

## **Retail mix management – a synoptic view**

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### **Key words**

Retail mix, wholesale club, hypermarket, globalization, information technology

### **Abstract**

*Retailing is one of the fastest growing sectors in India and as such it is attracting considerable interest because of its potential to contribute to the economic development of the country. A lot of professionalism is now evident in the sector for acquiring, maintaining and retaining the customers. In fact, many industrial houses have entered in to the retailing with twin objectives. One of the objectives is to provide superior service to the customers for building brand loyalty for which intermediaries may not be so effective. Another reason is to reap the superior profit in the terminal market. But retailing is not as easy as one may perceive it to be. Effective retailing requires a large amount of effort to be put in. This article highlights the importance of retailing, its scope and types, retail mix and retail marketing strategy for a successful endeavour. The article also focuses on the negative and positive impact of information technology on retailing.*

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### **Introduction**

Retailers are the most important link in the customer value delivery system. They are in close contact with the ultimate customers. Marketing professionals use retailers as an important tool for collecting customer information. The retailers are better placed to judge the customers' likes and dislikes, needs and wants, buying behavior, motives etc. Retail shops are important sources of information for consumers, as company executives wouldn't meet the final customers on one to one basis. In consumer goods market customers rely on retailers to provide most of the products they buy and wholesalers to get the products from the manufacturer to the store. In terms of strategy, it is different from a wholesaler or a manufacturer's strategy. If a retailer losses a customer to a competitor, the retailer is the one who suffers. Producers and wholesalers still make their sale regardless of which retailers they sell their products to.

In India, many firms have been practicing exclusive retailing for a number of years. In recent years however, the idea has proliferated fast. More and more companies are now recognizing the inadequacy of the traditional wholesaler-retailers trade channels and are going in for exclusive retail network.

### **Scope of Retailing**

Retailing consists of all business activities associated with the sale of goods and services to ultimate consumers. Or the activities involved in the direct sale of goods or services to

consumers are called retailing. The retailers are businesses that manage the exchange at the point where the customers make the purchase. Retailing involves retailer –traditionally a store or establishment and non-store organizations- that deals with consumers who are acquiring goods or services for their own use rather than for resale.

However, the definition of retailers includes some less than obvious service marketers, such as hotels, movie theaters, restaurants etc. And even an intermediary calls itself as "factory outlet".

"Wholesale club" or a shopping channel, it is retailing if its purpose is to sell to the ultimate consumers. In effect they are purchasing agents for customers. Furthermore, today, many companies sell on the Internet are retailers, because these retailers are e-commerce firms, they are often called e-tailors. Although most retailing is done in retail stores, in recent years non-store retailing- selling by mail, telephone, door to door contact, vending machines, the Internet and numerous electronic means has grown tremendously.

The act of buying is one of the retailer's most important functions. The buyer –this is an official job title in most retail operations- must know the market well enough to be able to predict what consumers want and what price they will pay for it.

Viewed in the context of the channel of distribution, retailers are the important final link in the process that brings goods or services from producers to consumers. Poor marketing on the part of the retailers can negate all planning and preparation that have gone in to other marketing activities.

### **Value addition in Retailing**

Retailing is an important link between first and the last owner. The first owner is the producer and the last owner is the customer. Retail technologies have become critically important as competitive tools. Progressive retailers use computers to produce better forecast, control inventory cost, order electronically from suppliers, send e-mail between stores and even sell to customers with in stores.

Retailing is an important business activity has economic significance in terms of its contribution to the nation's GDP. There are millions of retailers in the country providing a good number of employment opportunities for the people. As retailers operating in terminal markets they provide a valuable service to the consumers.

For producers, retailers are like an extended arm for delivering the products and services. The important services provided by retailer to a producer are – they cater to consumer needs and align the product assortment to serve the market, provide both forward and backward information, take part in the storage of goods, collection of payments, retail promotions on behalf of the producers etc.

### **Retailing in Global Scenario**

As many as 10% of the world's billionaires are retailers. The industry accounts for over 8% of GDP in western countries, and is one of the largest employers. According to the U.S.Department of Labor, more than 22 million Americans are employed in the retailing industry in over 2 million retail stores. Retailing in more developed countries is a big business and better organized than in India. According to a report published by Mckinsey & Co. along

with the Confederation of the Indian Industry the global retail business is worth staggering US\$ 6.6 trillion. In the developed world, most of it is accounted for by the organized retail sector. The service sector accounts for a large share of GDP in most developed economies. The retail sector forms a very strong component of the service sector. In short, as long as people need to buy, retail will generate employment. Globally, retailing is a customer-centric with an emphasis on innovation in products, processes and services.

**Table-1: Top 10 Retailers World Wide**

1	Wal-Mart Store, Inc.	USA
2	Carr four Group,	France
3	The Home Depot, Inc	. USA
4	The Kroger Co.	USA
5	Royal Ahold,	Netherlands
6	Metro AG,	Germany
7	Target Corporation,	USA
8	Albertson’s, Inc.	USA
9	Sears, Roebuck and Co.	USA
10	Kmart Corporation	USA

(Source: *Retail Forward, Inc.*)

**Retail Industry in India**

Retailing is India's largest industry in terms of contribution to GDP. There are also unaccounted number of low cost kiosks and pushcarts/mobile vendors. Total retail sales area in India was estimated as more than 328 million square meter. Food sales constitute a high proportion of the total retail sales. The retail share of food items in organized retailing is about 62 percent in 2007. However, non-food sector also registered high growth sales.

**Table-2: Size of the retail market in India**

Types of product	Total retail Rs billion	Organized retail Rs. billion
Food grocery	6,422	50
Textiles & apparel	980	185
Jewelry & Watches	554	30
Consumer Durables	415	43
Pharmaceuticals	364	10
Home solutions	351	32
Books, music & gifts	115	15
Others	1,159	11
Total	10,360	475

(Source: *Merrill Lynch, India Retail Report 2007.*)

Retailing in India, accounting for over 10% of the country’s GDP and around 8% of employment. It has emerged as one of the most dynamic and fast paced industries with several players entering the market. The heavy initial investments required make break even hard to achieve, therefore, it attracts big retail giants in the recent years. However, the future is promising; the market is growing, and it is expected to grow at a compound annual rate of 40 percent per annum by 2010. To support this, government policies are becoming more favorable

and emerging technologies are facilitating operations.

### **Major retailers and retail formats in India**

India's top retailers are largely food and grocery stores this is followed by lifestyle, clothing and apparel stores. The past trends and business models in the west retail giants such as Pantaloon, Shoppers' Stop and Lifestyle are targeted metros and small cities and almost doubling the number of stores. Important retail formats operating in India are;

#### **Specialty Stores**

Chains such as the Bangalore based Kids Kemp, the Mumbai books retailer Crossword, RPG's Music World and the Times Group's music chain Planet M, are focusing on specific market segments and have established themselves strongly in their sectors.

#### **Discount Stores**

As the name suggests, discount stores or factory outlets, offer discounts on the MRP through selling in bulk reaching economies of scale or excess stock left over at the season. The product category can range from a variety of perishable and non-perishable goods

#### **Department Stores**

Large stores ranging from 20000-50000 sq. ft, catering to a variety of consumer needs. Further classified into localized departments such as clothing, toys, home, groceries, etc Departmental Stores are expected to take over the apparel business from exclusive brand showrooms. Among these, the biggest success is K Raheja's Shoppers Stop, which started in Mumbai and now has more than seven large stores (over 30,000 sq. ft) across India and even has its own in- store brands for clothes called Stop.

#### **Hyper marts/Supermarkets**

A Large self-service outlet, catering to varied shopper needs is termed as Supermarket. These are located in or near residential high streets. These stores today contribute to 30% of all food and grocery organized retail sales. Super Markets can further be classified in to mini supermarkets typically 1,000 sq ft to 2,000 sq ft and large supermarkets ranging from of 3,500 sq ft to 5,000 sq ft. having a strong focus on food & grocery and personal sales.

#### **Convenience Stores**

These are relatively small stores 400-2,000 sq. feet located near residential areas. They stock a limited range of high-turnover convenience products and are usually open for extended periods during the day, seven days a week. Prices are slightly higher due to the convenience premium

#### **Food Retailers**

There are a large variety of retailers operating in the food-retailing sector. This is not surprising considering the enormous size of the market for food. However, traditional types of retailers, who operate small single outlet businesses mainly using family labour, dominate this sector. In comparison, supermarkets account for a minuscule proportion of food sales. This is because of the strong competitive strengths that traditional retailers possess. These include low operating costs and overheads, low margins, proximity to customers, long opening hours, and

additional services to customers Greater numbers of higher income Indians prefer to shop at supermarkets because of convenience, higher standards of hygiene and the attractive ambience.

### **Health and beauty product retailers**

With growth in incomes, Indians have been spending more on health and beauty products. As in the case of other retailing sectors, small single-outlet retailers also dominate sales of health and beauty products. However, in recent years, a couple of retail chains specializing in health & beauty products have sprung up. At present, they account for only a tiny share of sales of these products. However, as it seems likely that Indians will spend more on such products in future, their business will undoubtedly expand substantially. There is also scope for entry of more such chains.

### **Clothing and footwear retailers**

Numerous clothing and footwear shops are to be found in Indian cities and towns, especially in shopping centres and markets. These are a mix of traditional and modern stores. Traditional outlets are small and cramped with little emphasis on alluring displays. They basically stock a limited range of cheap and popular items. In contrast, modern clothing and footwear stores are spacious with sample products attractively displayed in windows. Just as in the case of food retailing, there are also a huge number of retailers selling clothing and footwear in makeshift stalls or on footpaths. Because of their rock-bottom prices, which are much lower than prices of branded products, they attract a large number of low-income customers.

### **Home furniture and household goods retailers**

Small retailers dominate the home furniture and household goods retailing sector in India. Despite the large size of this market, very few modern and large retailers have established specialized stores for these products. However, there is considerable potential for the entry or expansion of specialized retail chains and it is likely that this will further expand during the next few years.

### **Durable goods retailers**

The entry of a large number of foreign consumer durable companies into the Indian market during the post liberalization, foreign investment and import policies transformed this sector dramatically. A much larger variety of consumer electronic items and household appliances became available to the Indian customer. Competition among companies to sell their brands provided a strong impetus to the growth for retailers operating in this sector.

### **Leisure and personal goods retailers**

Rising household incomes due to economic growth spurred consumer expenditure on leisure and personal goods in India. There are specialized retailers for each category of products in this sector. A few retail chains also emerged particularly in the retailing of books and music products. Another key feature of this sector is the popularity of franchising arrangements between established manufacturers and retailers.

### **Dynamics in Retailing**

Globalisation, higher disposable incomes and information technology have been fuelling the high consumption. The market competition has introduced the competitive arena of

branding into the retailing business. Faced with the increasingly difficult task of reaching out to the consumers, retail stores are taking the branding route to develop distinct identity of their own. The own brand retail stores are similar to company owned stand-alone showrooms in that they stick to their own labels. However, they have to build a brand image around their own retail stores. Wal-mart, Shopper-stop, Nilgiris, Cafyday Benzer, Sheetal and Amaron's are examples of leading retail stores. Kid's Kemp, Big Jo's and other regional retail stores in India developing the retail brand of their own. Retail services are important area for brand building in retailing. Retail service adds value for building brand equity. The new philosophy of retail marketing is ' we do not sell but help you to buy'. The concept of goods once sold will be exchanged is changed to ' we are responsible for everything we sell.

Customization, car parking space, customer complaint cells, children's entertainment while parents shop, music and decor have become the norm of retailing. Shoppers Stop even has doctor on hand to cater to emergencies. Retailers are coming out with new strategies like, large retail chains selling their own brands and selling multi-brands, enhanced customer convenience etc.

### **Retailing mix management strategies**

Retailing mix describes how price and selection are traded off against other retail factors- service, location, store personality and ambiance, marketing communication, and quality.

Service in retailing describes the personal attention and amenities a store provides to its customers. It includes, the help of trained sales staff, credit, gift-wrapping, installation and tailoring. Some major stores and shopping centres even offer childcare services so parents can shop without distraction.

Location in providing customer convenience is one of the top criteria people use in choosing where to shop. This is especially true for food, drug, other convenience products, and discount stores that sell primarily mass consumption products.

Personality and ambience are used to have a distinct image of the stores that are a result of many factors beside price and quality. Retailers often talk about atmosphere and ambience when describing their image. Atmosphere reflects the environment both outside and inside the stores it includes window display signage, décor, furniture, store layout, lighting, music etc.

In retailing, marketing communication is information about merchandise for sale is communicated largely through advertising and in store promotion material.

Quality service, location, marketing communication, merchandise selection and price all come together when consumer make a decision about quality and what to buy. Quality is relative, is evaluated in relation to price. The best value is maximum quality for minimum price.

Advent of new technologies in marketing and sales has posed an opportunity as well as threat for retailing. The challenge faced by the traditional retailing today is the competition from no-store retailing. Non-store retailing or e-tailing is growing at a high speed at the cost of traditional retailing. Therefore, traditional retailing requires a new approach in terms of new retail marketing mix.

### **The important success factors of retailing**

**Strategic Planning:** Retailer must have a strong marketing plan and strategy. The selection of target market and development of the marketing mix are important aspects of retail strategies. Product assortment, price strategies and retail marketing communication need special attention.

**Physical facilities:** Experts are of the opinion that the key factors responsible for success of a retailing are location. The ultimate success retail store is governed by favorable location that alone can assure a sustained prosperity. Exterior and interior appearance and good layout also play an important role in the success of a retail store.

**Price:** Appropriate pricing strategy, reasonable quality and due customer service are the important strategic issues in retailing. High price, better service requires skilled and highly motivated sales people at the boundary spanning level. Lower price and limited service demands control over marketing expenses as gross margins are small.

**Promotion:** Unique promotional campaigns are of considerable importance in retail marketing. Retailing is the toughest three feet i.e. retail counter in the channel of distribution. If the promotion doesn't cross the three feet all other sales efforts will be in vein. Eg. If, points of purchase, window displays, other in-store promotions etc, do not cross the perceptual threshold of the customer; customer will not prefer the brand in retail store.

**Buying:** A retailer can acquire highly desirable product assortment, indicating good values to his customers through shrewd buying practice and sound decision making ability. Since, retailer is a reseller, he should act as expert buying agent on behalf of his customers. Intelligent buying decisions give rich dividend in retail marketing.

**Services:** Retailers give non-price competition essentially through personalized services. Prompt and courteous service, quality assurance, sale on approval, money back guarantee, service after sale, free home delivery, grant of credit, securing goods to satisfy individual taste and likings, offer of an expert advice to customers, and comfort and convenience in the store are customer service components in retailing. The customers patronage goes to those retailers who aim at securing profit through customer service.

**Efficient management:** Better planning, organisation and control can offer efficient retail operations. Proper selection, training, remuneration and motivation of sales force will also assure higher efficiency. If a retailer plans his inventories in details, buy and sell according to plan, he can easily reach the goal more effectively.

### **Information Technology and Retailing**

The greatest impact on the retail sector in recent times by far has been the explosion in e-commerce, a phenomenon that has set new sights on the retail landscape. It also estimates that the Internet now influences one in five in-store retail purchases as well. In addition to buying online, many consumers use websites to browse for gift ideas, research products, and comparison shop, which is why it has become impossible for retailers to ignore the power of the online shopping channel.

Though, the Internet doesn't appeal to every consumer, a lot of shoppers still prefer a trip to the mall rather than spending their recreational hours surfing online. But, there is no escaping the fact that the instant accessibility of the web and being able to shop for bargains

from the comfort of your own home, 24/7, is adding an extra convenience that traditional stores are finding increasingly hard to compete with. Some consumers choose not to shop online for various reasons. Many people like to touch and feel merchandise before they buy it; others want the instant gratification of selecting a product and taking it home immediately.

The preferred medium for some retailers is multi-channel retailing – the best of all worlds with store, online or catalog shopping on offer to consumers. However, even though this gives people more of choice in the way purchases their goods from a company, maintaining consistent service through all the mediums is proving a hurdle for some. Retailers are beginning to understand how to integrate their websites and their stores, creating a synergy that one channel could not accomplish on its own. For example, many retailers now allow online purchases to be returned to stores or permit customers to buy merchandise online and pick up at a retail location. Other retailers offer online kiosks in their stores so merchandise that might be out of stock in a particular area can be shipped to a customer free of charge. As the Internet continues to expand and grow, retailers will continue to challenge themselves to find ways to make the shopping experience even more seamless for shoppers.

Technology can also offer benefits in a less visible way. Sophisticated systems that allow retailers to keep a more accurate track of their inventories as well as other back-end systems that track goods and improve the supply chain are becoming a must-have. Many retailers are striving to acquire one-to-one marketing with their customers. However, some understand that the best way to improve the customer's shopping experience is to adhere to the fundamentals of retail, inventory management, pricing, merchandising, and exceptional customer service.

Another area where technology is helping to drive sales is in the use of in-store kiosks, a practical multi-channel tool that combines the in-store experience with the web. The main lure for customers is the ability to access deep information about a product and, in many cases, order the merchandise via the kiosks and have it shipped home.

## **Conclusion**

Although successful retailing is sometimes attributed to a company's ability to drive down costs through the use of technology, many would argue that success in retail trade is dependent on having the right people in place to lead the company and to serve the customer. Retailing being a service industry, it relies more on using the extended marketing mix elements the 7 Ps, namely, product, price, promotion, physical distribution, people, process and physical evidence. Due to the free movement of retail formats across the world, the competition in retailing has reached a new height. Naturally, retail management has gained more importance today.

India is one of the leading destinations for world-class retailing. Metro and mega cities in India have already received the feel of these world-class retailers. But, again the challenge is how to reach large size of the population still living in semi urban and rural areas with high potential to spend on well known products and services.

Making quality products available at affordable prices is a major concern in retail management. While discounters and department stores wage a war on price, it is the luxury sector, relying on quality and selection, that tends to lure their quality conscious, loyal customers away. The emergence of luxury merchandise as a must-have category along all retail



formats has made high-end apparel, jewelry and electronics more accessible to a wider range of consumers. Information technology is another driver to boost retailing in a big way too.

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