



ANALYSIS OF RETAIL MIX STRATEGIES: A SPECIAL FOCUS ON MODERN RETAIL FORMATS

Dr. K. Aparna ¹, Dr. P. Murali Krishna ², Dr. V. Satish Kumar ³

¹ Assistant Professor in Humanities & Basic Science Department, G. Pulla Reddy Engineering College (Autonomous) Kurnool - 518007, A.P., India

² Professor of Management & Dean, Industry Interface & International Collaboration (IIIC) Sri Krishnadevaraya University, Anantapur, A.P. - 515003, India

³ Professor of Industrial Management, G. Pulla Reddy Engineering College (Autonomous) Kurnool - 518007, A.P., India

Abstract:

A shopper usually comes across many retailers in the market place, each having its own overall product offering. One retailer may be attracting customers due to its unbeatable location and visibility, other on the basis of discounted prices, someone on the basis of variety of merchandise or specialised product offering. If small retailers promise to offer the convenience of fulfilling the daily needs at your doorstep, the big retailers promise to offer better value in terms of competitive pricing and convenience of making all products available under the same roof. Then online retailers are trying to outsmart conventional retailers by killing time and distance constraints. Thus, it is seen that retail market place has become very competitive and challenging over a period of time. Market has already become tough due to increasing cultural and demographic diversity and changing lifestyles over a period of time. Every market has its own set of needs. Like any marketer, a retailer has to decide which kind of market it should cater to in a satisfactory manner. As a result, the retailer has to explore many options to differentiate themselves in the market place and appeal to its target customers. The options are available in the form of combining different elements of retail mix. Retail mix is mainly deciding about merchandise, price, promotional mix, location, services extended etc. to serve the needs of target market in a satisfactory manner. Retail format is the popular term used for retail mix. It bears close resemblance with marketing mix. In the ensuing study, discussion about various retail formats is carried on.

Keywords: Retail Format; Retail Mix Strategies; Customer Retention Strategies; Image Enhancement Strategies; Departmental Stores; Hypermarkets.

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1. Introduction

The Indian retail market is witnessing a dramatic transformation. Liberalisation in the 90s, increasing incomes and foreign trips, exposure to the internet, growing confidence in one's

personal success, etc. are making people to splurge on luxury goods. With retail sector developing quickly and becoming more competitive, retailers need to understand the importance of meeting consumer demand.

To enjoy their increased spending power, Indians typically prefer to shop in the company of their families by visiting malls, looking at brands, experimenting between categories, etc. Some retailers and brands have launched family stores to cater to men, women and children. Modern trade has made shopping enjoyable, with malls offering multiplexes, restaurants and food courts, a range of shops, arcades for children, etc. and becoming more competitive. Retailers need to develop and offer products which meet consumer demands and also delight and excite them.

Different retail formats evolve in response to changes in the competitive environment. The basic components for retail formats are the same but it is the relative degree of focus by retailer on these components which becomes basis for formation of different retail formats.

Retail format can be termed as combination of various elements of retail mix, to offer value to the target customers. It is interface between retailer and the customers. It makes customers visit the store to obtain goods and services and desired value. Sometimes, it is defined as Business Model of the retailer. It is important to mention that every store has its own personality to appeal to clientele.

The importance of retail formats can be gauged from the fact that most of the retail organisations equate them with strategic business units and can have separate operational infrastructure and organisational set-up for them.

The retail format is the store 'package' that the retailer presents to the shopper. A format is defined as a type of retail mix, used by a set of retailers. Store Formats are formats based on the physical store where the vendor interacts with the customer. It is the mix of variables that retailers use to develop their business strategies and constitute the mix as assortment, price, transactional convenience and experience.

Therefore each retailer needs to evaluate the enablers and deterrents in the retail marketplace. This primarily involves identifying the key drivers of growth, the shoppers' profile and shopper expectations. It also means evaluating the nature of competition and challenges in the market place. Then the retailer decides the elements of the retail mix to satisfy the target markets' needs more effectively than its competitors. The choice of retail mix elements will enable it to decide the type of format or structure of business.

Format-wise preference of retail mix strategies as depicted in figure 1 highlight that the retailers of departmental stores prefer customer retention strategies followed by image enhancement and innovative strategies. Retailers of hypermarkets are in favour of customer retention, promotional and store operational strategies whereas supermarkets adopt store operational, growth and improvement strategies followed by promotional strategies.

1.1. Objective of the Study

To study major retail mix strategies adopted by retailers of various formats

The related hypothesis is

Ho: there is no significant difference in the strategies adopted by retailers of various formats.

H1: there is significant difference in the strategies adopted by retailers of various retail formats.

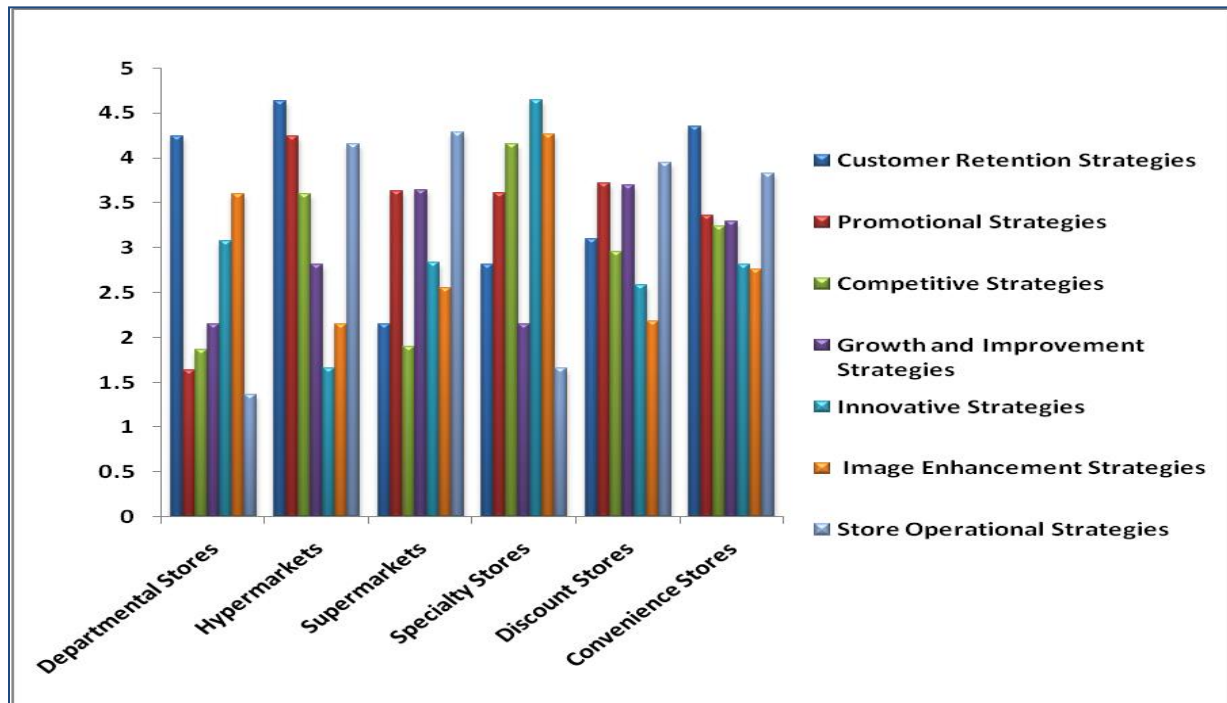


Figure 1: Format Wise Preference of Retail Mix Strategies

Source: Statistical analysis on field data

While specialty stores like to implement innovative and image enhancement strategies followed by competitive strategies, convenience stores prefer customer retention, followed by store operational and promotional strategies. Discount stores choose to adopt store operational, promotional and growth and improvement strategies.

With this brief explanation it can be inferred that store operational and promotional strategies are adopted by most of the formats followed by customer retention strategies. Image enhancement, innovative and growth and improvement strategies take the next precedence and competitive strategy is the least adopted strategy.

The mean values of different retail mix strategies adopted by various formats are depicted in the following table.

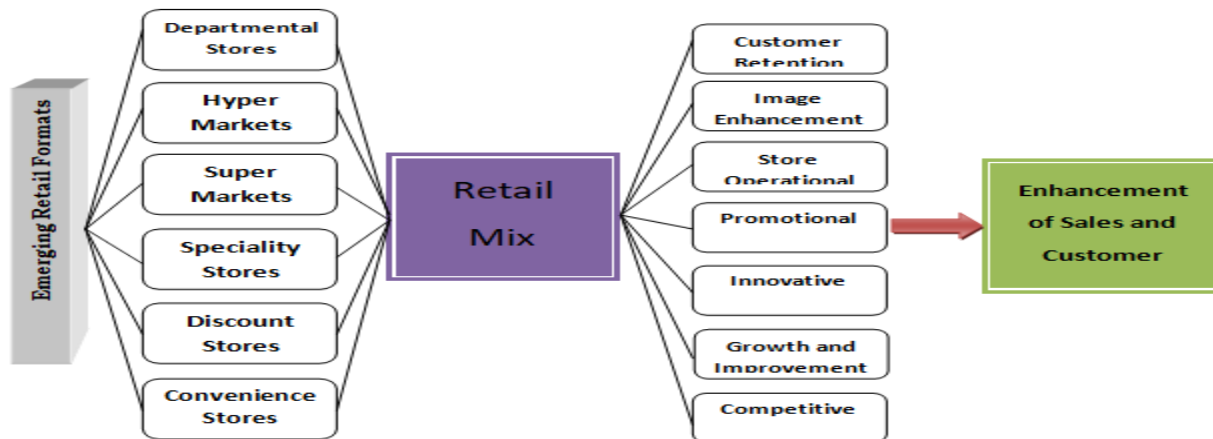
Table 1: Format Wise Preference of Retail Mix Strategies

Retail Formats	Retail Mix Strategies						
	Customer Retention Strategies	Promotional Strategies	Competitive Strategies	Growth and Improvement Strategies	Innovative Strategies	Image Enhancement Strategies	Store Operational Strategies
	Mean	Mean	Mean	Mean	Mean	Mean	Mean
Departmental Stores	4.24	1.63	1.86	2.15	3.07	3.6	1.36
Hypermarkets	4.63	4.24	3.60	2.81	1.66	2.15	4.15
Supermarkets	2.15	3.63	3.64	3.64	2.84	2.55	4.29
Specialty Stores	2.81	3.61	4.15	2.15	4.65	4.26	1.66
Discount Stores	3.10	3.72	2.95	3.70	2.58	2.18	3.95
Convenience Stores	4.35	3.36	3.24	3.29	2.81	2.76	3.83

Source: Statistical analysis on field data

2. Framework for Retail Mix Strategies

The framework for retail mix of emerging retail formats has been developed with the help of results and analysis on retailers' perspective. The Figure 2 depicts various formats of emerging retail outlets as and the retail mix strategies adopted by them to enhance sales and customer satisfaction. With the help of factor analysis, retail mix strategies have been divided into seven major strategies as customer retention, image enhancement, store operational, promotional, innovative, growth & improvement and competitive strategies which are depicted in the framework.



Source: Designed by Author

Figure 2: Frame Work for Retail Mix Strategies

3. Statistical Analysis

ANOVA Test for retail Mix Strategies and retail Formats

The study uses ANOVA analysis for finding out whether there is a significant difference between retail mix strategies and emerging retail formats.

Table 2: Anova-Retail Formats and Retail Mix Strategies of Retailers

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
Customer Retention Strategies	Between Groups	53.081	5	10.616	10.473	.000
	Within Groups	59.805	59	1.014		
	Total	112.886	64			
Image Enhancement Strategies	Between Groups	29.269	5	5.854	4.432	.002
	Within Groups	77.921	59	1.321		
	Total	107.190	64			
Promotional Strategies	Between Groups	37.323	5	7.465	4.888	.001
	Within Groups	90.108	59	1.527		
	Total	127.431	64			
Store Operational Strategies	Between Groups	24.191	5	4.838	3.033	.017
	Within Groups	94.103	59	1.595		
	Total	118.294	64			
Growth and Improvement Strategies	Between Groups	55.167	5	11.033	6.551	.000
	Within Groups	99.365	59	1.684		
	Total	154.532	64			
Competitive Strategies	Between Groups	27.642	5	5.528	3.963	.004
	Within Groups	82.311	59	1.395		
	Total	109.953	64			
Innovative Strategies	Between Groups	21.349	5	4.270	3.488	.008
	Within Groups	72.217	59	1.224		
	Total	93.566	64			

Source: Statistical analysis on field data

ANOVA results in the table show significant differences in all seven retail mix strategies of retailers across different retail formats. Competitive Strategies, Store Operational Strategies, Innovative Strategies, Customer Retention Strategies, Image Enhancement Strategies and Promotional Strategies are significant at 1 per cent level and Growth and Improvement Strategies are significant at .01 level. Thus the ANOVA results also throw light on the fact that there is a significant difference in retail strategies on the basis of retail formats.

4. Conclusion

Retailing is a vast and fast growing industry as compared to other sectors of the economy. Therefore managing a retail business has become a complex task. It necessitates planning approach that integrates the efforts and activities of the different departments of the retail organization and results in achieving the companies' objectives.

Further, there is a paradigm shift from traditional forms to emerging forms. The organized retail segment is growing at blistering pace. However, the success of retail industry would depend on the ways and means a retailers is trying to retain the customers, the manner by which a retailer is trying to enhance the image of the store, how efficiently retail stores perform their day-to-day operations and many more tactics.

The store operations play very important role in the profitability and long-term survival. The rate at which new and new stores are coming up and are getting out of the competition is a serious issue for Indian retail industry. The approach, a store has towards merchandising placement, the visual aspects, and the customers and team work, affects the store's bottom line. With the increasing competition, they necessitate to be updated when it comes to cost cutting techniques and managing store's day-to-day operations.

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*Corresponding author.

E-mail address: nkv.aparna@yahoo.co.in