in modern retail formats, especially as the middle-class population grows. Technology adoption is slower in Mangalore, but mobile shopping and digital payments have gained traction, especially among younger consumers.

4. Competitive Landscape and Market Structure

- **Bangalore**: The retail market in Bangalore is highly competitive, with a mix of organized and unorganized retail businesses. International retailers such as Zara, H&M, and Apple, alongside homegrown brands like FabIndia and Reliance Retail, have a strong presence. The competition is intense, and businesses are increasingly focusing on customer loyalty programs, innovative marketing strategies, and omnichannel retail to gain a competitive edge.

- **Mangalore**: In Mangalore, the competitive landscape is more dominated by local and regional players. While national retail chains are making inroads, the market is still largely characterized by unorganized retail such as small shops and local grocery stores. As a result, competition is less intense than in Bangalore, with retailers focusing on maintaining strong relationships with local consumers and providing personalized services.

5. Challenges in Retail Business Operations

- **Bangalore**: Retailers in Bangalore face challenges such as high real estate costs, competition from e-commerce, and a rapidly changing consumer landscape. Additionally, the city's traffic congestion and urban infrastructure challenges can negatively impact customer experience and logistics.

- **Mangalore**: Retailers in Mangalore face challenges such as a smaller market size, limited retail space, and lower consumer purchasing power. Additionally, the city's retail sector faces issues related to lack of modern retail infrastructure, slow adoption of technology, and dependence on traditional retail formats.

6. Future Prospects and Opportunities

- **Bangalore**: The retail sector in Bangalore is poised for continued growth, with opportunities in luxury retail, e-commerce, and niche markets such as organic products, health and wellness, and sustainable fashion. The growth of smart cities and infrastructure development will provide further opportunities for retailers to expand and innovate. Additionally, the increasing acceptance of hybrid shopping experiences (both offline and online) is likely to dominate the future retail landscape.

- **Mangalore**: Mangalore's retail market holds considerable potential, especially with the rising middle class and the younger population. As infrastructure improves and national brands continue to enter the market, there are opportunities for organized retail growth. Furthermore, the increasing use of digital platforms for shopping and the rise of online-to-offline (O2O) business models offer exciting opportunities for

retailers in Mangalore to cater to changing consumer preferences.

The retail dynamics in Mangalore and Bangalore exhibit key differences, primarily due to the scale, infrastructure, consumer demographics, and pace of growth. Bangalore's retail sector is more mature and competitive, with significant advancements in infrastructure and technology adoption. In contrast, Mangalore, while showing growth potential, faces challenges in terms of infrastructure and consumer purchasing power. Despite these differences, both cities present unique opportunities for retailers to tap into diverse markets, with Bangalore being a hub for high-end and international brands, while Mangalore holds promise for local and regional retail players looking to expand in a developing market.

8. *Implications*

The findings from the research on the dynamics of the retail business in Mangalore compared to Bangalore have several implications for businesses, policymakers, and future research. These implications can guide retail strategies, investment decisions, and further studies in the field of retail and consumer behavior.

1. Implications for Retailers and Businesses

- **Target Market Differentiation**: Retailers operating in Bangalore and Mangalore must tailor their offerings based on the distinct consumer demographics in each city. In Bangalore, with its diverse and cosmopolitan population, businesses should focus on catering to a variety of consumer preferences, including high-end products and international brands. In contrast, Mangalore's more traditional consumer base requires retailers to emphasize value for money, local preferences, and personalized services.

- **Omnichannel Strategies**: Bangalore's advanced retail infrastructure and the high penetration of e-commerce suggest that an omnichannel approach, integrating both online and offline retail, would be effective in the city. Retailers should focus on creating seamless experiences for customers, utilizing technology like mobile apps, digital payments, and delivery services. In Mangalore, while e-commerce is growing, traditional retail still plays a significant role, so integrating e-commerce with physical stores could gradually gain traction as consumers become more comfortable with technology.

- **Market Entry Strategies**: Retailers planning to expand into Mangalore should consider the slower adoption of modern retail formats and focus on creating a robust offline presence first. National and international brands could benefit from strategic partnerships with local players or offering unique products that appeal to Mangalore's relatively more price-sensitive and traditional consumer base. In Bangalore, retailers need to focus on maintaining a competitive edge, offering exclusive products, leveraging digital marketing, and ensuring top-tier customer experiences.

2. Implications for Policymakers

- **Infrastructure Development**: Policymakers in Mangalore can accelerate the growth of the retail sector by focusing on improving urban infrastructure, such as better roads, enhanced public transport, and creating dedicated retail zones. Such investments will attract national and international retailers, stimulate economic growth, and create job opportunities. For Bangalore, there is a need for sustainable urban planning to address the challenges of traffic congestion, pollution, and real estate costs, which could affect the overall retail experience.

- **Support for Technology Adoption**: Encouraging digital literacy and technology adoption in Mangalore could help bridge the gap between online and offline shopping experiences. Policymakers can promote initiatives that support small retailers in adopting digital payment systems, e-commerce platforms, and digital marketing tools, thus boosting the overall efficiency of the retail sector in the city.

- **Consumer Protection and Regulation**: As both cities experience a growing influx of retail players, there will be a need for strong consumer protection laws, especially in the organized retail sector. This includes regulating product quality, pricing, return policies, and online retail transactions. Ensuring transparent business practices and fair competition can also help build consumer trust and encourage further growth in the retail sector.

3. Implications for Employment and Skills Development

- **Job Creation**: The growth of retail businesses, especially in Bangalore's more developed market, is likely to create jobs in retail management, logistics, marketing, and customer service. However, Mangalore may require more focus on skill development in retail management, technology integration, and e-commerce to prepare its workforce for the expansion of organized retail. Policymakers and educational institutions can collaborate to offer training programs tailored to the evolving retail landscape, particularly focusing on digital skills and consumer interaction.

- **Entrepreneurship**: The research indicates potential growth opportunities for both local and national retailers in Mangalore. Aspiring entrepreneurs in Mangalore can take advantage of the emerging demand for modern retail formats and online shopping platforms. There is also an opportunity for entrepreneurship in Bangalore's niche markets, including sustainable retail, organic products, and ethical fashion, which are growing in popularity.

4. Implications for Consumer Behavior Research

- **Evolving Consumer Preferences**: Retailers in both cities should closely monitor shifts in consumer behavior. In Bangalore, consumers are increasingly prioritizing convenience, variety, and the latest trends. In Mangalore, there is still a strong preference for value and traditional shopping experiences, but this is changing, especially among younger consumers. Future research can explore these shifting preferences in greater detail, focusing on how younger consumers in smaller cities like Mangalore are embracing modern retail.

- **Adoption of E-Commerce**: The rise of e-commerce in Bangalore and the gradual growth of online shopping in Mangalore suggest a need for further research into how consumers in different cities adopt and engage with digital shopping platforms. Understanding the barriers and motivators for online shopping, particularly in smaller cities, can guide both retailers and policymakers in designing strategies to increase digital penetration.

5. Implications for Retail Innovation and Sustainability

- **Innovation in Retail Formats**: Both cities present opportunities for innovation in retail. In Bangalore, high-tech retail experiences such as smart stores, augmented reality (AR), and artificial intelligence (AI) can help create differentiated and personalized shopping experiences. In Mangalore, more practical innovations such as localized product offerings, integrated digital payment systems, and better store layouts could help retailers cater to the preferences of the local market.

- **Sustainability Trends**: As sustainability becomes a global trend, both cities present unique opportunities and challenges. In Bangalore, there is increasing demand for sustainable products and eco-friendly packaging, with many consumers willing to pay a premium for these items. Mangalore, being a smaller market, may see a slower adoption of sustainability trends, but there is growing awareness. Retailers in both cities can capitalize on this trend by focusing on eco-friendly products, reducing waste, and ensuring ethical sourcing.

The implications of this study highlight the differences in retail dynamics between Mangalore and Bangalore and underscore the importance of tailoring business strategies to local conditions. Retailers, policymakers, and entrepreneurs must consider factors such as consumer behavior, infrastructure, technological adoption, and market competition when operating in these cities. Additionally, the findings suggest several opportunities for innovation, skill development, and research into evolving consumer needs, which can ultimately contribute to the continued growth and transformation of the retail sector in both cities.

9. *Conclusion*

The comparative analysis of Mangalore and Bangalore's retail sectors reveals major differences in economic stability, consumer engagement, and market challenges. Bangalore emerges as a modernized retail hub, with 70% of organized businesses earning over INR 1,00,000 monthly, whereas Mangalore's unorganized sector struggles, with 40% earning below INR 50,000. Financial instability in Mangalore is evident, with 90% of unorganized businesses relying on alternative income, while 95% of Bangalore's organized businesses sustain themselves solely through retail.

Market challenges further reflect these disparities. Bangalore's retail sector faces advanced-market issues like parking and technology integration, while Mangalore's unorganized businesses struggle with financial constraints and communication barriers. Even Mangalore's organized businesses face technical and infrastructure-related hurdles.

Consumer behavior also highlights Bangalore's lead, with higher shopping frequency, stronger preference for organized retail, and greater pricing satisfaction. Digital adoption is significantly higher in Bangalore, where 80% use digital payments and 60% prefer online shopping, compared to Mangalore's 30% and 25%, respectively.

To uplift Mangalore's retail sector, targeted interventions are essential. Addressing financial and communication barriers, improving infrastructure, and fostering digital literacy can bridge the gap between the two cities. With strategic support, Mangalore has the potential to align with national retail trends and ensure sustainable growth.

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