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RETAIL MANAGEMENT

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Retail Management

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Abstract – Retail management is considered as the last step which involves the delivering of the product to the final consumer, who uses the product for their personal use. Here the person who sells the product to the final consumer is called the retailer. The retailer is the only person who maintains a close contact with the final consumer for whom the product was designed for. Over the years the retail management techniques have varied widely. One of the main reasons for this variation is due to the fact that the demands of the people are changing over time. The advancement of technology is also a major reason why the retail market is not the same any more. The change in the retail market has put more distance between the producers and the final consumers. The wheel of retailing as proposed by Malcomb McNair at Harvard University states that the retailer goes through 3 stages as his earning increases.

Retail price index is an important measure of the inflation rate of the economy, which is determined based on the cost of several retail good in various retail outlets across the country. Online websites through which people shop nowadays is one good example of the retail industry today. Here retailers do not interact with the customers directly any longer but still final customers get the product from them. Retail industry plays a very important role in in the economy of India. One of the main problems faced by the retail industry in India is that they are not recognized as an industry. In India retail industry is divided into both organized and unorganized sectors. Over the past years the organized sector has come up putting the majority unorganized sector behind them. Foreign direct investment in the Indian retail industry is not allowed, but they can subject to certain conditions. According to FDI India is considered as the country second in terms of attractiveness for business ventures. The retailers who are already in business also face a lot of problems from within the industry itself. A majority of these issues can be solved by taking further steps to make the retail industry a recognized industry in India. Retail management can contribute positively to the upliftment of the Indian economy provided suitable steps are taken to ensure them.

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INTRODUCTION

1. Retailing is a marketing strategy which we see around us a lot today. A person who doesn't even know what retailing is takes part in that every day. Consider a housewife who purchases groceries from the same shop every time because she knows the shopkeeper is trustworthy and has been providing her with quality groceries all the time. Here the shopkeeper is the retailer and he has been providing finished goods to the consumer. Thus retailing can be explained as the process of making the finished goods available to the final consumer for their own needs. Here the shopkeeper may not know about the concept of retail marketing but he has implemented the concept in his business positively. Take another case a wholesale trader purchases goods from the producer in

bulk quantity and later sells them to other traders in small quantities. Here the goods purchased by the wholesale dealer does not reach the hands of the final consumer immediately and for that reason The wholesale dealer is not a retailer and this is not a retailing process. The retailing process depends on the elements involved (i.e. Retailer (the shopkeeper) and final consumer (Housewife)) and not on the path involved. Retail management involves the process of making the goods available to the final consumers through the retailers. The final consumer need not always take the final goods along with them, they just need to be recipients of the final goods like a barber who provides services to the final consumer.

RETAIL MARKETING

2. Retailers play a very important role in the whole marketing strategy. They are the only people who maintain a close and direct relation with the final consumers for whom the products have been manufactured. The satisfaction of these final customers is the key point in retail marketing. The hawkers on roads, online shopping websites and outlets of big business enterprises are all retailers. The only difference they have is in the type of product they provide to the customers. Retailers have direct contact with the supplier and the consumer, but the main job of the retailer is to meet the needs, wants and desires of a particular group of consumers.
3. In Retail marketing the retailer offers the customer with four things firstly they offer the customer with the finished product for their final use, Secondly they provide these goods at a time suitable for the customers, Thirdly the goods are provided to the customers at a place where the customers find comfortable and Fourthly the ownership of the goods are also handed over to the consumer. The Retailers in the retail marketing can be classified into various types (Fig.1). Here in the figure the level of purchase mentioned indicates the degree of control.
4. A retailer with high level purchase experience is usually store based and they provide the customer with a store shopping experience. In case of those retailers who have a moderate level of purchase experience they do not have direct contact with the customer and they do the transaction from a distance eg. An online shopping website. A retailer having a large variety of products will be termed as store based mass retailers eg. A large department store catering to all the needs of the customer, and Delivery based mass retailers eg. An online shopping outlet with a large number of varieties. A retailer having a small number of varieties can also be termed as store based specialist retailer eg. A high fashion apparel store where few varieties are available, and a delivery based specialist retailer eg. An online website which provides fewer varieties.

		Level of purchase experience	
		High	Moderate
Number of products	Large	Mass retailer (store based)	Mass retailer (delivery-based)
	Small	Specialist retailer (store-based)	Specialist retailer (delivery-based)

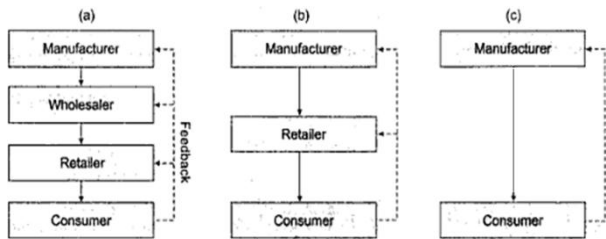
(Fig.1)

ROLE OF A RETAILER AND TECHNOLOGY

5. The primary need of a retailer is to meet the needs of the customer. The retail marketing strategy a century back is not the same as it is today. Even when many of the present retail stores have been in business for many years they have updated their retail marketing strategy to meet up with the demands of the customer. A few years back online shopping was not available to the customers. Later when online shopping was launched into the market many companies started incorporating e-commerce websites. This was done so that the customers could shop their products with more ease, as they wanted and at any time of the day. With the advance of technology the retail stores now find the need to be located near to the customer lesser. This is because the technology enables the customer to shop even when they are at home, they can browse through the products available and order them at their doorstep without having to go to the store.
6. The technology also enables the retailer to understand the products much preferred by the customer. They can find out which all products were bought or viewed on the websites. This will enable the retailer to place more such products online which are sure to attract the attention of the customers. Retailers play a very important role in the supply chain starting from the manufacturers and ending at the final consumers. Earlier the role of retailer in the supply chain was meager but with time this has improved and today they play a very important role. Today retailers have a wealth of information in their hands regarding the type of products preferred by the customers. This will help them plan more promotional deals and stock their stores with adequate products are preferred by the customer.

RETAIL MARKETING CHANNELS

7. As mentioned above over the years the distance between the manufacturer and the final consumer has increased widely. The manufacturer no longer finds it necessary to be located near the manufacturer to provide them the required products and the distance has widened. A good example of this statement is the fact that most of the manufacturers transport their finished products to countries abroad today. This way the number of marketing channels through which the product must undergo to reach the final customer also increases. The figure (Fig.2) displays three such instances.



(Fig.2)

The marketing channels chosen by the manufacture mainly depend on the type of consumer and the services they require. In (a) and (b) the wholesaler and the retailer are the intermediaries involved in the task. They get feedback from the final consumer, which is provided to the person just above them. This way the manufacturer can understand the services needed by the consumers and provide them with the required products. In (c) there are no intermediaries involved between the Manufacturer and the consumer, this is the case of an immediate consumption. Here the products are sold directly. Eg. A representative of Eureka Forbes going to the consumer's home to sell the products directly from the company.

8. Today retailers no longer depend completely on the products given by manufacturers. They have emerged themselves from this state to one of the key players in the marketing channel. They have a wide variety of options available based on which they can provide the customers with the required service and in turn earn profits.

WHEEL OF RETAILING

9. The "Wheel of Retailing" portrays the retailer going through three stages (Fig.3). This was proposed by Malcomb McNair at Harvard University. This theory states that as the basic low level retailers starts achieving success they take steps to broaden their business. This is done mainly to attract more customers and in turn gain more profit. Another major factor pointed out here is that the customers who look for the prices of the products are never loyal and there is a chance that they might shift their loyalty when the price of the products increases. Once a low level retailer shifts to a higher level retailer, another retailer takes his place and the cycle continues.

10. In the first stage they are the Innovation retailer. This is the stage of the retailer in the entry phase. Here they have the following characteristics.

- (a) Poor Store location (eg. Side street shops)
- (b) No extra services are provided and if services are provided it will be charged to the customer.

- (c) The decorations used in the store will be of low standards.
- (d) The retail organization will be kept very simple.
- (e) Variety of products are limited.
- (f) All products available are on display

11. In the second stage the retailer goes up in business and enters the role of a traditional retailer. Here they are entering he trading up phase. They are characterized by

- (a) The store location is improved.
- (b) More services available to the consumers (home delivery)
- (c) The decorations used are more attractive.
- (d) A higher level of retail organization
- (e) The range of products available is more.
- (f) Products are priced higher.

12. In the third stage the retailer becomes a mature retailer. Here they have improved their standard form their entry phase a lot but they are in a Vulnerability phase. They are characterized by

- (a) Upscale store location
- (b) A variety of services available to customers (home delivery, gift wrapping etc.)
- (c) Highly attractive fixtures and decorations are used.
- (d) Some items are on display while the rest are stored in the backroom.
- (e) The products are priced higher.
- (f) High level consumers.
- (g) More complex retail organization.

13. One of the main problems faced by the Mature retailers is that even when they have reached a higher level in the retail management, the highly priced products will sway the price depended customers to search for new retailers. These customers will go to those entry phase retailers who have lower priced products. Since a majority of the population is dependant on the price of the product this can affect the business to a greater extent. The wheel of retailing has been criticized to a great extent by many

people who say that not all retail management outlets do start in the entry phase.

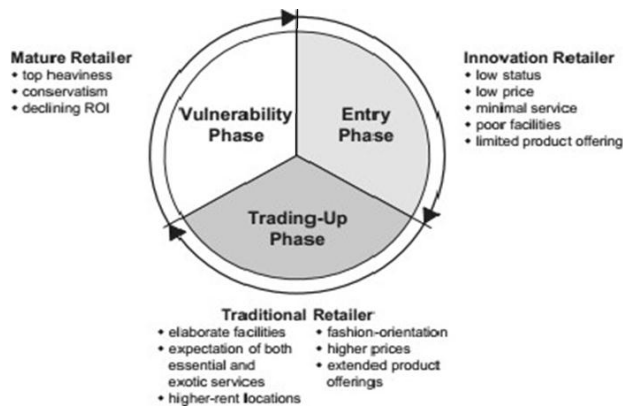


FIG.3

RETAIL MARKETING MANAGEMENT AND THE ECONOMY

14. The Retail Price Index is always used as a means to measure the inflation in an economy. The retail price Index can be defined as the cost of several retail goods in many outlets across the country and it gives the rate of inflation the country is facing currently. A higher RPI indicates that the country is going into inflation and the government must take steps to increase the interest rates to curb the rise. If the RPI is falling then the government must take steps to cut down the interest rates so as to avoid stagnation of the economy.
15. Retail marketing is also one of those areas which provides a great deal of employment to a large part of the population today. Some of the largest outlets like Wal- Mart is a retail chain venture. The retail marketing management faces many issues all the time. They have to update their retail management strategies based on the changing demands of the customers every time. The changing technology must be utilized to the maximum extent possible to enable more comfort and ease of purchase for the customers.
16. Another major factor is the rising competition between the various other retail stores in the market. Most of them employs the state of the art facilities and hence if a retail store is planning to stay up on the market they need to be updated frequently. They also need to plan new methodologies to ensure that their customers do not drift away from them and this is one of the most important and toughest of task in retail management at present.

EVOLUTION OF RETAIL INDUSTRY IN INDIA

17. Indian Retail Industry is one of those sectors which contributes to more than 13% of the

Indian economy. The change in the retail industry has been very prominent in the past many years. The change has been brought about by the changing needs of the customers and the fast developing technology. Fig.4 depicts the evolution of the present retail industry in India through many years. In the beginning the retail industry mainly catered to the needs of the middle class customers. They always looked for products which gave them value for the money they spend. As time went by women started working along with their job of running the household. This led to the middle class customers looking for products which would ease their troubles and provide them with the best shopping experience. This was what led to the emergence of department stores. Today the retail market has taken further leaps ahead by establishing hypermarkets and internet retail websites which provided customers with a wider variety of products.



FIG.4 – Evolution of Retail Industry in India

18. The retail industry in India is divided into both unorganized and organized sectors. The graph below (Fig.5) shows the change in various sectors of the retail industry for a period of 1998 – 2008. As the graph indicates the change in the retail industry has become more prominent within the 20's. The sharp change is because during the early 1990's the retail industry in India constituted mostly of unorganized sectors. From the early 20's organized sectors started taking over the industry.
19. During this time period many of the top companies like TATA, ITC, Benett Coleman & Co etc started establishing themselves in the retail industry. This brought about a revolution in the retail industry of India and people started getting exposure to more domestic and foreign products through media and internet. Apart from this the urbanization which was coming up in the Indian economy slowly also boosted up the change.
20. The vast number of food retail outlets like McDonalds, Pizza Hut, Dominos etc. contributed widely to the boom of retail industry in the food industry. As urbanization came into effect people found these food outlets as an easy means to have food in

their busy schedule. The varieties these outlets offered soon made them one of the favorite hangouts for all groups of people alike.

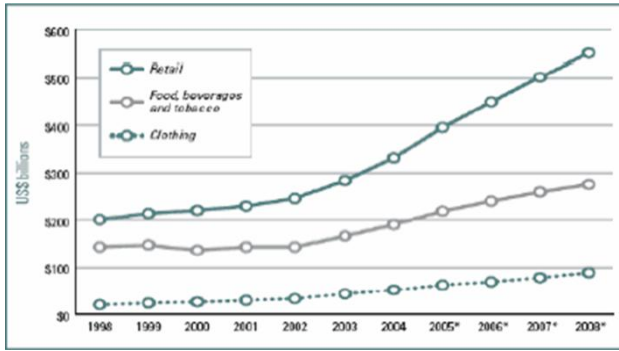


Fig.5

RETAIL SECTORS IN INDIA

21. The retail industry is in a boom (Fig.6) because the retailers are present in every nook and corner of the country. Many people call India a land of shopkeepers. Hawkers and small shops catering to the needs of the individuals are present in every place. In the retail industry about 78% of the outlets or shops are small business owned by family members, and those which does employ labors employs less than 2 or 3 members. The revenue earned through these small business enterprises are also very high. Since retail management is not considered as an industry in India most times it becomes difficult to analyze the real size of the industry.



Source: Technopak Analysis

Fig.6 – Growth of Organized Retail Trade in India

22. The retail industry in India is mainly unorganized as they do not use the retail management strategy. Most of the local shops like the panwallahs are categorized under this category even when they employ the basic principles of retail management i.e. customer satisfaction. They have the added advantage of knowing each of their customers personally rather than those big retail outlets where every consumer is unknown to them. The organized sector is practically less when compared to the unorganized sector in India. The organized sector is considered to rise by more than 25% as depicted in the graph (Fig.6)

FOOD AND GROCERY RETAIL

23. The food and grocery retail outlets are one of the most successful in the retail industry in India. Many foreign food retail outlets like KFC, McDonald’s, Cafe Coffee, Barista Coffee, Pizza Hut have established themselves successfully in India. The Fig.7 shows the classification of food retail in India. The classification is made solely based on the type of services they offer and the location of the outlets. This sector of retail industry accounts for more than 6.9 % of the whole organized sector in the retail industry in India.

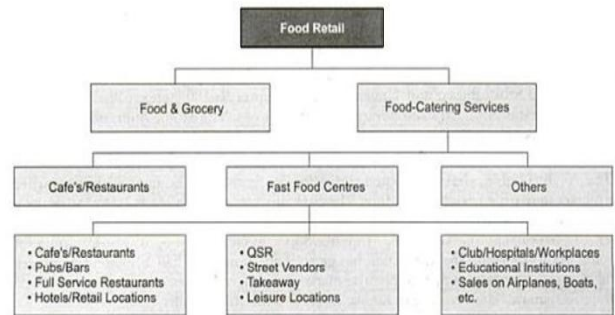


Fig.7 – Classification of Food & Grocery Retail

CLOTHING AND TEXTILE RETAIL

24. When one refers to the clothing retail outlets it means the apparels which are ready to wear for the customers. On the other hand the textile retail outlet refers to the fabrics or clothes manufactured for the ready-made garments or other purposes. The classification of the clothing and Textile retail industry is as shown in Fig.8. The apparel retail outlet is considered to be the largest in the retail industry in India and accounts for 38% of the total industry. Some of the key players in this industry are Cotton Textile Mills, Century Textiles & Industries, Madura garments, Park Avenue etc.

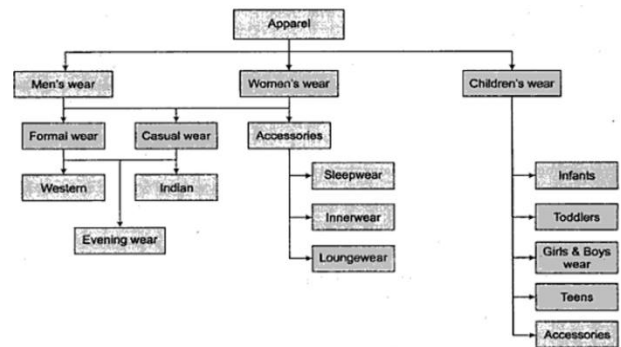


FIG.8 – Classification of Clothing and Textile Retail

CONSUMER DURABLES RETAIL OUTLET

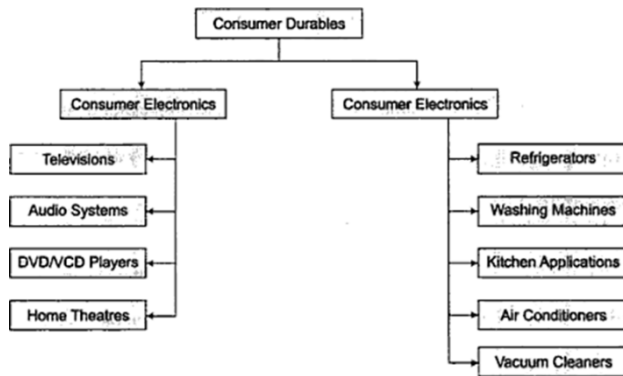


Fig.9 – Classification for Consumer Durables

25. The consumer durables in the retail sector includes refrigerator, microwave, air conditioner, television and washing machines. The classification of this sector is depicted by the Fig.9. The consumer durables sector constitutes for 9% of the total retail industry in India. Some of the top international brands have established successfully in India over time. Some of the top brands in consumer durables include Kelvinator, Panasonic, LG, Videocon, Sony, Onida etc.

FOOTWEAR RETAIL

26. In the footwear manufacturing industry across the world India stands second only to China. For the same reason India has a wide variety of footwear retail outlets across India. The classification of the Footwear retail is as shown in Fig. 10. The footwear comprises mainly of those manufactured for men, women and kids. The participation of this retail industry in the whole retail industry of India is considered to be approximately 37 %. Among the total footwear produced in organized retail industry 52% belongs to men footwear, 29% accounts to the kids footwear and 19% to women's footwear. Bata is the largest footwear industry in India. Reebok, Adidas, and Metro shoes are some of the other industries in the market.

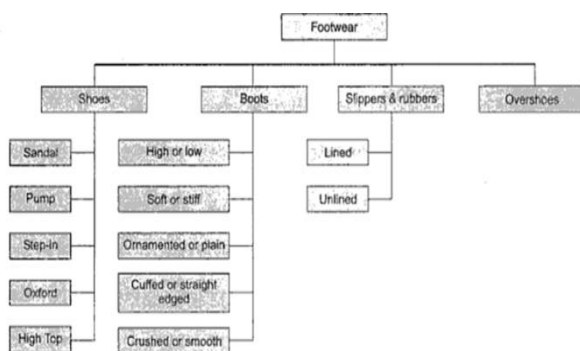


Fig.10 – Classification of Footwear Retail

JEWELRY RETAIL

27. The two major segments in Jewellery sector in India are Gold and Diamonds. The market for gems in India is growing at the rate of 20% every year. The diamond jewelries exported from India accounted for more than 15% of the total exports every year. India is also considered as one of the largest centers for diamond cutting and polishing. In the diamond market India produces 60% of the total polished diamonds, 82% in terms of carat and 95% in terms of pieces. The segment is an organized retail sector. The majority of the retail outlets are traditional family owned businesses. One of the major players in the field is Tanishq owned by the TATA Group. Later on Gili diamonds a branded range of jewelry offered by the Gitanjali Group became a success. Their success was based on the fact that they could provide every day wear jewelry to customers with identical pricing, quality and design across the country.

BOOKS, MUSIC & GIFT RETAIL

28. Landmark, Crossword, Oxford, Archies are some of the names which come up in the retail sector including Books, music and gifts. They have some of the best stores spread across the country. Since the number of retail outlets they have is less, they have established individual websites for the customers. A person can log into their websites online and do online shopping for the products they want with ease. Some of the new releases or books that are to be released in the near future can be ordered or pre-ordered through these online retail websites easily.

FOREIGN DIRECT INVESTMENT (FDI) IN RETAIL

29. Foreign Direct Investment has been a topic for discussion in the Retail Industry of India for a very long time. To understand about this one should first know what FDI is defined as. The definition for FDI as is given by the International Monetary Fund and endorsed by the Organization for Economic and Cooperation Development is "Foreign direct investment reflects the objective of obtaining a lasting interest by a resident entity in one economy ("direct investor") in an entity resident in an economy other than that of the investor ("direct investment enterprise"). The lasting interest implies the existence of a long-term relationship between the direct investor and the enterprise and a significant degree of influence on the management of the enterprise. Direct investment involves both the initial transaction between the two entities and all subsequent capital transactions between them and among

affiliated enterprises, both incorporated and unincorporated.”

30. FDI is a means to enable international trade in India. It helps in transferring, knowledge, technology and skills across nations. Based on the FDI attractiveness India is ranked second among the countries in the world. In the Indian retail market FDI is not allowed. Foreign traders can enter the retail market in India through
- (a) Franchising
 - (b) Joint venture with Indian investor
 - (c) Setting up manufacturing facility in India
 - (d) Set up distribution offices of these foreign companies through Indian investors.

CHALLENGES OF INDIAN RETAIL INDUSTRY

31. An organized sector of the retail industry even though in the developing stage face many challenges every day. Some of them are:
- (a) Retail Industry is not recognized as an Industry in India
 - (b) Lack of proper infrastructure like roads and transport facility
 - (c) Stamp duties levied on the properties
 - (d) High cost of real estate nowadays
 - (e) Complex taxation laws on every product.

New retail outlets further face many other factors of competition within the retail industry itself. This is depicted clearly in the Fig.11.

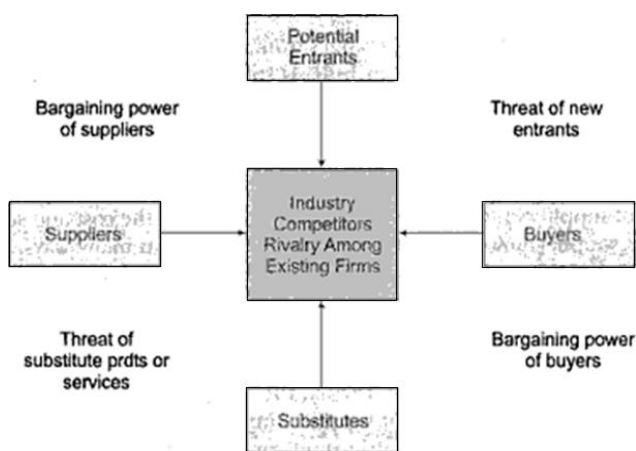


FIG.11 – Competition Faced by Retail Outlets within the Industry

CONCLUSION

Even when the basic function of a retailer remains the same, the retailing industry is never the same as it was a decade back. The technology advancement is used by retail outlets to stay ahead in the competition. Over the years as the retail industry developed, they have increased the power of retailers in the whole management strategy employed by companies to distribute their products. The unorganized sector of retail industry must be made organized so that they can provide a better path to the Indian retail industry. The government must take steps to include the retail marketing management as one of the industries contributing to the upliftment of the Indian economy. International firms must be provided with more fertile grounds to establish new retail outlets in India. While employing new technologies to expand the retail business the retailers must also be careful so as to see that they do not lose customers in the process. Providing the customers with products they desire or require should be the prime aim of the retailers in any phase. New Retail management techniques must be employed to overcome the problems within the industry, faced by the new or existing retail outlets. This will increase the efficiency of the retail marketing management in the global and Indian market.

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4. http://www.cci.in/pdf/surveys_reports/indias_retail_sector.pdf
5. <http://www.fibre2fashion.com/industry-article/free-retail-industry-article/impact-of-retail-management-in-the-growth-of-indian-economy/impact-of-retail-management-in-the-growth-of-indian-economy9.asp> (Fig. 5)

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