

RESEARCH ARTICLE**Value Addition by Organized Retailers****Dr. Ramesh K. Chaturvedi,**

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*Corresponding Author E-mail: drrameshchaturvedi1@gmail.com**ABSTRACT:**

Indian retail industry is undergoing tremendous turbulence. With changing demographic profile of country, consumer's needs and expectations are also changing; consumers now no more consider shopping as mundane activity of purchasing necessity goods rather they consider shopping as an experience, enjoyment and entertainment. Retailing, which was a common man business, is now being challenged by new retail formats such as superstores, shopping malls, hypermarkets and retail chains etc. christened as organized retailers. Organized retailers are changing business process through value additions such as one stop shop for all goods, superior design, customer friendly and entertaining environment, flexible credit, low prices and many more. The survivals of retailers will largely depend upon their ability to retain their customers and keep them satisfied through various value-added services they offer. This paper is intended to bring forth various value-added services that organized retailer are offering through which they may marginalize the non-mall based traditional retailers.

KEY WORDS: Retailing, Value addition, Customer service, organized retailers, Business Intelligence, supply chain, Impulsive buying.

INTRODUCTION:

The word retail is derived from the French word *retailier*, which means to cut a piece off or to break bulk. Retailing encompasses the business activities involved in selling goods and services to consumers for their personal, family, or household use. It includes every sale to the *final* consumer – ranging from cars to apparels to meals at restaurants to theatre tickets. Retailing is the last stage in distribution process (Berman and Evans, 2006). Retailing also consist of the financial activities and steps needed to place the products in the hands of the ultimate consumer and (or) provide services to the consumer (Amuthan, 2004). According to Berman and Evans (2006) there are certain factors which mainly distinguish organized retailing from other type of business and put impact on retail strategy, these are *Low value of purchase*, *Impulsive purchase* and *Popularity of Stores*.

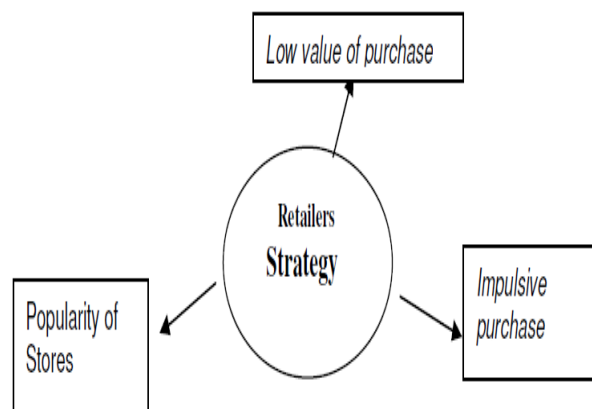


Figure 1 Special Characteristics of Retailing

Levy and Weitz (2003) has given another significant dimension to retailing that is value addition it offers to the consumers, they described retailing as a set of business activities that add values to the products and services sold to consumers for their personal or family use. This theme forms the central focus of this paper.

With 1.2 crore retail outlets, generally called as MOM-N-POP stores, retailing in India is one of the key drivers of consumption activity. Consumers visit these outlets to fulfill their routine and ad-hoc consumption needs. It is this touch point that shapes final mandate of a consumer in favor of particular product or brand. Retail transactions, being part of Rs. 80,00000 crore spend by Indian consumers annually on various consumption related needs, are one of the key drivers of economy; (Singhal, 2006). India is seeing a transformation in retail formats, one of them needs special mention is Hypermarkets which is generally spread across 150000 Sq. Ft. of floor area. The popular hypermarket concept was first pioneered by Fred Meyer Chain which opened first Hypermarket in 1931 in Portland Oregon. The world largest chain of organized retailing is Wal-Mart, followed by Carefour of France. The first hypermarket in UK was opened by TESCO in 1976 (Subhranian, 2007). If we figure out value of retail transactions happening in India across all retail counters, it turns out to Rs. 15,75,000 crore out of which about Rs. 45,000 crore is transacted through organised retailers (Gopalan and Gosh, 2006). Hence it is worth analyzing how retail industry, which is the most important interface between producers and consumers, is transforming and providing services to keep its customers satisfied. The changes taking place in retail industry are noteworthy. According to Messinger and Narsimhan (2004) various factors that contribute to changes in retail format mix are technological developments, changes in customer behavior and lifestyles, the presence of global retailers, suppliers network, presence of national brands and government legislation. Developing countries has witnessed changes along with consolidation in retail industry after economic liberalization followed by high GDP growth rate and boom in consumption, and India is no exception (Ghani,2005).

Indian Retail industry is at dawn of new and brave era. New breeds of retailers who are committed to change the retail landscape forever are challenging traditional retailers. Indian Retail industry is witnessing the impact of heavy weights like Reliance Retail, known to change the rules of the game for whichever industry they have entered. Other equally powerful business groups such as Bharti's, Birla's along with many future foreign retailers are going to jostle to carve a space for themselves in IRI along with existing players such as Kishore Biyani's Future Group (earlier Pantaloon Retail), RPG's Spencer (Earlier Food World), K. Raheja's Shopper Stop, Mickey Jagtiani owned Landmark Group's Lifestyle Stores, TATA's Westside etc.

Forth-coming section in this paper is devoted to identify certain value additions that organized retailers provide. These value-added services are likely to be differentiating factors among the organized retailers and these are the value-added services through which it is expected that organized retailers will carve higher share of consumer expenditure while relegating business of unorganized retailers.

Value-added Services Offered by Organized Retailers Visibility and Availability:

Large organized retailers with focused approach on product categories, carefully selected assortment, specific shelf space display strategy and offering many brands under one roof; they are generally able to sell those items which are slow moving in unorganized sector and encourage customers to purchase more (Bhatnager, 2004). This means more choices and time savings, which is definitely an important requirement of today's time starved fashion conscious consumers. This fact is clear from the table 1 given below...

Table 1 (Economic Times, Brand equity, Aug 2011)

Product Category	Growth in %	
	Modern Retailing	Traditional Retailing
Ketchups and sauces	38%	13%
Deodorants	28%	14%
Noodles	40%	9%

Variety and Bargain:

Marketers are also using supermarkets as opportunities to soft launch a brand and building awareness through visibility on the shelf. According to a report in Brand Equity (Economic Times, Aug 2006) the entire range can be displayed in a better way, unlike in the Kirana Stores, complete with relevant price and product information that clearly will attract consumers as they will have more visible choices. Such a scenario clearly seems giving advantage to modern retail trade and consumers are also giving more value and preference to these retailers.

Empowering Consumers through Internet:

The future of Retailing is an interesting area of study mainly because so many factors are affecting this industry, it is hard to make an exhaustive list. Take internet based online retailing for instance, which is allowing Retailers to provide customized customer services by overcoming time and space barrier, interactive advertising, and effective loyalty programs in addition to 24 x 7 selling hours option.

According to Birchall and Duyn (Business Standard, Aug 2006) "School My way" is War-Mart's interactive online customer generated advertising which is offering War-Mart unique opportunities for creating online communities which can both reinforce customer loyalty and provide valuable marketing feedback. The availability of these services to Indian consumers are limited for time being because such services can only be offered when both Indian consumers and supporting Infrastructure get ready to it. Organized retailers are using all these factors to leverage customer service and loyalty.

Value addition through Information Technology:

Knowing which among the customers is likely to buy again and how much is a definite advantage to a retailer to provide better service to its customers. Customers who walk into retail outlets want goods of different type, sizes, style and color; tailor made promotions and schemes unique to

their buying pattern. They expect the retailer to divine their needs. For this retailers need to understand how, when, where, and what combinations the customer buys the merchandise. Many retailers are using Business Intelligence solutions for this.

According to Lesile D Mont (2006) retailers in India will broadly depend upon three types of intelligence these are....

1. Merchandise-Everything including product, price, inventory and marketing.
2. Customers-Buying pattern to ensure loyalty.
3. Operational- Cost management, reducing retail shrinkage due to pilferage, shop lifting by customers and vendor fraud.

Business intelligence tools are turning out to be a necessity rather than luxury for retailers to engage customer and provide satisfaction. Retailers in order to understand consumers better and offer services valued by them, are deploying many other technology-oriented tools. This is termed as Retail Ethnography which means scientific technique in which researcher study a small social group that helps retailers to get as close to reality as possible with a customer and this is supported by developments in new technology. (Reddy, 2004)

Economic Pricing through superior Supply Chain Management:

Large retailers are working overtime to keep costs in check by improving sourcing efficiencies. This is possible if the inputs are picked up as closely as possible to the manufacturers and specially farmers. This cost advantage of organized retailers is supplemented by FMCG Company's willingness to offer better margins than Kirana stores, mainly due to bulk purchase made by large retailers. But 12 million Kirana Stores fail to get this advantage due to lack of individual bargain power. This is offering organized retailers a unique cost leadership which is definitely an added benefit that customer get when they shop at large retailer.

Better Environment and Retail Design:

According to US Retail Advertising and Marketing Association 70% percent of the purchase are impulse buys, lending that extra significance to shopping environment. Shoppers now look for total Shopping environment. Proper message in appropriate place, displays that shoppers can examine comfortably and easily, maneuverability to each part of store is certain things that customer's value. (Poco, 2002). Organized retailers are leaving no stone unturned to full fill these expectations of consumers.

CONCLUSION:

It is evident from above that Indian retail industry is definitely under transition. Many new business process; methods are being tried and new value added services are being offered. Winning new customers and keeping existing customers satisfied profitably is biggest challenge that organized retailers will face. Eventually entire retail

industry on crux of experimentation to provide better customer service and gain loyalty. Retailers will have to adopt a holistic approach towards store management by nicely blending various value added services that are mentioned in this paper. Customer loyalty and long term profitability can only be achieved by offering augmented values expected by shoppers. With quickly changing profile of consumers and ever increasing competition, loosing even on a single opportunity of value addition will prove fatal. This paper emphasizes the need for research by researchers along with organized retailers to explore other such innovative yet pragmatic value addition practices that could help them encourage customer in buying more and convert window shoppers into customer.

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