

Retail Management

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Keywords

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Abstract

Retail Management is a business application for the retail community. It takes care of all the daily activities of the retailer and covers all aspects of the retail industry. It is suitable for Medicine Shops, Supermarket, Grocery Stores, Garment Stores, Shoe Stores, Petrol Pumps and any retail segment where goods are sold on retail counter or in wholesale. Changing lifestyles are prompting changes in the retail environment. Paucity of time and an increase in disposable incomes have created a need for new types of retail formats. This means that manufacturers and retailers will have to become better at knowing their customers and predicting their needs and wants. As the socio-economic structure in India changed so did the field of retailing. A once unorganized sector became transformed into an organized sector in the last decade of the 20th century as companies, both old and new, entered the arena. High volume malls, shopping outlets, supermarkets and hypermarkets mushroomed, requiring the application of modern management techniques to run them efficiently and effectively. Retail success in today's competitive environment is all about getting the right product to the right place at the right time, at the lowest cost possible. This requires retail managers to be adept at planning, merchandising, pricing, and promotion. The retail industry is changing rapidly, diversifying their inventories and providing a greater variety of services to cater to the one-stop shopper. Larger stores offer amenities such as dining areas, coffee shops and groceries. Changes will continue as competition increases, presenting new opportunities for those with the proper education and skills.

Introduction

Today our topic will be on one of the interesting areas of retail management. First we will see what is meant by Retail. This word has come from a French word Retailer which means to cut off a piece. Retailing includes all activities involved in selling the products and services to the ultimate consumers. So this is said to be the last person in the channel of distribution. In this discussion I will be introducing the concept world wide as well as in the national context. Next our discussion will be on the functions of retailing, then we proceed to why there is retail revolution at present, and finally we will study about the challenges faced by the retail industry. *Retail Management* presents the subject of retailing from both academic and pragmatic points of view. It discusses retail concepts and practices through contemporary examples to provide insights to students and managers.

Retailing can be defined as the buying and selling of goods and services. It can also be defined as the timely delivery of goods and services demanded by consumers at prices that are competitive and affordable. Retailing involves a direct interface with the customer and the coordination of business activities from end to end- right from the concept or design stage of a product or offering, to its delivery and post-delivery service to the customer. The industry has contributed to the economic growth of many countries and is undoubtedly one of the fastest changing and dynamic industries in the world today. The retail industry is changing rapidly, diversifying their inventories and providing a greater

variety of services to cater to the one-stop shopper. Larger stores are offering amenities such as dining areas, coffee shops and groceries. Changes will continue as competition increases, presenting new opportunities for those with the proper education and skills. "India is the most attractive retail market today. Given the diversity of Indian consumers, we need different models of retailing to tap the entire gamut of opportunity that exists," said Kaushika Madhavan, Manager Retail Practice – at Kearney as he explained how India ranks number one in the company's Global Retail Development Index. Slowing growth and decreasing profits in their domestic markets is pushing foreign retailers to international markets. India, with its immense market potential, is primed as the most attractive retail market globally. Globalisation of retail is fraught with challenges for western retailers – 2 out of 3 retailers fail in international markets.

Literature Review

According to Aaker (1992) the firm's competitive advantage is the notion of "who you are" in terms of competencies. Having the right distinctive marketing competencies for choosing an appropriate strategy enables the firm to successfully create a sustainable competitive advantage because either the skills of the firm, its set of value adding assets and/or its core competencies are difficult to copy (Aaker 1992; Conant et al 1993). Creating a fit between competencies and functional strategies not only provides the possibility of a sustainable competitive advantage but can lead to the achievement of high levels of performance (Day & Wensley 1988). Although the literature contains research in the area of strategies that can impact upon retail performance, most of the studies have often been concerned with retail structure (eg Bates 1989), retail positioning (e.g. King & Ring 1980), service orientation (Homburg et al 2002) and a range of marketing mix strategies (e.g. Walters 1988; Lowson, 2001; Lynch, Keller, & Ozment 2000; Palmer & Markus 2000; Radder 1996; Leung & Taylor 2002). Little or no study particularly in Australia has examined whether or not the marketing competencies possessed by small to medium sized retail organizations can influence their level of business performance. This study was designed to determine if there are significant differences in the competitive marketing competencies possessed by the high level performing and low level performing small to medium sized retail businesses

Methodology

In merchandise testing, a retail chain introduces new products at a small sample of selected stores prior to the primary season and uses the observed sales to forecast demand and develop a procurement plan for the products across the entire chain. Key questions in merchandise testing are which stores to use for the test and how to extrapolate from test sales to create a forecast of total season demand for each product for the chain. We describe a method for resolving these questions. To determine test stores, we cluster the stores of the chain based on the similarity of historically observed sales patterns and choose one test store from each cluster. We then use historical sales data to develop a regression formula that extrapolates from test sales to total season sales for the chain. We applied our method at a large retailer specializing in women's apparel, compared our method to the existing rules used by this retailer and found that compared to existing rules, it could improve forecasts and reduce markdowns due to excessive inventory and lost margins due to stock-outs by enough to increase profits by 130%. In addition, the store clustering inherent to our method offers the potential to define chains within the larger chain, which could be managed separately and in a consistent manner in terms of product mix, timing of delivery, advertising message and store layout.

Types of retail operations

Retail operations enable a store to function smoothly without any hindrances. The significant types of retail operations consist of: department store; specialty store; discount/mass merchandisers;

warehouse/wholesale clubs; and factory outlet. Retail management system targets small and midsize retailers seeking to automate their stores. The package runs on personal computers to manage a range of store operations and customer marketing tasks, including point of sale; operations; inventory control and tracking; pricing; sales and promotions; customer management and marketing; employee management; customized reports; and information security.

Functions of retailing

Retailing is supposed to provide: product utility; place utility; time utility; and ownership utility. I have already told you, it includes all activities involved in providing goods and services to the ultimate consumers. So it provides final end products to the consumers, not raw materials, end products in usable form to the consumers. Thereby it creates product utility. Second one, it is given in the place where it is required by the consumer. That is, retailing outlets are open in the places according to the convenience of the customer and also based on the demand of the consumer. Third one, it creates Time Utility. In the sense that, the shops are open as per the requirement of the consumer that is between 10 am and 8pm or 10am to 5pm. Whenever the consumers want to go and shop they can go and shop at a particular period convenient to the customer. Next one, when the product is sold finally it creates ownership utility. So, we can conclude that retailing is a marketing intermediary which creates product utility, place utility, time utility and ownership utility in providing goods and services to the consumers.

The Emerging Sectors in Retailing

Retailing, one of the largest sectors in the global economy, is going through a transition phase not only in India but the world over. For a long time, the corner grocery store was the only choice available to the consumer, especially in the urban areas. This is slowly giving way to international formats of retailing. The traditional food and grocery segment has seen the emergence of supermarkets/grocery chains (Food World, Nilgiris, Apna Bazaar), convenience stores (Convenio, HP Speedmart) and fast-food chains.

Retailing in India is gradually inching its way to becoming the next boom industry. The whole concept of shopping has altered in terms of format and consumer buying behaviour, ushering in a revolution in shopping. Modern retail has entered India as seen in sprawling shopping centres, multi-storeyed malls and huge complexes offer shopping, entertainment and food all under one roof. The Indian retailing sector is at an inflexion point where the growth of organised retail and growth in the consumption by Indians is going to adopt a higher growth trajectory. The Indian population is witnessing a significant change in its demographics. A large young working population with median age of 24 years, nuclear families in urban areas, along with increasing working-women population and emerging opportunities in the services sector are going to be the key growth drivers of the organised retail sector. Secondly, in India the retailing industry is an unorganised lot consisting of, in most of the cases, small entrepreneurs. And the virtual omnipresence of the Indian retailer can be attributed to these small entrepreneurs only.

Shopkeepers

India has sometimes been called a nation of shopkeepers. This epithet has its roots in the huge number of retail enterprises in India, which totalled over 12 million in 2003. About 78 per cent of these are small family businesses utilising only household labour. Even among retail enterprises that employ hired workers, the bulk of them use less than three workers. India's retail sector appears underdeveloped not only by the standards of industrialised countries but also in comparison with several other emerging markets in Asia and elsewhere. There are only 14 companies that run department stores and two with hypermarkets. While the number of businesses operating supermarkets is higher (385 in 2003), most of these had only one outlet.

Impact of technology

The other important aspect of retailing relates to technology. It is widely felt that the key differentiator between the successful and not so successful retailers is primarily in the area of technology. Simultaneously, it will be technology that will help the organised retailer score over the unorganised players, giving both cost and service advantages. Retailing is a 'technology-intensive' industry. It is quoted that everyday at least 500 gigabytes of data are transmitted via satellite from the 1,200 point-of-sales counters of JC Penney to its corporate headquarters. Successful retailers today work closely with their vendors to predict consumer demand, shorten lead times, reduce inventory holding and thereby, save cost. Wal-Mart pioneered the concept of building a competitive advantage through distribution and information systems in the retailing industry. They introduced two innovative logistics techniques - cross-docking and electronic data interchange.

Today, online systems link point-of-sales terminals to the main office where detailed analyses on sales by item, classification, stores or vendor are carried out online. Besides vendors, the focus of the retailing sector is to develop the link with the consumer. 'Data Warehousing' is an established concept in the advanced nations. With the help of 'database retailing', information on existing and potential customers is tracked. Besides, knowing what was purchased and by whom, information on softer issues such as demographics and psychographics is captured. Retailing, as discussed before, is at a nascent stage in our country. Most organised players have managed to put the front ends in place, but these are relatively easy to copy. The relatively complicated information systems and underlying technologies are in the process of being established. Most grocery retailers such as FoodWorld have started tracking consumer purchases through CRM. The lifestyle retailers through their 'affinity clubs' and 'reward clubs' are establishing their processes. The traditional retailers will always continue to exist but organised retailers are working towards revamping their business to obtain strategic advantages at various levels - market, cost, knowledge and customer.

With differentiating strategies - value for money, shopping experience, variety, quality, discounts and advanced systems and technology in the back-end, change in the equilibrium with manufacturers and a thorough understanding of the consumer behaviour, the ground is all set for the organised retailers. It would be important to note, however, that the retailing industry in India is still a 'protected industry'. It is one of the few sectors which still has restrictions on FDI. Given the current trend in liberalisation, it will not be long before the retailing sector is also thrown open to international competition. This will see a further segregation of the international retailing brands and the domestic retailers, thereby injecting much greater dynamism into the market. That will be when the real action will begin.

Limitations and suggestions

The slowing U.S. economy and a worldwide rise in gasoline and food prices are causing problems to many retailers, especially those with a niche product. Yet, their competitors, who are selling similar products online, seem to be doing fine. Web retail sales are growing at double-digit rates and this trend is expected to continue, despite of the weakened economy. It is quite difficult to recommend a smaller retailer, who is struggling with all his might to survive, to suddenly move into e-commerce. However, many larger companies have their retail websites set up, but seem to underestimate the demands of the online shoppers. I believe, it is viable for these retailers to concentrate on this channel, especially if their high street stores are not doing well.

To be successful, it is crucial to know more about the customers and to be able to comply with their needs and expectations. A recent study indicates that the price is no longer the only variable, according to which an e-shop is assessed. Online shoppers are no longer willing to make tradeoffs. Apart from the obvious benefits of online shopping – convenience, a large selection and a competitive price – customers have high expectations, when it comes to site and delivery experience. Clear information

on delivery charges and the possibility to track the progress of the items ordered is considered as more important than shopping from established websites, well-known brands or having a large variety of goods. Another key factor is a clear arrangement of the website. From my own experience I can say that it is very frustrating to search for a common product under very general and unclear headings only to find that a mouse is listed under a heading "convertible devices" and an iPod is referred to as "black electronics". The availability and load time of the website are important as well.

Surprisingly, many web retail sites selling electronics or apparel do not meet the above requirements very well. For example CircuitCity.com and BestBuy.com have ended up in the middle rankings of a recent report evaluating top 100 online retailers on customer satisfaction. Circuit City has been experiencing sluggish sales in the last few quarters and is searching for a way, how to get back into black numbers and catch-up with its main rival Best Buy. I believe that this company could improve its market position by ensuring that its e-commerce channel meets the needs and expectations of the online shoppers. This might be quite demanding though, since shoppers can compare their experience with the sites such as Amazon.com, which sell electronics as well and have a very good ranking.

From my point of view, this recommendation could be applicable for some other retailers, which are having a tough time due to lower consumer spending and need to cut costs and gain new customers in order to stay "in the game". In order to make Indian retailing world class many a challenges are to be overcome by the industry. Some suggestions to improve the situation are offered below. Establishment of Retailer co-operatives, which will maintain warehouses etc. to work as a distribution centre for the member retailers can help Indian retailer attain a respectable position in the relationship matrix mentioned above. The whole organisation will run at a no-profit, no-loss basis. This would enable the retailers to buy the products they want directly from the original manufacturers in huge quantity. This would make the application of the concepts of QR (Quick Response) and ECR (Efficient Consumer Response) possible to a certain extent. However, many inherent difficulties may make the functioning or even establishment of such a co-operative difficult. Nevertheless, these problems are inevitable and must be dealt with firmly.

Merger and buy-out of weak retailers by a stronger one, especially in metros and big cities may be another step towards this direction. This would give the new retailer the desired leverage to be world class. Use of technology to the greatest extent possible may also help strengthening the retailer's position in the marketing channel. First step may be taken with setting up of a network of independent firms believing in use of technology for business excellence. Then a collection of strong retail organisations may pressurise the suppliers and other channel members to use compatible technology. This may open the door for implementation of QR or ECR or other relevant concepts for the retailers. An overall change is to bring about in the mindset of the retailers. They will have to think differently. They must find out and satisfy service outputs of the target customers Unless there is a drastic change in the mindset of at least large and medium retailers and as well as that of the manufacturers, the required change is not going to come by easily. The retailers must learn and understand to lead the chain from the front.

Setting up of more and more non-store retailing centres would also ensure a strong retailing organisation. Non-store retailing makes implementation of modern principles easier and less costly. Setting up of franchisee organisation may also help in strengthening the position of the retailers. The franchiser can exert a tremendous control over the way retailing is done. Transnational service organisation like McDonald and KFC are being able to offer a centralised control over purchase and operation. Large and medium sized retailers may take up the concept of franchising to reach the market in a more meaningful way. Though the management of franchisee network is difficult than managing a retail chain in view of high level of investment and other obligations, Indian retailers should spread out its wings in this profitable and efficient way.

Conclusion

Indian retailing, thus enjoys many unique features, is still done in a primitive way. Barring a few exceptions, Indian retailers, particularly FMCG retailers, are not in a position to implement world-class practices of supply chain management. The concepts of Quick Response or Efficient Consumer Response are unheard of in Indian retailing. The two bases of modern retailing management, the Electronic Data Interface and a mutually respectable partnership among retailers and suppliers (the manufacturers) are missing to a great extent in Indian context. Also, Indian marketing channel members are performing some unnecessary tasks, which makes the channel structure heavy and inefficient. Though these inefficiencies are observed in all retailing irrespective of industry, the symptoms are more evident in Indian FMCG retailing. Inefficiency in retailing leads to lower profitability of the retailers and lower service outputs for the consumers.

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