A Study on Store Operations at Spencer's Retail Ltd

Shivam Mishra

UNDER THE GUIDANCE OF Prof. Neha Singh

MASTER OF BUSINESS ADMINISTRATION

School of Business

Galgotias University

ABSTRACT

There are certain aspects that are vital to be observed in any retail store such as front-end operations, back-end operations, store layout, customer relation management, visual merchandising, inventory management, promotional activities. Etc. This study explains all these aspects in particular and emphasizes for an effective way to the retailers to improve their ability to achieve the targeted goals and enhance the profitability of the organization.

The project is aimed at the operations (business development) of a store engaged in retail business and studies its management, growth expansion program and other points. Business development is two types first is the income generation and by increasing the business of store. The marketing and business development team is responsible for business development of store and in turn of the organization. They should be creative and proactive to attain the task given .They must know how to take competitive advantage over the competitors. The business development plays an important role in retailing as the organized retailer operates at very thin margins. So any additional income to the store is advantage to the organization.

Based on the information presented before on the aspects relating to concepts, objectives, purposes and importance .It is understood that the concept of "business development" is one of the important areas in retailing. Further it is also understand that based on the profile of the organization presented in further study, the organizations is one of the leading and important retail organizations at present.

INTRODUCTION

In India through retailing business through chain shops is emerging as a new business, several retail stores like Reliance, BigBazar, Megamart…etc have already enter in retail business and achieved phenomenal business growth. Due to India's healthy domestic economic growth several multi-national companies are eying to enter the fray. As India is a potential market for retail business because of population. The same has already been proved in communications and auto sector. Further, service providers like dentists, hotels and hair salons and on-line stores, likeAmazon.com, Bazee.com, E-Bay also come under retailers. Many business ,like Home depot, though they do business in both wholesale and retail business because they sell to consumers directly .Other business ,like The Limited are both manufactures and retailers . Regardless of other functions these businesses perform, they are retail. business ,like Home depot, though they do business in both wholesale and retail business because they sell to consumers directly .Other business ,like The Limited are both manufactures and retailers . Regardless of other functions these businesses perform, they are retail.

LITERATURE REVIEW

Scenario of Retailing in India

Retailing is the most active and attractive sector of last decade. While the retailing industry itself has been present since ages in our country, it is only the recent past that it has witnessed so much dynamism. The emergence of retailing in India has more to do with the increased p of modern supply and distributions solution.

Indian retailing today is at an interesting crossroads. The retail sales are at the highest point in history and new technologies are improving retail productivity. though there are many opportunities to start a new retail business, retailers are facing numerous challenges like purchasing power of buyers, especially post-liberalization, increase in product variety, and increase in economies of scale, with the aid of modern supply and distributions solution.

Indian retailing key challenges:

1) LOCATION:

"Right Place, Right choice" Location is the most important ingredient for any business that relies on customers, and is typically the

prime consideration in a customer's store choice. Locations decisions are harder to change because retailers have to either make sustainable investments to buy and develop real estate or commit to long term lease with developers. When formulating decision about where to locate, the retailer must refer to the strategic plan:

- Investigate alternative trading areas
- .Determine the type of desirable store location ☐ Evaluate alternative specific store sites

2) MERCHANDISE:

The primary goal of the most retailers is to sell the right kind of merchandise and nothing is more central to the strategic thrust of the retailing firm. Merchandising consists of activities involved in acquiring particular goods and services and making them available at a place, time and quantity that enable the retailer to reach its goals. Merchandising is perhaps, the most important function for any retail organization, as it decides what finally goes on shelf of the store.

3) PRICING:

Pricing is a crucial strategic variable due to its direct relationship with a firm's goal and its interaction with other retailing elements. The importance of pricing decisions is growing because today's customers are looking for good value when they buy merchandise and services. Price is the easiest and quickest variable to change

4) TARGET AUDIENCE:

"Consumer the prime mover" "Consumer Pull", however, seems to be the most important driving factor behind the sustenance of the industry. The purchasing power of the customers has increased to a great extent, with the influencing the retail industry to a great extent, a variety of other factors also seem to fuel the retailing boom.

5) SCALE OF OPERATIONS:

Scale of operations includes all the supply chain activities, which are carried out in the business. It is one of the challenges that the Indian retailers are facing. The cost of business operations is very high in India.

PRESENT INDIAN SCENARIO:

- Unorganized market: Rs. 583,000 crores and Organized market: Rs.5, 000 crores
- 5X growth in organized retailing between 2000-2005
- Over 4,000 new modern Outlets in the last 3 years
- Over 5,000,000 sq. ft. of mall space under development
- The top 3 modern retailers control over 750,000 sq. ft. of retail space
- Over 400,000 shoppers walk through their doors every week
- Growth in organized retailing on par with expectations and projections of the last 5 Years: on course to touch Rs. 35,000 crores (US$ 7 Billion).

Trends in Present Retail Market:

New Product Categories:
For a long time, the corner grocery store was the only choice available to the consumer, especially in the urban areas. This is slowly giving way to international formats of retailing. The traditional food and grocery segment has seen the emergence of supermarkets/grocery chains (Food World, Nilgiris, Apna Bazaar), convenience stores (ConveniO, HP Speedmart) and fast-food chains (McDonalds, Dominos).

Increasing competition in the retail market:
New entrants such as Reliance, Bharti Enterprises and the AV Birla group will compete against well-established retailers, such as Pantaloons Retail, Shoppers" stop, Trent, Spencer's and Lifestyle stores. Foreign retailers are keenly evaluating the Indian market and identifying partners to forge an alliance with in areas currently permitted by regulations. With an estimated initial investment of USD 750 million, Reliance is planning to launch a

nationwide chain of hypermarts, supermarkets, discount stores, department stores, convenio stores. These 5,500 stores will be located in 800 cities and towns in India.

Increase in Private Labels:

With the emergence of organized retail and modern retail formats, private labels have been gaining significance. They enhance the profitability levels of product categories, increase retailers" negotiation powers and create consumer loyalty. More retailers are introducing their own brands in all categories including Food & Groceries, apparel, accessories, footwear. These own brands also do not have to manage intermediaries since retailers maintain oversight of the supply chain.

Technology in Retail:

Over the years as the consumer demand increased and the retailers geared up to meet this increase, technology evolved rapidly to support this growth. The hardware and software tools that have now become almost essential for retailing can be into 2 broad categories.

Customer Interfacing Systems:

- **Bar Coding and Scanners**

  Point of sale systems use scanners and bar coding to identify an item, use pre-stored data to calculate the cost and generate the total bill for a client. Tunnel Scanning is a new concept where the consumer pushes the full shopping cart through an electronic gate to the point of sale In a matter of seconds, the items in the cart are hit with laser beams and scanned. All that the consumer has to do is to pay for the goods.

- **Payment**

  Payment through credit cards has become quite widespread and this enables a fast and easy payment process. Electronic cheque conversion, a recent development in this area, processes a cheque electronically by transmitting transaction information to the retailer and consumer's bank. Rather than manually process a cheque, the retailer voids it and hands it back to the consumer along with a receipt, having digitally captured and stored the image of the cheque, which makes the process very fast

- **Internet**

  Internet is also rapidly evolving as a customer interface, removing the need of a consumer physically visiting the store.

Operation Support Systems:

- **ERP System**

Various ERP vendors have developed retail-specific systems which help in integrating all the functions from warehousing to distribution, front and back office store systems and merchandising. An integrated supply chain helps the retailer in maintaining his stocks, getting his supplies on time, preventing stock-outs and thus reducing his costs, while servicing the customer better.

- **CRM Systems**

The rise of loyalty programs, mail order and the Internet has provided retailers with real access to consumer data. This, along with the various available CRM (Customer Relationship Management) Systems, allows the retailers to study the purchase behavior of consumers in detail and grow the value of individual consumers to their businesses.

FUTURE TREND:

- **SCOPE OF 24hr RETAILING**:

The concept of 24hr. retailing in India has been present only in very limited formats like the pharmaceuticals (Apollo) and fuel retail outlets (H.P, Reliance etc.) and the other retail formats used to operate only till the early hours of the night. But because of the changing lifestyles and the other option for trying the concept of 24hr retailing is that the retailer can have a mobile s to happen. outlet which can place itself in the areas which have substantial night traffic for the sale And once the people are to the 24hr shopping then the retail plans can be altered accordingly.

- **Buying habits of the consumers**.

Most of the Indian retail formats though capable of operating their formats round the clock do not choose to do so because of the non-feasibility of the idea at present taking in conjunction the customers" readiness. For instance if any of the hyper market or supermarket is functioning during the night the retailer has to bear the extra costs of electricity, labor and maintenance if the number of footfalls are less very low during the late nights which otherwise would be profitable to him. Anyways, the shopping time of the consumer in India most of the retailing is all about food and groceries. It might not be a rational prediction that all the consumers will step into the retail outlet at midnights to buy food and groceries.

This problem can be overcome by implementing the idea in places which have a floating population even during the nights like railway stations and bus stations. However with the upcoming culture of malls and the changing lifestyles of the people one can design a small part of the store or a mall for a new 24/7 retail format which consists of the essential products like medicines, fruits and vegetables, groceries and some other FMCG products

and test market it. Once if the sales start showing some consistent positive figures and if the crowd increases then the store can come in a bigger way to reach out to their customers.

SWOT ANALYSIS:

A SWOT analysis of the Indian organized retail industry is presented below:

Strength:

Retailing is a "Technology-intensive" industry. It is technology that will help the organized retailers to score over the unorganized retailers. Successful organized retailers today work closely with their vendors to predict consumer demand, shorten lead times, reduce inventory holding and ultimately save cost. Example: Wal-Mart pioneered the concept of building competitive advantage through distribution & information systems in the retailing industry. They introduced two innovative logistics techniques - cross-docking and EDI (electronic data interchange) .

On an average a super market stocks up to 5000 SKU's against a few hundred stocked with an average unorganized retailer. This will provide variety in products (required breadth & depth for consumers)

As a consequence of high volumes, procurement will be direct from the Manufacturer. Hence, merchandise can be offered at lower costs.

Weakness:

Less Conversion level:

Despite high footfalls, the conversion ratio has been very low in the retail outlets in a mall as compared to the standalone counter parts. It is seen that actual conversions of footfall into sales for a mall outlet is approximately 20-25%. On the other hand, a high street store of retail chain has an average conversion of about 50-60%. As a result, a stand-alone store has a ROI (return on investment) of 25-30%; in contrast the retail majors are experiencing a ROI of 8-10%

Customer Loyalty:

Retail chains are yet to settle down with the proper merchandise mix for the mall outlets. Since the stand-alone outlets were established long time back, so they have stabilized in terms of footfalls & merchandise mix and thus have a higher customer loyalty base.

Opportunity:

The Indian middle class is already 30 Crore & is projected to grow to over 60 Crore by 2026 making India one of the largest consumer markets of the world.

The IMAGES-KSA projections indicate that by 2026, India will have over 80 Crore people under the age of 20 - reflecting the enormous opportunities possible in the kids and teens retailing segment.

 Organized retail is only 3% of the total retailing market in India. It is estimated to grow at the rate of 25-30% p.a. and reach INR 1,00,000 Crore by 2026.

Rural Retailing:

India's huge rural population has caught the eye of the retailers looking for new areas of growth. ITC launched India's first rural mall "Chaupal Saga" offering a diverse range of products from FMCG to electronic goods to automobiles, attempting to provide farmers a one-stop destination for all their needs." Hariyali Bazar" is started by DCM Sriram group which provides farm related inputs & services. The Godrej group has launched the concept of 'agri-stores' named "Adhaar" which offers agricultural products such as fertilizers & animal feed along with the required knowledge for effective use of the same to the farmers. Pepsi on the other hand is experimenting with the farmers of Punjab for growing the right quality of tomato for its tomato purees & pastes.

RESEARCH DESIGN & METHODOLOGY OF THE STUDY

The methodology of this project runs as stated below. The data was collected from

1. Primary sources

2. Secondary sources

PRIMARY SOURCES:

☐   Observation   method
☐ Interview method

     The primary information is collected by using a structured questionnaire and also interviews were held with some of the respondents and staff of the organizations.

SECONDARY SOURCES:

     Secondary data was collected through annual reports of the organizations. The information's so collected is tabulated systematically and analyzed meaningfully by using various statically techniques wherever necessary. This helped a lot in making appropriate suggestions and drawing meaningful conclusions.

LIMITATION OF THE STUDY

1. Respondent's busy schedule /routines did not give them enough time to respond properly.
2. Fear of top management may have prohibited the employee to give their true opinion.
3. Financial data could not be accessed due to company's confidentiality.

DATA ANALYSIS , INTERPRETATION & QUESTIONNAIRE

1) How do you know about Spencer"s?

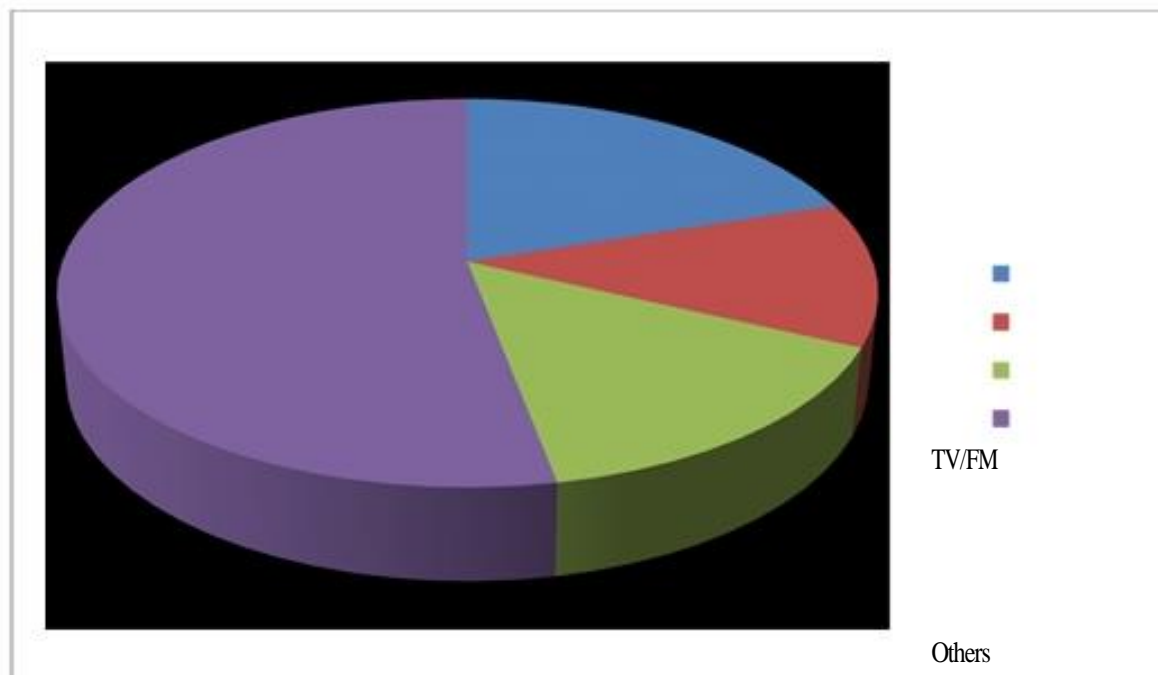a) TV/FM   b) Pamphlet   c) Newspaper   d) Others

20%

12%
53%
Pamphlet

Newspaper

15%

TV/FM

Others

Interpretation:

The above graph shows out of 100 respondents 20% of the people know through
T.V/FM , 12% of the people know through pamphlet, 15% of the people know through newspaper and remaining
53% of the people know through others.

2) What made you make to prefer Spencer"s?

a) Quality   b) price   c) Services   d) Others
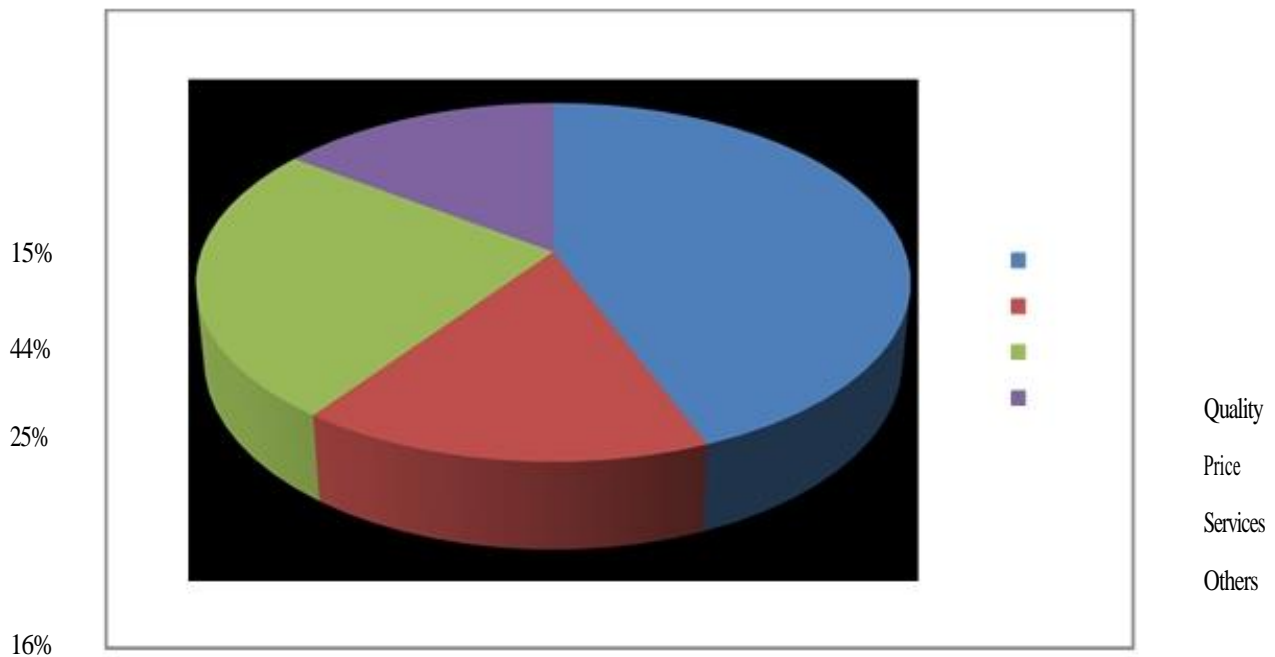
Interpretation:

The above graph shows out of 100 respondents 44% of the people prefer for
quality, 16% of the people prefer for price, 25% of the people prefer for services, 15% of the people
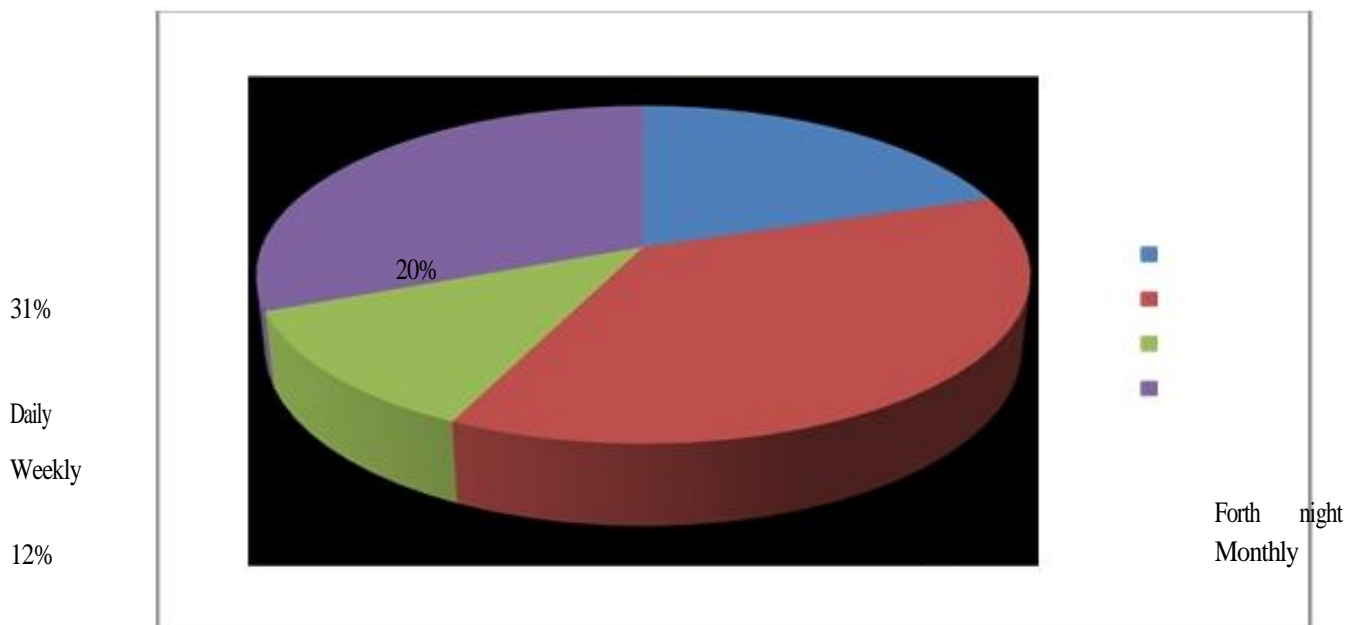prefer for others.

3) How many times do you visit to Spencer‴s?

a) Daily   b) Weekly   c) Forth night   d)Monthly

31%

Daily

Weekly

12%

Interpretation:

The above graph shows out of 100 respondents 20% of the people visit the store daily, 37% of the people visit the store weekly,   12% of the people visit the store forth night, 31% of the people visit the store monthly.
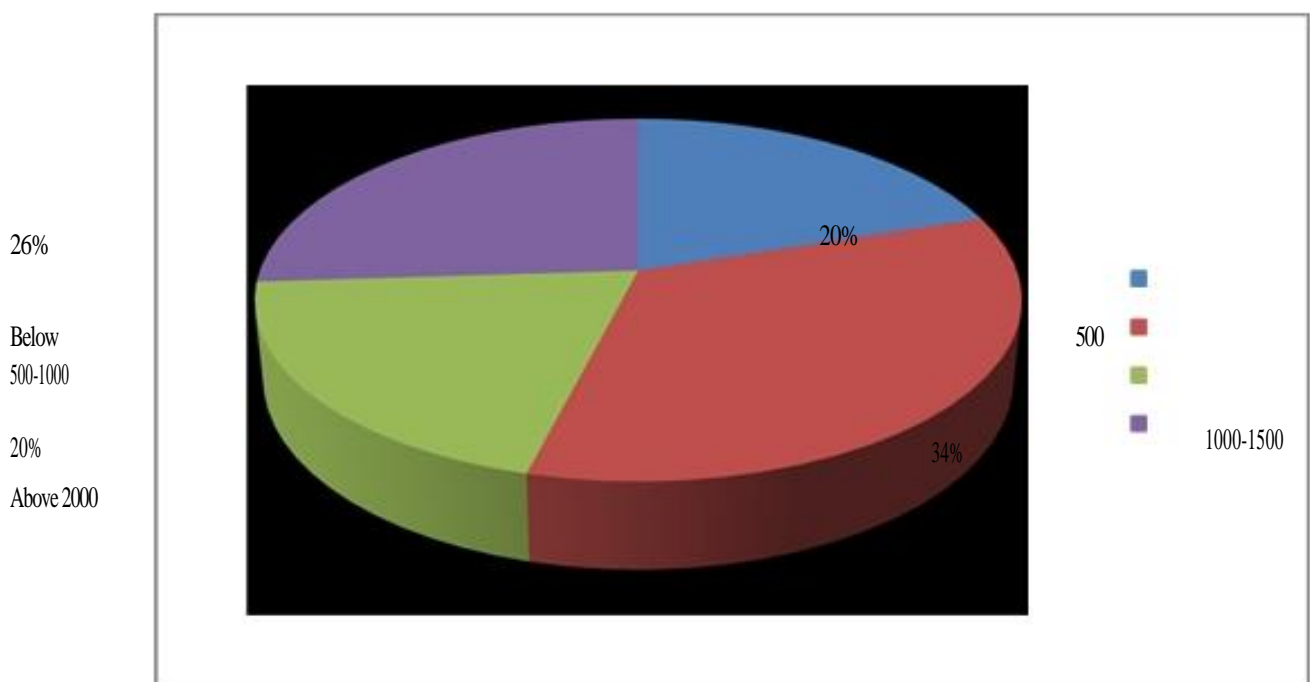
4) How much do you spent in every visit?

a) Below 500/-   b) 500-1000/-   c)1000-1500/-   d) Above 2000/-

26%

Below

500-1000

20%

Above 2000

Interpretation:

The above graph shows out of 100 respondents 20% of the people purchase below 500/-, 34% of the people purchase 500-1000/-, 20% of the people purchase 1000-1500/-, 26% of the people purchase more than 2000/-.

What do you like about Spencer"s store? Rate your experience in following questions

5) Product Quality

a) Delighted   b) Happy   c) Somewhat satisfied   d) Dissatisfied
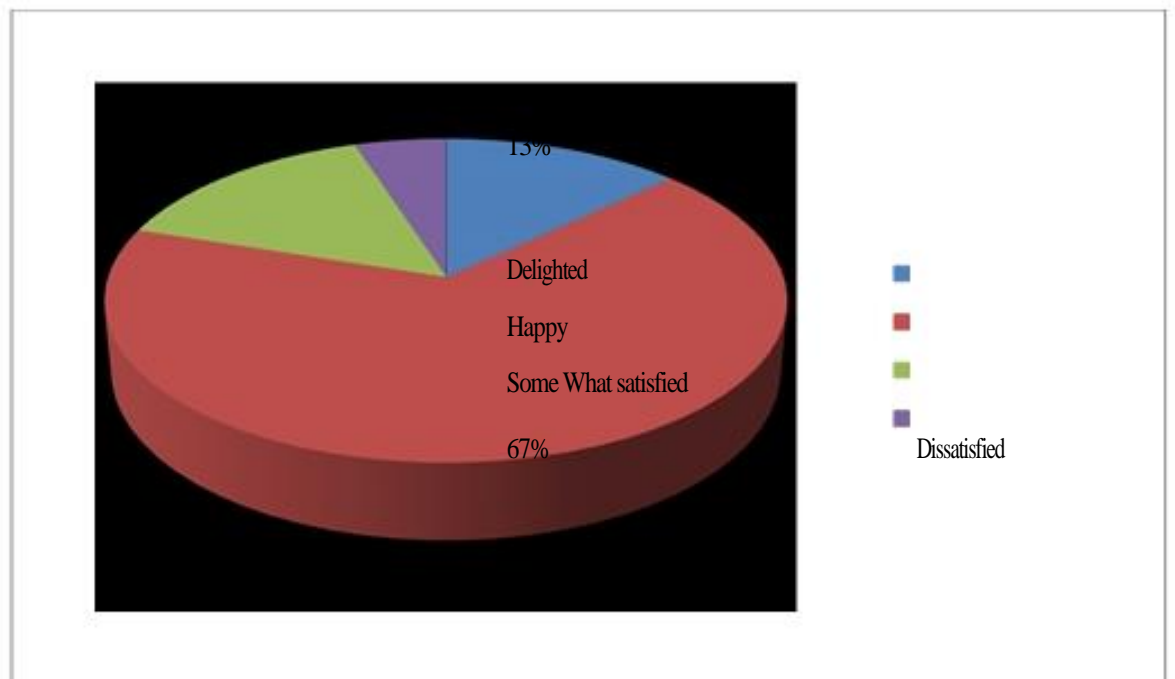
Interpretation:

The above graph shows out of 100 respondents 13% of the people delighted with product quality,67% of the   people happy, 15% of the people somewhat satisfied and 5% of the peoples are dissatisfied.
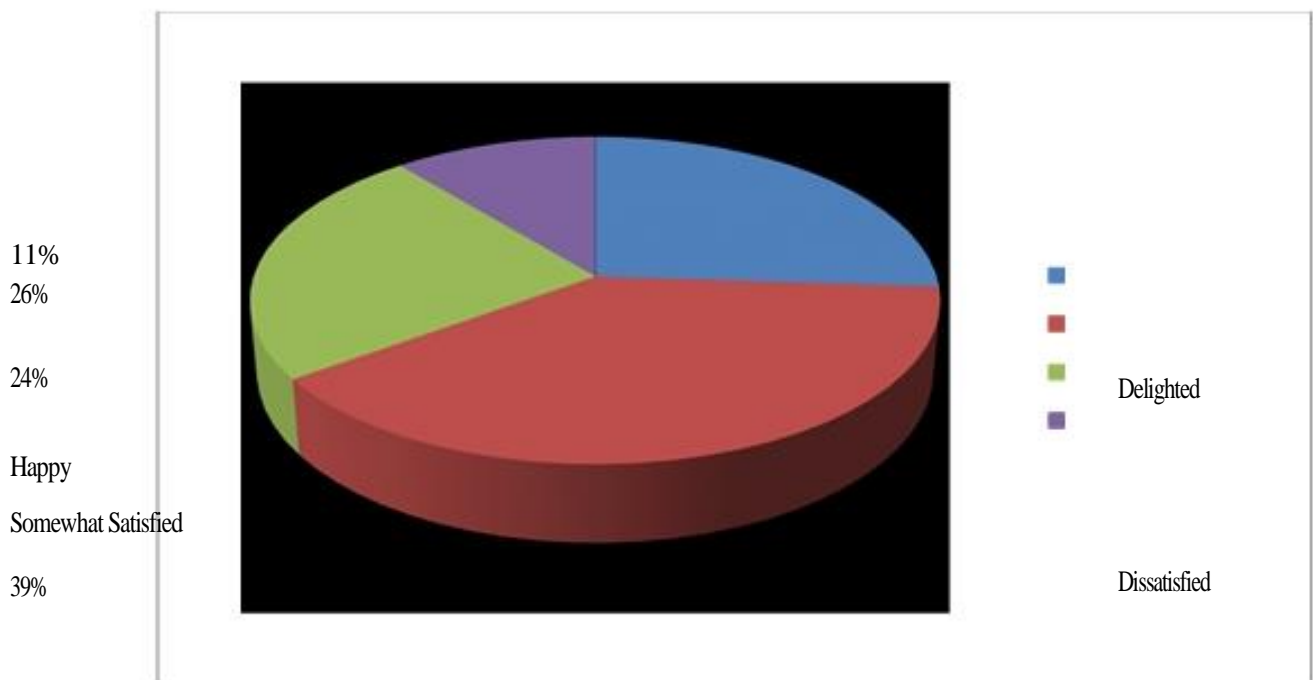
6) Product Variety

a) Delighted   b) Happy   c) Somewhat satisfied   d) Dissatisfied

Interpretation:

The above graph shows out of 100 respondents 26% of the people delighted with product variety 39% of the people happy, 24% of the people somewhat satisfied and 11% of the peoples are dissatisfied.
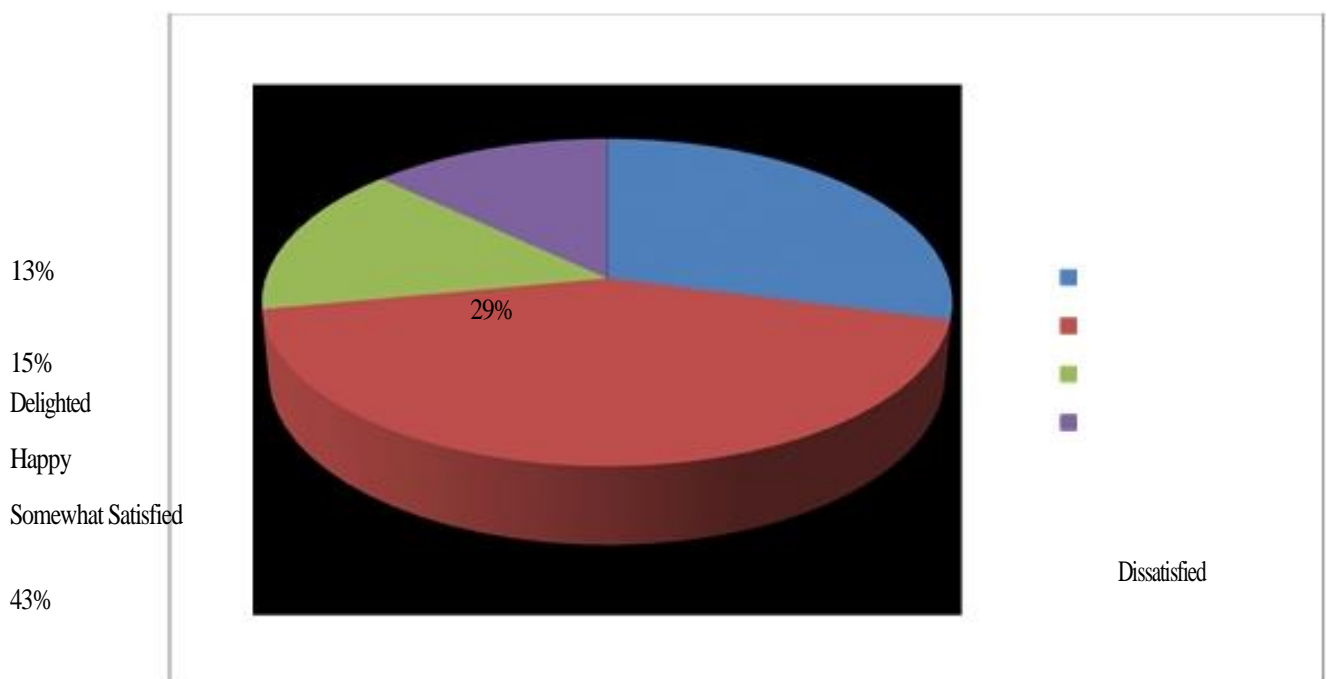
7) Product Availability

a) Delighted   b) Happy   c) Somewhat satisfied   d) Dissatisfied

13%

15%
Delighted

Happy

Somewhat Satisfied

43%

29%

Dissatisfied

Interpretation:

The above graph shows out of 100 respondents 29% of the people delighted with product availability 43% of the people happy, 15% of the people somewhat satisfied and 13% of the peoples are dissatisfied.
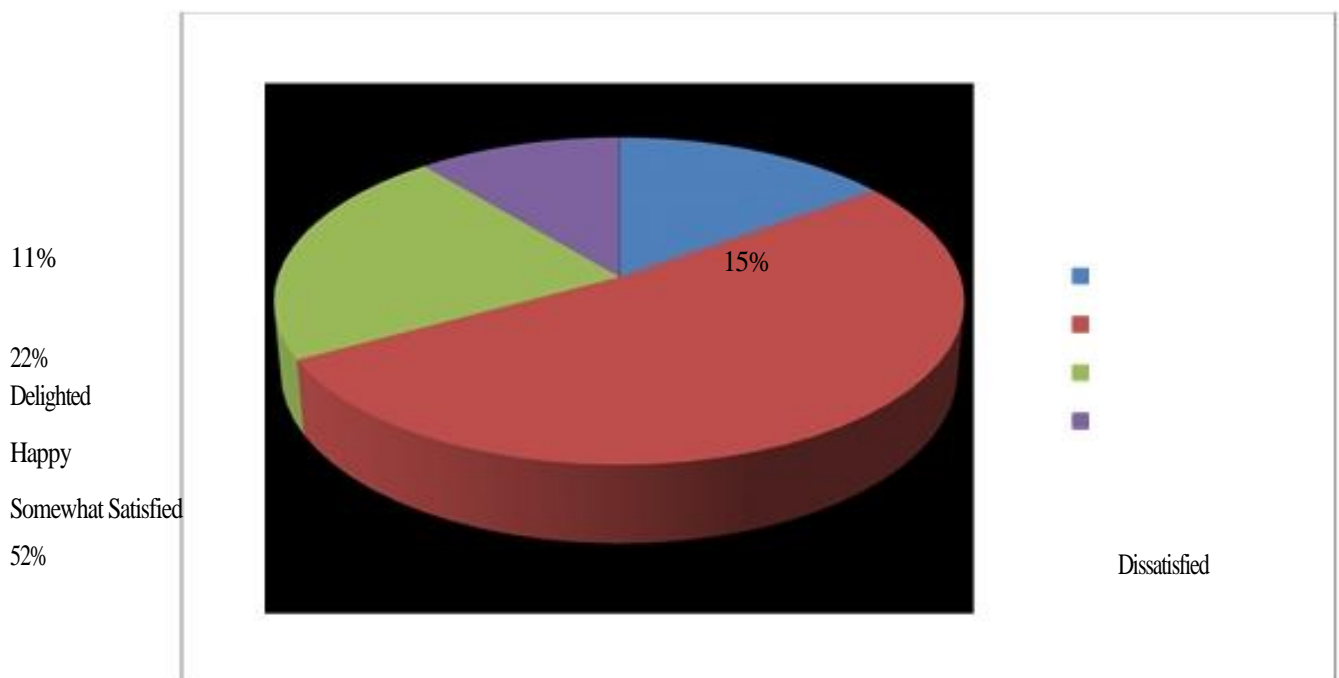
8) what do you rate Spencer‟s on product pricing.

a) Delighted　　　　　　　　b) Happy　　　　c) Somewhat satisfied　　　　d) Dissatisfied

Interpretation:

The above graph shows out of 100 respondents 15% of the people delighted with product pricing 52% of the people happy, 22% of the people somewhat satisfied and 11% of the peoples are dissatisfied.
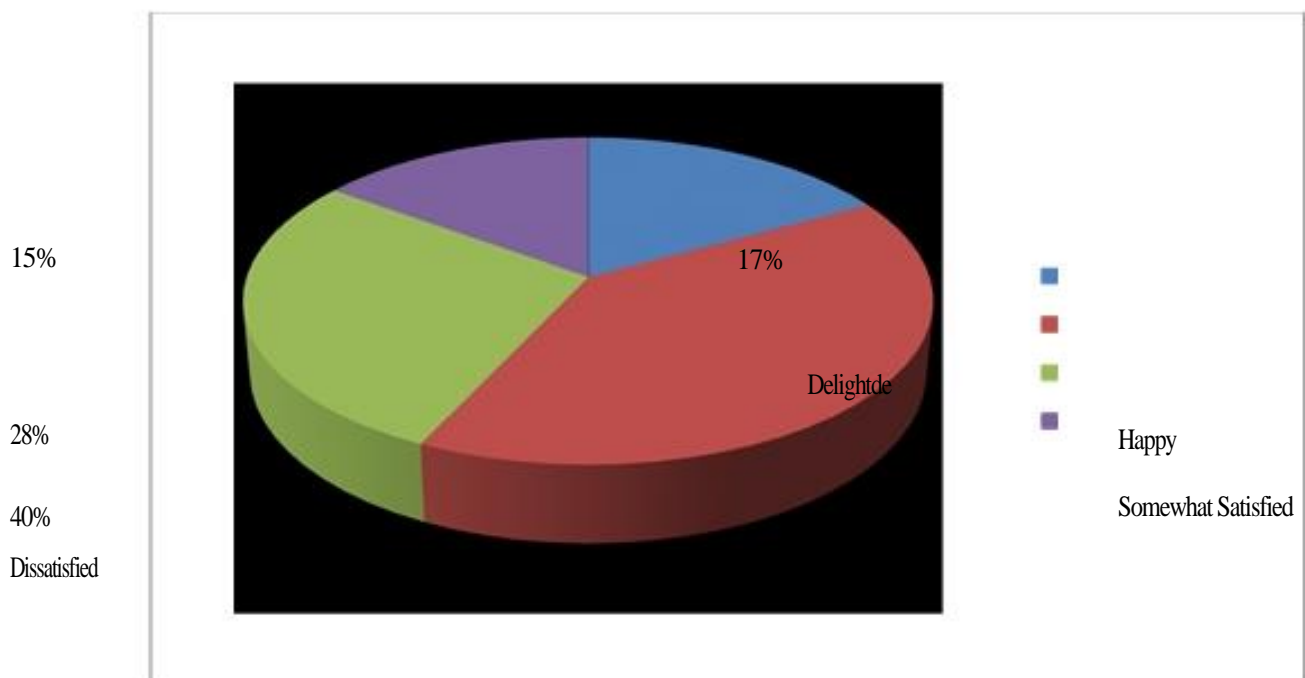
9) Store Ambience

a) Delighted   b) Happy   c) Somewhat satisfied   d) Dissatisfied

Interpretation:

The above graph shows out of 100 respondents 17% of the people delighted with store ambience 40% of the people happy, 28% of the people somewhat satisfied and 15% of the peoples are dissatisfied.
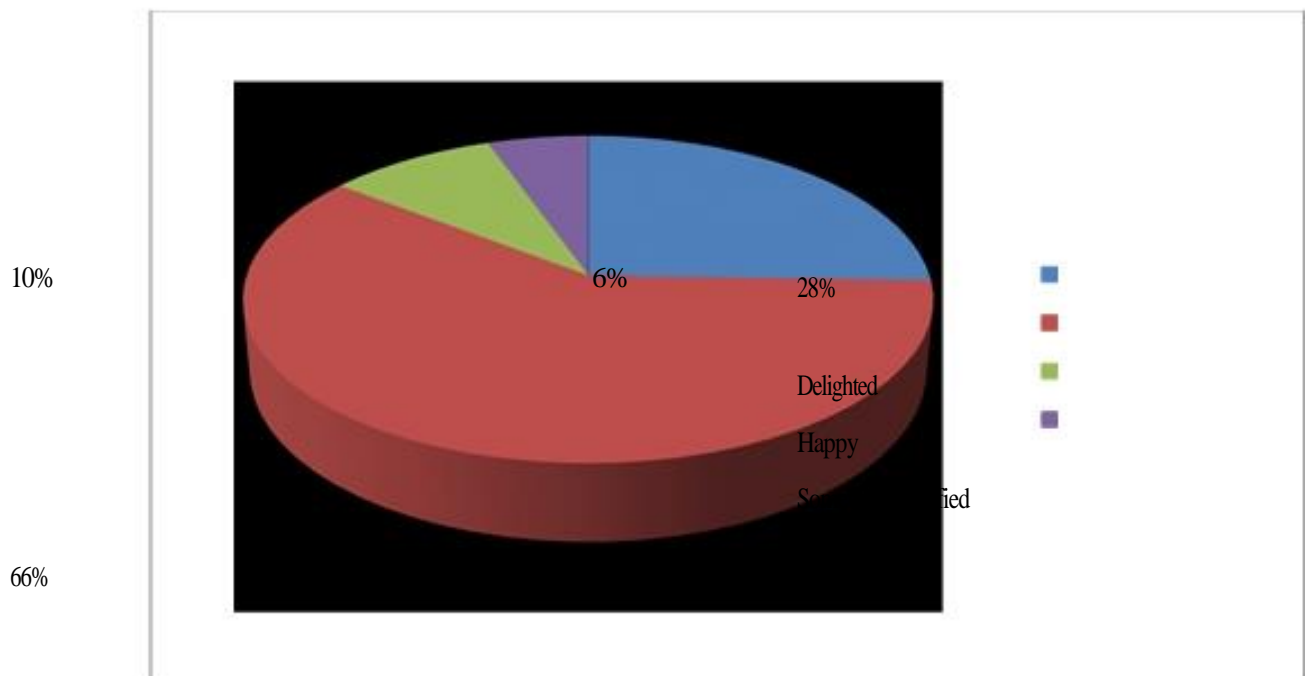
10) Convenient Location

a) Delighted   b) Happy   c) Somewhat satisfied   d) Dissatisfied

Interpretation:

The above graph shows out of 100 respondents 28% of the people delighted with convenient location 66% of the people happy, 10% of the people somewhat satisfied and 6% of the peoples are dissatisfied.

11) Fast & Accurate Billing

a) Delighted   b) Happy   c) Somewhat satisfied   d) Dissatisfied
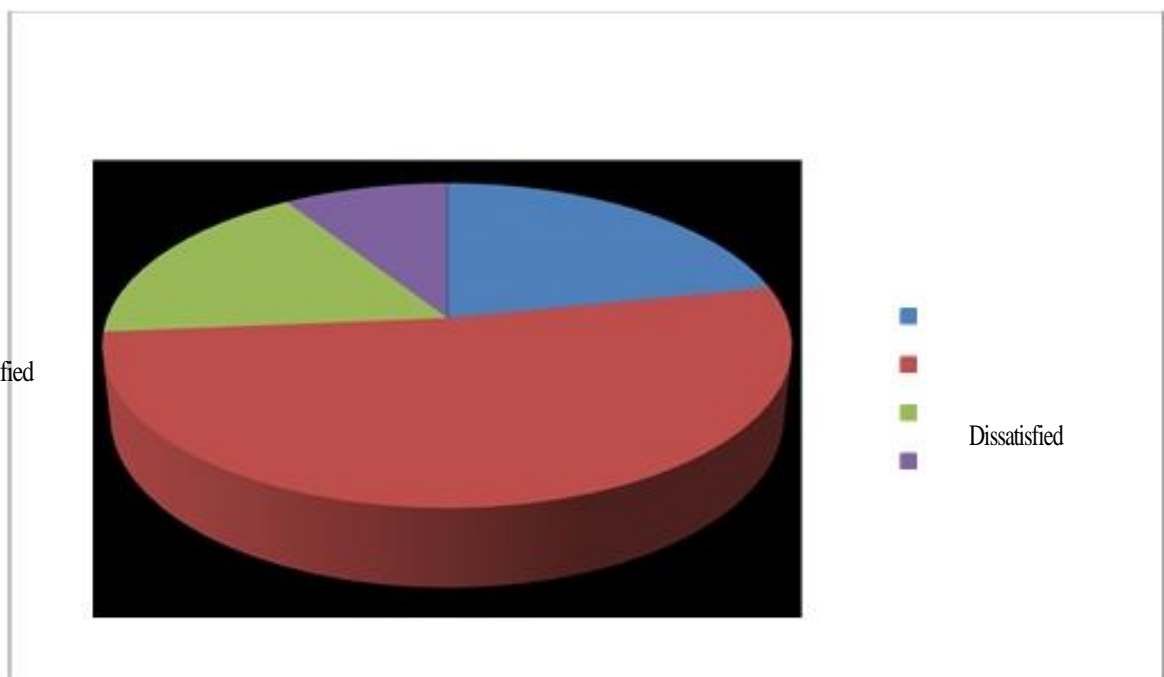
Sales

10%

19%
Delighted
Happy
Somewhat Satisfied

57%

Dissatisfied

Interpretation:

The above graph shows out of 100 respondents 24% of the people delighted with fast & accurate billing 57% of the people happy, 19% of the people somewhat satisfied and 10% of the peoples are dissatisfied.

12) Customer Service

a) Delighted   b) Happy   c) Somewhat satisfied   d) Dissatisfied
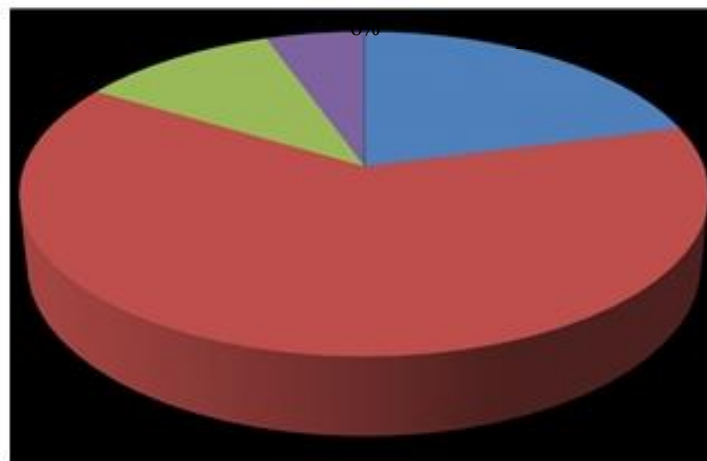
Sales

12%

Delighted
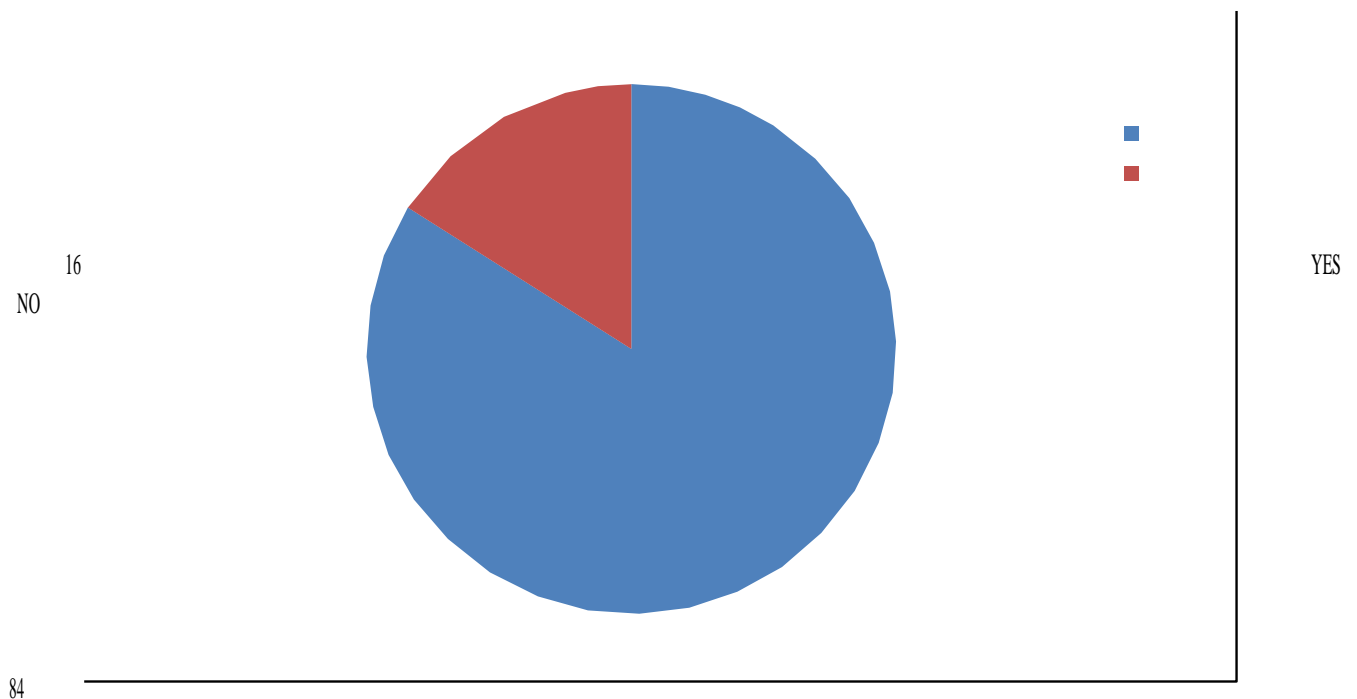
Happy

Somewhat Satisfied

69%

Interpretation:

The above graph shows out of 100 respondents 23% of the people delighted with customer service 69% of the people happy, 12% of the people somewhat satisfied and 6% of the peoples are dissatisfied.

13) Do you refer Spencer's brand to your friend?

a) Yes　　　　　　　　　　　　　　　　　　　　b) No

Interpretation:

The above graph shows out of 100 respondents 84% of the people are ready to recommend to others 16% of the people are not ready to recommend to others.

LIMITATION OF THE STUDY

1. Respondent's busy schedule /routines did not give them enough time to respond properly.
2. Fear of top management may have prohibited the employee to give their true opinion.
3. Financial data could not be accessed due to company's confidentiality.
4. Geographical areas- urban and rural
5. Purchasing Power
6. Ease of access in rural area.
7. Supply optimization and efficiency.
8. Stock levels.
9. Unstructured data.

CHALLENGES AND BARRIERS

.
The following are the key areas that may pose a threat to those retail companies that ignore the impacts of giving less importance to manage their demand and supply: -

- Forecasting and Inventory Management for JIT replenishments of products.
- Peak Season Demand Handling.
- Order Management in case of retailers with multiple outlets.
- Warehouse Management in case of multiple outlets.
- Biggest challenge for organized retailing to create a "customer-pull" environment that increases the amount of impulse shopping. Research shows that the chances of senses dictating sales are up to 10-15%. Retail chains like MusicWorld, Baristas, Pyramid and Globus are laying major emphasis & investing heavily in store design.
- Pricing is a crucial strategic variable due to its direct relationship with a firm's goal and its interaction with other retailing elements. The importance of pricing decisions is growing because today's customers are looking for good value when they buy merchandise and services. Price is the easiest and quickest variable to change.
- Scale of operations includes all the supply chain activities, which are carried out in the business. It is one of the challenges that the Indian retailers are facing. The cost of business operations is very high in India.
- Lack of differentiation among the malls that are coming up. One option may be to look at specialization.
- Poor inventory turns and stock availability measures - retailers clearly need to augment their operations.
- Operations of retailers and suppliers are not integrated. Efficient replenishment practices practiced in the Indian auto and auto-component industry can be leveraged to implement efficient supply chain management techniques.
- Supplier maturity, in terms of adherence to delivery schedules and delivering the quantity ordered, is an issue
- Sales tax laws - lead to retailers having state-level procurement and storage leads to Indian

retailers having higher inventories. VAT has helped alleviate this a bit.

- Increased adoption of IT and shrinkage management will be a critical area.

CONCLUSION

- Discount offers are not very visible in Newspapers/T.V.

- Billing counters were found inadequate/ slow billing.

- All the offers are not being updated by the \IT administrator at the right time.

- In the store customer service associates do not have proper knowledge in private labels.

- Pops are not updated in the f &v (fruits & vegetables) and staples section.

- Parking space is very less, mostly in weekends.

- fresh stock in (F&V)fruits & vegetables is not available.

RECOMMEDATIONS

- Discount offers to customers should be made more effective by presenting advertisements in newspapers.
- Billing counters which are being kept closed to be opened during rush hours
- Salesmen should improve their body language by being submissive and cordial in receiving customers.
- Special manpower to help customers to guide products to be allotted.
- They need proper training and knowledge about products. Then they can Explain about the private labels.
- It should be mandatory to update the pops in all section in store.

REFERENCES

- Phillip Kotler (Marketing Management)
- Swapna Pradhan (Retail Management)
- Levy Weitz (Retail Management)

Websites:

- Imagesretailing.com
- Retail blitz
- Google
- Spencersretail.com
- Wikipedia