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

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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.

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  | 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                       | 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.

![Figure 2: Frame Work for Retail Mix Strategies](source)

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

|                                   | 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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