

# Analysis of Retail Mix Strategies – An Insight into Retailers' Perceptions

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## I. INTRODUCTION

The Indian retail market is growing rapidly. Earlier, shopping was viewed as a functional activity. It meant buying only the essentials. In fact, unnecessary shopping or self-indulgence was frowned upon. However, liberalisation in the 90s, increasing incomes and foreign trips, exposure to the internet, growing confidence in one's personal success, etc. are making it acceptable to not only buy non-essential products but also to splurge on luxury goods. India's retail sector is developing quickly and becoming more competitive. Retailers understand the importance of meeting consumer demands<sup>1</sup>.

Research indicates<sup>2</sup> that to excel in today's highly saturated retail markets, companies need to abandon the geographic expansionism that, ironically, created their original success. Instead, they need to initiate new management strategies based on profit-driven product selection and customer targeting. At the heart of the shift is the introduction of financial discipline into the marketing process. Retailers need to be ruthless about pulling unprofitable products from the shelves and avoiding high volume but low-profit customer segments.

This change represents more than a makeshift to survive the downturn. Rather, it signifies a major transition in how retailers will compete with each other in the future. It will require changes in culture, operations, strategy and finance. Those that develop the capabilities to manage product and customer profitability will have the earnings to support future investment and value growth. Those that stay focused on sales growth through square-foot expansion will find themselves with shrinking margins and less capital to invest in profitable growth – a sure recipe for competitive failure and shareholder disappointment.

Retail mix is the blend of various activities which in total present the whole concept of retailing. The retail marketing and retail positioning strategies are put into effect by retail mix - the set of controllable elements that a retailer can use to satisfy consumers' needs and to influence their buying behaviour and compete effectively in the target market. Utmost care is required on part of the retail manager to select the various elements for a perfect retail mix. With this background a of blend retail mix is strategies is studied.

## II. RETAIL MIX STRATEGIES

Retailing is becoming consistently more important in economic terms. This becomes evident when looking at the

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development of many individual countries. In highly developed countries, retailing is assuming more and more of a leadership role in the distribution channel. The expansion strategies, retail branding strategies, innovative solutions for supply chain management etc., all reflect this trend. In transformation countries, especially in emerging countries, such as China and India, fundamental changes in retailing structures become apparent and may lead to comparable developments. In view of internationalisation, a further profound change can be noticed. Retailing companies that were formerly characterised by a local or national orientation are increasingly developing into global players with worldwide operations<sup>7</sup>.

With this backdrop it is essential to discuss different retail mix strategies adopted by retailers' to attract the customers. Consumers' choice is the significant element for success of retailers. It is not easy to please the consumers as they want high quality merchandise at low price. So it is important for retailers to focus upon the attractive marketing strategies to satisfy the consumers' needs. Retail mix strategies are playing vital role in the growth of organized retail sector. Retailers are opting for various marketing mix strategies to attract consumers to buy from emerging retail formats. In this context it is essential to understand the retailing strategies adopted by retailers.

### 2.1 Statistical Analysis on Retail Mix Strategies:

Consolidation of review of literature indicates that there are about 65 items which are considered as retail strategies applied by various retail formats preferentially. The researcher further attempts to subject these 65 elements or items for statistical analysis. For this, reliability test and testing of hypotheses are carried out to validate the data and results of analysis.

### 2.2 Reliability Test:

A reliability test is also conducted to ensure that the instrument measures are consistent and stable over time. In other words, the reliability of the measure is without bias(error free) and, hence, ensures consistent measurement across time and across the various items in the instruments<sup>8</sup>. In the present study, the reliability of the standardized scales was confirmed using Cronbach's coefficient alpha. The higher the coefficients, the better the measuring instruments. Cronbach's alpha for each retail mix strategies was performed to measures its reliability The Cronbach's alpha value for Customer retaining, Image Enhancement, Store Operational, Promotional, Innovative, Growth and Improvement and Competitive Strategies are 0.956, 0.896, 0.834, 0.756, 0.698, 0.65 and 0.76 respectively. The reliability measures exceeded the minimum value of 0.60.

### 2.3 Test of Hypotheses for Establishing Relationship between Retail Mix Strategies and Sales:

*Related Hypotheses:*

Ho: There is no significant influence of retail mix strategies on enhancing sales and customer satisfaction.

H1: There is significant influence of retail mix strategies on enhancing sales and customer satisfaction.

III. MULTIPLE REGRESSION ANALYSIS

The researcher has used multiple regressions to examine the relative importance of different retail mix strategies. Multiple regressions are used to explore the relationship of one dependents variable and a number of independent variables<sup>10</sup>. The multiple regression is able to provide the information about the model as whole (all subscales), and relative contribution of each of the variables that make up the model(individual subscales).

The following table depicts the multiple regression results relating to influence of Retail Mix Strategies on sales. From,

the table it is can be seen that R the correlation coefficient is 0.992 which indicates a strong and positive ween sales (dependent variable) and Customer Retention, Image Enhancement, Promotional, Store Operational, Growth and Improvement and Competitive Strategies (independent variables). R square ( $R^2=0.983$ ) shows that by 98.3% the effect of Customer Retention, Image Enhancement, Promotional, Store Operational, Growth and Improvement and Competitive Strategies on sales may be predicted by changes. To further explain this result, sales were influenced by some factors or constants out of which 98.3% was from Customer Retention Strategies, Image Enhancement Strategies, Promotional Strategies, Store Operational Strategies, Growth and Improvement Strategies and Competitive Strategies. This effect is considerable.

**TABLE - 1**  
**INFLUENCE OF RETAIL MIX STRATEGIES ON SALES (MULTIPLE REGRESSION ANALYSIS)**

	Unstandardized coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
Constant	-.133	.100		-1.330	.189
Customer Retention Strategies	.185	.052	.175	3.584	<b>.001</b>
Image Enhancement Strategies	.625	.059	.605	10.585	<b>.000</b>
Promotional Strategies	.090	.040	.096	2.261	<b>.028</b>
Store Operational Strategies	.087	.031	.089	2.762	<b>.008</b>
Growth and Improvement Strategies	.005	.019	.005	.260	.796
Competitive Strategies	.072	.031	.069	2.345	<b>.023</b>
Innovative Strategies	-.008	.020	-.007	-4.02	.689
<b>R=.992</b>	<b>R<sup>2</sup>=.983</b>	<b>Adjusted R<sup>2</sup>=.981</b>			
<b>ANOVA</b>					
Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	106.644	7	15.235	477.881	<b>.000</b>
Residual	1.817	57	.032		
Total	108.462	64			

**Predictors: (Constant), Innovative Strategies, Growth and Improvement Strategies, Customer Retention Strategies, Competitive Strategies, Store Operational Strategies, Promotional Strategies, Image Enhancement Strategies,**  
**Dependent Variable: Sales**

Source: Statistical analysis on field data

The Standardized Coefficients depicted in the above table respectively are 0.175, 0.605,0.096,0.089,0.005,0.069 and -0.007 for Customer Retention, Image Enhancement, Promotional, Store Operational, Growth and Improvement, Competitive and Innovative Strategies. This effect is considerable. Their p-values are standing at 0.001,0.000, 0.028, 0.008 and 0.023 which are significant at 5% level except for Growth and Improvement Strategies and Innovative Strategies because the p-value are 0.796 and 0.689 respectively.

Furthermore sales of the retail outlet are directly related with image enhancement strategies as it scores the highest B value (.605) followed by customer retention strategies (.175) and. promotional strategies (0.096). Image Enhancement Strategy emerged as the most important strategy of retailers and this includes Attractive store layout and Design, Merchandise Display and Presentation, Visual Factors and

Sound/Music, Innovative aisle layout, Food courts within the outlet, Signages and Wall posters, Fixture Type and Density, Joint Ventures with Big Brands,, Attractive packaging and informative labelling, Attractive graphic elements. Customer Retention strategy is the second most important factor which includes Holistic and Collaborative Customer Relationship Management, Developing In-depth Customer Insight, Customer Loyalty programs, Attractive Merchandising, Store brand image, Customer service, Quick billing process, Ample parking Provision, Attractive store atmospherics, Better Environment, Conduct Occasional celebrations, After Sales Assistance.

Also, the combined predictable power of the model or the adjusted coefficient of multiple determinations (adj.R<sup>2</sup>) indicates that about 98.1% of changes in sales are explained by the independent variables<sup>9</sup> (Retail Mix Strategies).

The result in the ANOVA table above shows that the calculated F-value (477.881) is significant at 5% level which is greater than the table value of 2.25. Thus, the overall test

statistics is significant. **The alternative hypothesis is accepted which states that there is a significant influence of Retail mix strategies on enhancing sales and customer satisfaction.** It is possible to make assumption that to increase sales of retail outlet, retailer should adopt the Retail Mix Strategies.

#### **2.4 Suggested Retail Mix Strategies for Retailers' for Enhancing Sales and Customer Satisfaction:**

The last objective of the research was to suggest retail mix strategies for enhancing sales and customer satisfaction for achieving this objective, sixty five retail mix strategies as reflected from literature were considered. Finally factor analysis was conducted to reduce these to fewer factors. On the basis of factor analysis, the following seven strategies have emerged as depicted above. These are:

1. Customer Retention Strategies
2. Image Enhancement Strategies
3. Store Operational Strategies
4. Promotional strategies
5. Innovative Strategies
6. Growth and Improvement Strategies and
7. Competitive strategies

Overall results of the study reflect that Customer Retention, Image Enhancement and Store Operational Strategies are preferred to other strategies. Format-wise preferences of retailing strategies highlight 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.

Further regression analysis<sup>9</sup> was also conducted where sales have been taken as dependent variable and the above seven strategies selected through factor analysis have been taken as independent variables. According to the regression results, Image Enhancement followed by Customer Retention and Promotional strategies have emerged as important predictors of the model.

Moreover, retailers can also choose the strategies as per the type of retail format in which they operate; 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. 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.

#### 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 organisation 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, 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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