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STRATEGIC MANAGEMENT PRACTICES IN RETAILING

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ABSTRACT

The retail industry is becoming one of the most competitive in India, with supermarket chains and malls mushrooming all over. People are making a beeline for shopping experience at Food World, Fabmall, Family mart, Big Bazaar, Forum, Shoppers' stop and the like, who are competing to woo them. Retailing includes all the activities involved in selling goods or services directly to the final consumer for personal or non-business use. Retailing is the final stage in the distribution process. With the popularity of the internet, retailing is becoming popular using the website and a new form of e-tailing is also developing. Retailing is not restricted to tangible products. It covers services also. Airline travel, dry-

cleaning, training programmes etc. In other words, retailing is the sale of goods and services to the ultimate consumer, personal, family or household use. Hence, the present research work on strategic management practices in retailing is an effort to carry out in depth research in this field.

KEYWORDS : Indian Economy, Management Practices, Retailing, Retail Management.

INTRODUCTION

India is a land where we love to shop. No, we aren't the branded shoppers, who stock up on groceries for the rest of week. Instead, we choose to buy on an everyday fresh and buy on an everyday basis. Yet, with travel expanding horizons, customers have escalating expectations. Leading retailers are trying to adapt to new retail concepts and new business ideas¹. Research by the Aditya Birla Group claims that India is a trillion-dollar economy. Of this, retail accounts for about 40%. Of that, 60% is spending on food and groceries. Of that, about 60% is rural and 40% is urban.

Retailing in India supports its economy by 14 to 15 percent of its GDP. India is one of the fastest growing retail markets in the world, with 1.2 billion people. India's retailing industry was essentially operated with small shops. Larger format convenience stores and supermarkets accounted for about 4 percent of the industry, and these were present only in large urban centers. India's retail and logistics industry make use of about 40 million Indians (3.3% of Indian population).

Retail marketing is comprised of the activities related to selling products directly to consumers through channels such as stores, malls, kiosks, vending machines or other fixed locations. In contrast, direct marketing to



consumers attempts to complete a sale through phone, mail or website sales. The successful implementation of the components of the traditional marketing mix (product, place, price and promotion) is essential for success in retail marketing. Retail marketing strategy has to create interest and converse store planning concept to customers by way of developing competitive retail marketing review, by targeting customer behaviours and by identifying the branding. An analysis of internal environmental factors, marketing mix plus performance analysis and external environmental factors customer analysis, competitor analysis, target market analysis, as well as technological, economic, cultural or political/legal environment likely to follow success of market plan. Each market plan has to focus on monitoring the progress and set of contingencies.

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Jacoby and Kyner (1973) have found that loyalty and repeat purchase behavior of customers influenced by store attributes and customer emotions. Walters, and Knee (1989) have said that the retail companies are focusing on non-price attributes to distinguish themselves it means adapting certain store attributes more closely to the specific needs of certain groups of customers. Companies such as Aldi, Lidl, and Wal-Mart have also implemented such strategies. Lal and Matutes (1994) have studied the pricing and advertising strategies of retailers. Authors concluded that when uninformed rational consumers decide where to buy each product, firms advertise prices below marginal cost to attract consumers into the store and to profit from other goods that consumers plan to buy at the store.

Buchanan, Simmons and Barbara(1999) have highlighted that consistency among the various elements of a marketing program essential in building and maintaining brand image and equity. The author suggests that this occurs because consumers have expectations about retail displays and the relationship among displayed brands. Dick and Divert (2003) pointed out that the increase in consumer loyalty is considered as one among the essential strategies of marketing which is been identified by the researchers. It is therefore important to ensure that there is understanding of all the facets of consumer interests in order to understand brand loyalty and brand preferences. The consumer preferences towards one particular brand or retailer maybe associated with determination of specific factors with regards to consumer attitude and behavior. Gonzalez-Benito et al. (2005) have stated that the competition in retail changed over the past years. Nowadays, different competing categories of store types provide specific benefits to match the needs of different customer types and shopping situations.

Large centralized retail businesses have their own lines of manufacture, distribution, and retail outlets. In addition, the multinational retailers are enjoyed with an opportunity of tariff reduction. Thus they can sell a variety of products and have lower costs due to the buying power and use of technology. Within this advantage, multinational retailers are taking away a large proportion of business from the small local retailers. In order to be successful, retailers have to approach the customers with different techniques related to marketing. We have made an attempt to highlight how the competitive advantage gained by the retailers by adopting personalized marketing strategies. The chapter tries to identify the strategies used by the retailers in the area of marketing to improve their business, to assess the perception of the retailers in adopting the marketing strategies and to analyze the influence of personal factors on the marketing strategies adopted by the retailers.

MANAGEMENT PRACTICES IN RETAILING: INDIAN CONTEXT

Retail sector is passing through a change where traditional balance between buyer and seller is changing day to day. Technology and the modes of communication which made it simple for the competitors to enter in to open market globally, given customers wide opportunities to select from choices available. The supply has become more transparent than earlier and the computing technology helping a lot. These developments have

made the retailers to re think and reevaluate their business models to improve the proposition of value they give to the customer. These developments had opened for the design of business models by enabling them to change the way they organize and engage in economic exchange within the firm and industry boundaries (Mendelson 2000) Business model is “the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities. Business models have been integral to trading and economic behavior since pre-classical times, it is a source of competitive advantage, which meets particular customer needs, most is non-imitable, the business model concept became prevalent with the advent of the Internet in the mid-1990s, and it has been gathering momentum since then.

Business model is a new area of analysis, which deals with how the firms design to do their business and focused on the activities of the firms they operate their business. It is more of value creation among the customers. The concept of business model and extensive usage of it started in mid 1990s with the advent of internet, rapid growth in emerging markets and interest in bottom of the pyramid issues expanding of organizations and industries dependent on post-industrial technologies.

Business models themselves have become a subject of innovation. Firms realized that changes in the environment, the firm has to respond to changes, even a successful business firm business model is not permanent rather firms are considered to check their established business model. Firms which are running successfully has the need to innovate are redesign their business model according to the changing needs and values of the customer.

DATA ANALYSIS AND INTERPRETATION

The study undertaken is analytical in nature as it provides description of the state of affairs, as it exists. A broad survey served to provide general information about the stores. In this research, data on the retailers population in India were collected from documents and records. Due to the specific type of goods sold being unclassified, observations were used for categorizing the store format. 120 Retailers have been selected as sample respondents for the study. Stratified random sampling technique has been used for this study. In order to analyze the objectives of the study, statistical technique Descriptive statistics, ANOVA and Kendal coefficient of concordance have used to test the influence of one variable with other variable.

Table 1.1: Profile of the Retail Players

Particulars		Respondents	Percentage
Form of ownership	Sole Trader	58	48.4
	Partnership	34	28.3
	Company	28	23.3
	Total	120	100.0
Investment	Below 25 Lakhs	34	28.3
	25 - 50 Lakhs	54	45.0
	Above 50 Lakhs	32	26.7
	Total	120	100.0
Annual Income	Below 10 Lakhs	21	17.5
	10-20 Lakhs	29	24.2
	20-30 Lakhs	40	33.3
	Above 30 Lakhs	30	25.0
	Total	120	100.0

Store format	Branded Stores	29	24.2
	Specialty Stores	15	12.5
	Departmental stores	37	30.8
	Hyper Market	2	1.7
	Discount	6	5.0
	Convenience stores	31	25.8

Source: Primary Data

The retailers have preferred to be in a firm/ company (accounting for 51.6% of the respondents) to enjoy the larger resources available in these organizations. Majority (45%) of the respondents are belonging to the investment group of 25-50 lakhs. More than half of the respondents (58.3%) have benefited with an annual income of above 20 lakhs. 37% of the respondents have chosen the departmental stores as their store format.

Table 1.2: Challenges Faced by the Retailers

S.No	Challenges in Retail Marketing	Mean	Rank
1	Lack of Retail space	3.95	IV
2	Changing Life Style of the customers	3.74	VI
3	Unavoidability of trained & skilled personnel	4.54	I
4	Lack of Infrastructure	3.66	VII
5	Domination of international brand	3.96	III
6	Awareness among customers about products	3.94	V
7	Difficulty in adhering international standards	4.21	II

Source: Computed from Primary Data

Unavoidability of trained & skilled personnel has scored as the important challenge faced by the retail marketer with the highest mean values of 4.54. Followed by „difficulty in adhering international standards“ (mean value 4.21). Infrastructure is considered as the least challenge for the retailers (3.66). Kendall's Coefficient has been applied to test the validity of challenges faced by the retailers in their retail business. The Kendall's τ_b value 0.019 (which has been less than ± 1) has shown a very low level of concordance among the respondents. The retailers' opinion on the challenges faced by them in the retail business has a very low similarity.

CONCLUSION

The growth of the retail trade in India is associated with the growth in the Indian economy. There is very huge potential for the growth of organized retailing in India. By adopting the related strategies, by establishing open communication between functional departments and maintaining balance between brand building and promotion it can rise enormously and can hold its customers. But all of them have not yet tasted success because of the heavy initial investments that are required to break even with other companies and compete with them. By accepting all these challenges retailers can sustain and flourish in the market. New retail environment in India has made retail firms to think and address customer needs more astutely and capture the value of the consumer by providing new products and services. Without a proper business plan the firms fails to deliver what they intend. Indian retail is ranked fifth among the global the global retailing and the organized

retail share is only 10% there is a high growth potential in this sector and firms which can develop a business model which capture the value of customer is going to have an advantage.

Indian retail sector is facing the challenges in supply chain management, logistics, suppliers, human resources and changing customer's needs. Firms which can integrate suppliers, logistics players, technology and customer value proposition identification and customer experience is significant models which enhance customer experience are going to be successful. Business models which will improve firm's operational efficiency as Indian organized retail has scope of high penetration, firms should have efficiency to expand and satisfy the increasing customer base. Operational effectiveness which can be through controlling the vendors and inventory which appropriates the value.

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