A Study on Operations, Merchandising and Marketing of Retail Stores

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Abstract

Retail is India's largest industry, accounting for over 10 percent of the country's GDP and around eight percent of employment. Retail in India is at the crossroads. 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 and many players have not tasted success to date. However, the future is promising; the market is growing, government policies are becoming more favourable and emerging technologies are facilitating operations. The success of any retail operation is largely based on the retailer's ability to provide right goods to the customer, at the right place, at the right time and at the right price. The two functions namely merchandising and supply chain management are integral for the existence of any retail organisation. Merchandise management includes analysing, planning, acquisition, handling and control of merchandise investments of a retail operation. Merchandising does not function in isolation. It is affected by various factors like the organisation structure, the size of retail organisation and merchandise to be carried. The function of procurement of the merchandise is integral to the retail organisation , which affect the marketing. Thus, this paper attempts to reveal the focus on the operations, merchandising and marketing of retail stores.

Introduction

Retail means selling goods and services in small quantities directly selling to customers. Retailing consists of all activities involved in marketing of goods and services directly to consumer for their personnel family and household use. In the modern days, retailing is one of the biggest sectors and it is witnessing revolution in India. The new entrant in retailing in India signifies the beginning of retail revolution. India's retail market is expected to grow tremendously in next few years. 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 behavior, ushering in a revolution in shopping. Modern retail has entered India as seen in sprawling shopping

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centers, multi-stored malls and huge complexes offer shopping, entertainment and food all under one roof.

Statement of the Problem

Traditionally, retail was a part of manufacturing. The manufacturing companies were fairly large, as compared to the distributors or the retailers. This basically gave the company economic power; it dictated the products, the prices, the dealer and distributor margins and would independently advertise for its products. In case of a dispute, with the distributor or retailer, it would not be rare for the manufacturer to discontinue supplies. Today, retail is a separate function by itself.

The retailer today faces a knowledgeable and demanding consumer. Since his business exists to satisfy the needs of the consumers, the demands and expectations of the consumers have often forced retail organisations to change formats and product offerings.

While a large number of retail formats continue to exist in most markets across the world, the only change is the range of services offered. The customer demands convenience, and a certain level of comfort while shopping. Time required to shop and to travel to a particular location are important factors which affect the consumer's decision. This has led to the birth of specialists and the increase in the services offered by the retailer. Also, retail marketing is challenging in nature in view of the changing needs of customers. However, a strategic approach to operations, merchandising and marketing of retail stores would be of great

help to face the challenges in the market and hence a study of this nature is felt relevant.

Objectives of the Study

1. To study the operations of retail stores

2. To study the merchandising of retail stores

3. To study the marketing of retail stores

Methodology of the Study

The following methodology is used in the study.

(i) Area of the study

The study area refers to Coimbatore city which is known for Textiles and Engineering industries. Also, it is becoming a hub for education and institutions.

(ii) Sources of Data

The study has used only primary data which were collected from the customers using interview schedule. The interview schedule has been prepared in such a way that the respondents were able to express their opinions freely and frankly.

(iii) Sampling Design

The data were collected from 200 customers. The convenience random sampling was adopted for selecting the customers.

(iv) Statistical tools used for analysis

The collected data have been processed both manually and with the help of computers. The statistical tests are conducted at 5% level of significance. The following statistical tools are used.

1. Chi-square analysis

2. Average – score analysis

3. Average rank analysis

Analysis and Interpretations

1. Chi-square Analysis

The chi-square analysis is used to test the independence of two attributes. In other words, it is used to test the influence of one factor over the other. In this study, the chi-square test is performed between personal factors and other factors and all the tests are carried at 5% level by framing suitable hypothesis.

*   **Hypothesis:** The organisational factors have no significant influence on the kind of fixtures used in each selling outlet.

Table 1 Chi-square values-Organisational factors and kinds of fixtures used in each selling outlet

Organisational factors	Chi-square values			
	Low	**Medium**	**Big**	**Overall**
Form of ownership	1.879	3.544	9.936	11.399
Type of retail business	112.38*	10.915*	7.893	44.434*
Years of experience	14.650	34.376*	24.452	34.763*
Initial investment	7.582	9.924	8.331	13.960
Source of investment	18.834*	7.341	6.221	12.958
Source of borrowed fund	15.193	11.499	8.533	19.222
Mode of payment received from customers	59.826*	17.873*	10.183*	36.426*

* Significant at 5 per cent level

Table 1 reveals that at low level category type of retail business, source of investment and mode of payment from customers have significant influence on the kind of fixtures used in each selling outlet. In the medium level category, type of retail business, years of experience and mode of payment have significant influence on the kind of fixtures used by the store.

In big level category, mode of payment received from customers have significant influence whereas in the overall category type of retail business, years of experience and mode of payment received from customers have significant influence on the kinds of fixtures used in each selling outlet. To conclude, mode of payment from customers have significant influence on the kinds of fixtures used in each selling outlet at all category levels.

- **Hypothesis:** The organisational factors have no significant influence on the primary kind of display areas in the retail store.

Table 2 Chi-square values-organisational factors and primary kind of display areas in the retail store

Organisational factors	Chi-square values			
	Low	**Medium**	**Big**	**Overall**
Form of ownership	0.607	2.138	3.142	3.263
Form of business	3.637	8.518*	2.672	5.018
Years of experience	11.160	22.914*	1.733	23.125*
Initial investment	4.283	4.136	0.446	4.290
Source of investment	13.908*	10.037*	6.240*	18.242*
Source of borrowed fund	11.515	6.841	-	11.339
Mode of payment received from customers	20.576*	24.064*	4.174*	29.845*

* Significant at 5 per cent level

It is known from **Table 2** that at low level and big level category, source of investment and mode of payment received from customers have significant influence on the primary kind of display areas in the retail store. In the medium level category, form of business, years of experience, source of investment and mode of payment received from customers have significant influence on the primary kind of display areas in the retail store. The overall position indicates that years of experience, source of investment and mode of payment from customers have significant influence on the primary kind of display areas in the retail store.

It is concluded that the mode of payment received from customers have significant influence on the primary kind of display areas on all category levels of stores.

- **Hypothesis:** The organisational factors have no significant influence on the different type of merchandise offered by the store

Table 3 Chi-square values-Organisational factors and type of merchandise offered

Organisational factors	Chi-square values			
	Low	Medium	Big	Overall
Form of ownership	0.269	0.574	2.739	18.117*
Type of business	3.120	8.728*	3.946	18.724*
Years of experience	11.178	53.016*	2.940	25.100
Initial investment	3.562	8.100	1.273	1.149
Source of investment	2.124	8.156	1.130	5.030
Source of borrowed fund	18.444	14.329	2.311	17.932
Mode of payment received from customers	1.673	5.086	4.550*	2.728

* Significant at 5 per cent level

It is evident from **Table 3** that in the low level category, all the organizational factors have insignificant influence whereas in the medium level category type of business and years of experience have significant influence on the different type of merchandise offered by the store. In big level category, mode of payment received from customers have significant influence on the type of merchandise offered.

The overall position indicates that form of ownership and types of business have significant influence on the type of merchandise offered. It is concluded that type of business have significant influence on the merchandise offered by the stores at various levels.

- **Hypothesis:** The organisational factors have no significant influence on the source of merchandise selected

Table 4 Chi-square values-Organisational factors and source of merchandise selected

Organisational factors	Chi-square values			
	Low	Medium	Big	Overall
Form of ownership	1.256	0.938	10.693	11.985
Type of business	5.268	2.124	5.525	11.386
Years of experience	10.949	10.283	22.533*	8.852
Initial investment	5.287	7.882	7.404	12.415*
Source of investment	7.583	11.964	7.063	18.060*
Source of borrowed fund	14.172	21.140	5.111	15.088
Mode of payment received from customers	9.021	4.255	2.484	7.217

* Significant at 5 per cent level

It is clear from **Table 4** that in the low level and medium level category, all the organistional factors have insignificant influence on the source of merchandise selected by the store. In big level category, years of experience has insignificant influence on the source of merchandise selected by the store.

The overall position indicates that initial investment and source of investment have significant influence on the source of merchandise selected. To conclude, initial investment and source of investment have significant influence on the source of merchandise selected at various levels.

- **Hypothesis:** The organizational factors have no significant influence on the media of advertisement.

Table 5 Chi-square values-Organizational factors and media of advertisement

Organizational factors	Chi square values			
	Low	Medium	Big	Overall
Form of ownership	12.198*	5.529	-	18.756
Type of business	9.509*	0.917	7.800	7.005
Years of experience	8.931	15.177*	-	20.974*
Initial instrument	18.455*	14.727*	6.067	23.218*
Source of investment	126.664*	120.797*	-	230.622*
Source of borrowed fund	21.569	31.064*	22.533	43.196*
Mode of payment received from customers	170.508*	215.678*	-	298.607*

* Significant at 5 per cent level

Table 5 indicates that in the low level category, form of ownership, type of business, initial investment, source of investment and mode of payment have significant influence on the media of advertisement whereas in the medium level category, years of experience, initial investment, source of investment, borrowed fund mode of payment have significant influence on the media of advertisement adopted by the store. In big level category, organizational factors do not have significant influence on the media of advertisement.

The overall position indicates that years of experience, initial investment source of investment, borrowed funds and mode of payment have significant influence on the media of advertisement. To conclude, initial investment and source of investment have significant influence on the media of advertisement adopted by the stores.

- **Hypothesis** The organizational factors have no significant influence on type of pricing methods adopted by the store

Table 6 Chi-square values-Organizational factors and method of pricing

Organizational factors	Chi square values			
	Low	**Medium**	**Big**	**Overall**
Form of ownership	113.957	142.356	49.400	233.331
Type of business	85.182*	76.557*	-	153.324*
Years of experience	104.372*	114.104*	18.200*	214.978*
Initial investment	37.317*	42.198*	-	70.180*
Source of investment	80.012*	88.267*	8.533	148.170*
Source of borrowed fund	19.617	27.293*	-	32.785*
Mode of payment received from customers	30.596*	49.993*	6.240	69.048*

Table 6 indicates that in the low level category, type of retail business, years of experience, initial investment source of investment and mode of payment received from customers have significant influence whereas in big level category, years of experience have significant influence on the method of pricing followed by the store. In medium level and overall category type of business, years of experience, initial investment, source of investment, borrowed fund and mode of payment received from customers have significant influence on the method of pricing followed by the stores. To conclude, years of experience has significant influence on the method of pricing followed by the store.

Average rank analysis

In order to assess the priority of the respondents on various aspects, the respondents are asked to rank their priorities and based on their consolidated opinion, the average rank is calculated. Finally, the final rank is fixed for each aspect based on the criteria, "smaller the average rank, more is the priority" (rank 1)

Mode of payment received from customers

Table 7: Ranking of the factors to create better store atmosphere – Mode of payment received

Mode of payment received	Category and Rank	Factors	Signs and Signals	Lighting	Colours	Music	Scent/ Fragra nce	Others
Cash	Low	AR	2.24	2.05	2.67	4.43	3.62	6.00
		FR	2	1	3	5	4	6
	Medium	AR	2.00	1.83	2.50	4.08	4.75	5.83
		FR	2	1	3	4	5	6
	Big	AR	1.67	1.67	2.67	4.00	5.00	6.00

		FR	1	1	3	4	5	6
Credit	Over all	AR	2.11	1.94	2.61	4.28	4.11	5.94
		FR	2	1	3	5	4	6
	Low	AR	1.00	4.50	3.00	4.50	2.00	6.00
		FR	1	4	3	4	2	6
	Medium	AR	-	-	-	-	-	-
		FR	-	-	-	-	-	-
	Big	AR	-	-	-	-	-	-
		FR	-	-	-	-	-	-
	Over all	AR	1.00	4.50	3.00	4.50	2.00	6.00
		FR	1	4	3	4	2	6
Both	Low	AR	2.04	2.28	2.48	3.94	4.37	5.89
		FR	1	2	3	4	5	6
	Medium	AR	2.27	1.80	2.18	4.09	4.65	6.00
		FR	3	1	2	4	5	6
	Big	AR	1.80	2.10	3.00	3.80	4.30	6.00
		FR	1	2	3	4	5	6
	Over all	AR	2.12	2.06	2.39	3.99	4.49	5.94
		FR	2	1	3	4	5	6

AR – Average rank; FR – Final rank

Table 7 depicts the priority of retail stores based on mode of payment received from customers in various levels to create better store atmosphere.

Table 7 shows the stores in all category levels, receiving cash as mode of payment from customers have given top priority to lighting to create better store atmosphere. The stores in the low level and overall category, receiving credit as mode of payment have given top priority to signs and signals to create better store atmosphere.

The stores in the low level and big level category, receiving cash and credit as mode of payment have given top priory to signs and signals whereas the medium level and overall categories opted lighting as top priority to create better store atmosphere. To conclude, lighting is the top priority factor to create better store atmosphere for the stores receiving cash and credit as mode of payment from customers with different levels of retail stores.

Table 8: Ranking of various levels for choosing the supplier - Source of Investment

Source of Investment	Category and Rank	Factors	Terms and Conditions	Prompt supply	Supply with good quality	Reputation of the supplier	Others
Own fund	Low	AR	2.42	2.42	1.92	3.25	4.97
		FR	2	2	1	4	5
	Medium	AR	2.64	1.73	2.18	3.54	4.91
		FR	3	1	2	4	5
	Big	AR	1.80	2.80	1.80	3.60	5.00
		FR	1	3	1	4	5
	Over all	AR	2.46	2.40	1.82	3.35	4.97
		FR	3	2	1	4	5
Borrowed fund	Low	AR	3.08	2.41	1.87	2.67	4.96
		FR	4	2	1	3	5
	Medium	AR	2.64	1.73	2.18	3.54	4.91
		FR	3	1	2	4	5
	Big	AR	3.25	2.50	1.50	2.75	5.00
		FR	4	2	1	3	5
	Over all	AR	2.97	2.23	1.92	2.92	4.94
		FR	4	2	1	3	5
Both	Low	AR	2.50	2.31	1.79	3.43	4.98
		FR	3	2	1	4	5
	Medium	AR	2.72	2.21	1.53	3.53	5.00
		FR	3	2	1	4	5
	Big	AR	2.75	2.50	1.00	3.75	5.00
		FR	3	2	1	4	5
	Over all	AR	2.62	2.27	1.62	3.50	4.99
		FR	3	2	1	4	5

AR – Average rank; FR – Final rank

Source of investment

Table 8 describes the priority of retail stores on different source of investment in various levels for choosing the supplier.

Table 8 depicts that the store in the low level and the overall category, source of investment being own fund have given supply with good quality as top priority whereas medium level category opted prompt supply as top priority for choosing the supplier. The big level category have given term and conditions as top priority for choosing the supplier. The borrowed fund being the source of investment the store in the low, big and overall category have given supply with good quality as top priority whereas medium level category opted prompt supply as top priority for choosing the supplier.

Both own fund and borrowed fund being the source of investment the store at all category levels have given supply with good quality as top priority for choosing the supplier. To conclude, supply with good quality and prompt supply are top priority factors for choosing the supplier on various sources of investment with different levels of retail stores.

Average score analysis

In order to use this technique, first the qualitative information is converted into quantitative one through a 4 point scaling technique. After converting into scores, the average score is calculated mainly to asses the level of opinion / satisfaction of the different categories of respondents on various aspects.

Table 9: Average score – Source of borrowed fund

Source of borrowed fund	Low	Medium	Big	Overall
Friends and relatives	3.90	4.20	5.00	4.06
Bank loans	4.22	4.44	4.60	4.39
Co-operatives	3.75	4.00	4.00	3.92
Private sector banks	4.00	3.60	4.57	3.67
Non – banking financial institution	4.00	3.67	-	3.75
Indigenous borrowers	4.00	4.33	-	4.33

Source of borrowed fund

Table 9 shows level of response of customers towards the store based on source of borrowed fund with different levels of categories.

Table 9 shows that the respondents in the big level category whose source of borrowed fund is friends and relatives have opined that the level of response of the customers towards the store is very good (5.00) whereas bank loans being the source of funds for the stores in big level category have opined that the level of response of the customers towards the store is nearly very good (4.60). In case of co-operative being the source, the stores in big level category have opined that the level of response in moderate (4.00) whereas the stores whose borrowed fund is through private sector banks, in the big level category have opine that the level of response of the customer towards the store is nearly very good (4.57).

In the medium level category, the source of funds being non–banking financial institution for the store have opined that the level of response is moderate (3.67). To conclude, the level of response of customers towards the store on the various source of borrowed fund is moderate with different levels of retail stores.

Findings

- Majority of the retail stores are in the form of sole proprietorship.

- Source of investment and borrowed fund have significant influence on the number of customers visiting the store per day at various levels.

- Mode of payment from customers have significant influence on the kinds of fixtures used in each selling outlet and also on the primary kind of display areas on all category levels of stores.

- Types of retail business have significant influence on the security and theft related measures adopted by the store at all category levels of stores than other organisational factors.

- Lighting is the top priority factor to create better store atmosphere on various forms of ownership, source of investment, source of borrowed fund, stores receiving cash and credit as mode of payment with different levels of retail stores.

- Signs and signals is given top priority factor to create better store atmosphere on the various types of business and years of experience with different levels of retail stores.

- Supply with good quality, prompt supply and terms and conditions are considered as top priority factors for selecting the supplier.

- Majority of the retail owners follow the method of inspection to evaluate their merchandise and follow supplier control as a system of inventory management.

- Most of the retailer owners maintained their perishable merchandise by keeping them in refrigerators

- 32% of the respondents use posters, banners and hoarding as a media of advertisement for the retail stores.

- Majority of retail stores sell unbranded goods under their own label and respondents felt that it was good.

Suggestions

On the basis of results of the study, the following suggestionsare made:

- The performance of the retail store is based on several factors. One of the important factors is maintaining better relationship with supplier. The supplier decides several issues such as cost, delivery, quality, etc. The strategic approach on marketing can also be effectively implemented if the better relationship is maintained with supplier. This will ensure better customer satisfaction by means of low price, better quality and quick delivery of goods.

- Innovation in products will bring more customers for the retail business. Innovation in transportation logistics will be a better strategic approach in two reasons. First, it helps retailers to reduce the time taken for transportation and second, it keeps consumers to get quick delivery of goods and services. Moreover, a systematic and modern transportation will deliver solid value to consumers and profits to retailing organisations.

- Except few stores in India, all other retail stores do not open their business to online retailing. Online retailing is not merely a shopping facility provided to consumers but more of a marketing strategy that is driven by technology impact. Hence, retailers must be able to introduce all technological advancements including online retailing not only in the process of selling goods but also in the delivery of goods and customer feedback etc.

- Retail store is a shop where large numbers of items are kept under single roof. These items are not only heterogeneous in nature but are having different characteristics measurable in different values. Hence, the infrastructure of the store must provide for better safety measures. The safety measures are not to be viewed merely as a mechanical device but more of a psychological issue which determines the buying preferences of consumers.

- Gone are the days that retailing remained at selling goods and services to consumers. The modern times require organised retailing which encompass many activities like deciding on stock levels, product mix, brand mix, human relations, customer and employee management skills and cost control based on growing needs of consumers and competitive pressures for retailing business, it becomes inevitable for the retailers to develop skills needed for adoption of organised retailing.

- Like the branding the product, branding the store becomes important in today's marketing environment. In addition branding the store will increase volume and enhance customer loyalty. Also, branding is critical to maintaining competitive differentiation in a increasingly challenging retail environment. However, the brand needs to be clearly communicated to the customer.

Conclusion

Retailers are the closest to the point of purchase and have access to a wealth of information on consumer shopping behaviour. Retailers have some unique advantages for managing the products such as continuous and actionable dialogue with customers, control over product presentation at point of sale, control over shopping environment, display location, signage etc and they can use this advantage and earn great success. However, it is clear that customers are changing in nature and they are looking for something different and therefore, understanding their evolving needs, aspirations and life styles are the underlying key factors for the success for any retailer.

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