

Retail Management
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Lecture – 13
Retail Institutions by Store–Based Strategy Mix

Hello everybody, welcome to this NPTEL Swayam course on retail management. This is Professor Swagato Chatterjee from VGSOM, IIT Kharagpur, who is taking this course. We are in week 3 and we are discussing retail institutions by store-based strategy mix. In the last lecture, we have discussed about scrambled merchandising and we were talking about format blurring that a single retail store is actually trying to sell different kinds of products.

But, in literature or in practice, in strategy practice basically there are specific ways people decide that what kind of retail products or what kind of retail format I will adopt. Basically, we can divide it into two broad groups. One group is called food-based retail and another called general retail. Why we are becoming very sensitive about food? Why not about any other items like let us Apple retail or electronics retail because if you think about retail activity of a country, the major part of the retailing comes from the food.

It can be groceries, it can be generic food items which are cooked, so cooked and uncooked food or vegetables and etc., will become basically a prominent part of retailing because this is part of your day-to-day deed. You have to buy this product. Even if you think about your home every day how much grocery items which is FMCG products and other products that you consume from the retail and how much is the amount that food you consume from the retail.

So, our particular specific portion of daily income of everybody will go to food and that's a food-based retailing is one of the major parts. And then other parts are called general-based retailing where everything will come together and we will discuss about that. Now here when I am talking food based retailing and general retailing, we are more generally focusing on the brick-and mortar-retail store.

When we come to web retail store, there will be further differentiation or non-traditional retail store let us say there will be further discussions, we will come to that at the later part of

this particular week. But in this particular lecture we will focus on food-based retailing majorly.

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Store-Based Retail Strategy Mixes

Food-Oriented

- Convenience store
- Conventional supermarket
- Food-based superstore
- Combination store
- Warehouse store

General Merchandise

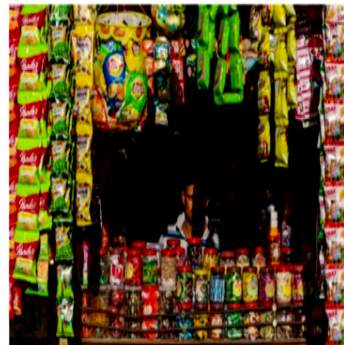
- Specialty store
- Traditional department
- Full-line discount store
- Variety store
- Off-price chain
- Factory outlet
- Membership club
- Flea market

So what is food based strategies? So, under the food-base strategy convenience store, conventional supermarket, food-based superstore, combination store and warehouse store these are the five prominent one that we can see. So let us discuss about them.

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Convenience Store Strategy Mix

- **Location**
 - Neighborhood
- **Prices**
 - Average to
 - Above average
- **Atmosphere & Services**
 - Average
- **Merchandise**
 - Medium width and low depth of assortment;
 - average quality
- **Promotion**
 - Moderate



What is convenience store? We have all seen, this is basically the small mom and pop shop that is located in your locality at the corner of your locality. By the name itself, the value proposition a convenience store is providing to you is convenience. So, you want a product at that right moment and whenever the demand is generated at the right moment you want the

product, so you cannot think a lot before you can go and buy something from the convenience store, you need it then and there.

For those kinds of products this convenience store comes up and that is why they charge a little bit higher margin. They do not sell product at very lower margin. How will they sell? Basically, they get these products either delivered from wholesalers or they buy it from bigger retailers and then sell it to you. So bigger retailers if they are selling the product let us say a soap, it is being sold at 20 rupees, this guy will sell it at 25 rupees.

So, he will not, the person who is there in the convenience store will not get the product from the wholesaler directly, for some products they do, for many other products they do not do. They buy it from bigger retailers and sell it a nearby place. So that is the margin that they are generating. So, you might find that the prices are a little bit higher. So, what are the locations of the stores? These are in neighbourhood. The prices are average to above average.

The atmosphere and services are average. Atmosphere is bad basically, but the services is high why because sometimes they give you a delivery, sometimes you can order products in the convenience store and they will say that okay for you only I will bring these products or some copies of these products in one day or two days, so that is a personalized service. So, because here; human to human interaction happens a lot.

It is probably the person who is running the convenience store you know him for quite some time, more probably he lives nearby. So, if that is the situation then person to person communication, person to person relationship gets developed and that actually leads to some amount of services that is why the atmosphere and services are average. The merchandises are medium width and low depth. Medium width means not many products, some of the products of different, different categories.

So some soap, some detergent, some rice, this, that will be there and low depth that means not much variations are there in each of them. Quality is average. Promotion is moderate. So, promotion moderate means basically they give very selective promotion for those kinds of products for which they get promotional advantages. So, these are convenience store. You have seen them very pretty much. You know about what you can expect or not expect from these products.

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Conventional Supermarket Strategy Mix

- **Location**
 - Neighborhood
- **Prices**
 - Competitive
- **Atmosphere & Services**
 - Average
- **Merchandise**
 - Extensive width and depth of assortment; average quality; manufacturer, private, & generic brands
- **Promotion**
 - Heavy use of newspapers, flyers, and coupons.



Then comes the conventional supermarket strategies. So, conventional stores are like the Aditya Birla More stores or the Heritage fresh store which you can see in Southern India or I do not know but I think they have spread out in other places as well. So, these are formalized stores first of all. These are not informal stores. These are formalized stores, they have medium size. Medium size means let us around 2000 to 3000 square feet or a little bit bigger than that depending on what kind of location they get.

Their location is neighbourhood. At the end of the day these stores are also located in our residential place, in a residential neighbourhood if not in a complex. The prices are competitive that means the prices are very much. I would say you might not get much lower prices than the stores outside. Again atmosphere and services are average. Here person to person, personalized services are low, but the atmosphere is good.

You can go in and pick up the products on your own, so those kinds of advantages you get. They have extensive width because they have lots of different kinds of products and depth of assortment, average quality; manufacturer, private and generic brands. So you can have private brands, you can have manufacturer brands and you can have generic brands as well. So, all these combinations are there. Manufacturer brands mean you might have let us say ITC atta, ITC's Aashirvaad atta.

You might also have the private brand which is Aditya Birla or More shops or this fresh shop's own atta or sugar or flour like this and the generic brands means it can be open. So,

there might be some amount of rice or certain variations of rice which might be open, you have to pick it up, put it into plastic cover and then get the plastic cover tight and weigh it and do your billing. So you might have all these different variations in this store.

They use heavy use of news, for promotional activity they use newspapers, flyers and coupons. You will see this is very common. In the morning newspaper you will get a flyer and that flyer will not be from Big Bazaar, that flyer will be from your neighbourhood store. So, the neighbourhood store actually if it is a franchisee then franchisee, if it is not a franchisee it is run by the chain then also these people do heavy marketing in the local space through these flyers and coupons.

They do not give advertisements in let us say the TV or media or somewhere else or they will not give advertisement in the newspaper like Big Bazaar which are bigger stores, we will talk about that. The bigger store uses newspapers, they will not use newspaper ads, these flyers will be probably delivered to your house with a newspaper, so newspaper supply chain they will use, but they might not use the newspaper ads.

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Food-Based Superstore Strategy Mix

- **Location**
 - Community shopping
 - center or isolated site
- **Prices**
 - Competitive
- **Atmosphere & Services**
 - Average
- **Merchandise**
 - Full assortment plus
 - health and beauty aids and general merchandise
- **Promotion**
 - Heavy use of newspapers, flyers



Then comes food-based superstore strategy mix when you are a little bit big like Reliance fresh. So Heritage fresh will be a little bit lower, Reliance fresh is if have seen this thing they are a little bit bigger. The stores might be, of let us say 5000 to 10,000 square feet that is the size. The location will be community shopping or center or isolated site, a little bit visible, it might not be always in the locality in the neighbourhood.

It might be a location where you can drive and you can park so that the parking facilities and etc. will be there which might not be the case in these kinds of stores. The prices will be as usual competitive. The atmosphere and services will be average. The merchandise will be full assortment, so you will have all variations and plus something extra which is very rare in other stores. And health and beauty aids and general merchandise might also be there.

So, this is one important point. So, they will be majorly food based. The major product that they will be selling is food, but here a little bit of format blurring is coming in that they will also sell certain products which are not exactly food items similar to probably the convenience stores, but here the depth will be a little bit higher. So they might also sell some let us say FMCG products like shampoo, some soap, body wash, this, that and some general merchandisers as well.

So, let us say some amounts of products which is used for room cleaning, some product which are the homecare product, so this can be also be sold in Reliance fresh. The promotions are heavy, as I told heavy use of newspapers and flyers they also do the same kind of stuff.

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Combination Store Strategy Mix

- **Location**
 - Community shopping
 - Center or isolated site
- **Prices**
 - Competitive
- **Atmosphere & Services**
 - Average
- **Merchandise**
 - Full assortment plus health and beauty aids and general merchandise
- **Promotion**
 - Heavy use of newspapers, flyers



Then comes the combination store. These are big stores basically. So, combination stores are absolutely located in a community shopping. It might be in a mall or center isolated site. They might also have a different as the only Spar Hypermarket store will be there which is stored in a prominent location. So if you go from conventional supermarket to a combination store slowly the isolation of that particular store might go up.

You might find some of the hypermarkets in the neighbourhood area as well as some let us say Reliance fresh in neighbourhood area as well. But if you take an average, if you take how many percentages of these things are in neighbourhood and how many are located in a community shopping which is the mall let us say or in an isolated location, then you might find that slowly here in the combination store cases such percentages is going up.

As usual prices are competitive. Merchandise are full assortment plus health and beauty aids and general merchandise exactly like this. And then the prices are competitive. Store services are average and again, heavy use of these newspapers and flyers. The only difference between combination store strategy mix and food-based strategy mix is that what percentage of your assortments are foods.

The percentage assortment of food is higher for Reliance fresh than let us say Spar Hypermarket or in Spar Hypermarket you will get more percentage of other products that is number one. Number two is the space, how much space is being taken, you will find that Spar Hypermarket will be much higher in terms of the space. Around the minimum will be 10,000 square feet, it might be probably 50,000 or something like that square feet that much big will be there, that much space will be there.

So, 5 or 10, at least 5 this Reliance fresh will probably come inside this Spar Hypermarket, so that will be the size of that particular place. So, size wise there is a difference, assortment percentage wise different, assortment depth wise probably there might be also a difference. So, slowly we are going to that level. So, these are different kinds of food-based, the 5 that I told are different kinds of food based okay.

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Warehouse Store Strategy Mix

- **Location**
 - Secondary site, often in industrial area
- **Prices**
 - Very low
- **Atmosphere & Services**
 - Low
- **Merchandise**
 - Moderate width and low depth of assortment; emphasis on manufacturer brands bought at discount
- **Promotion**
 - Little to none



So, one thing that I left is this warehouse store. Warehouse store is very rarely seen in India which is only food based. It is not seen in India, but in other countries it is still there. There is a secondary site often in industrial area that means absolutely away from neighbourhood, not in your residential neighbourhood. The prices are low. Atmosphere and services are low and promotions are almost none because price automatically attracts people there, you do not have to separately promote.

Moderate width and low depth of assortment, emphasis on manufacturer brands bought at discount. So this is something that they focus on. What kind of food is merchandised which is also similar to warehouse store which is prominent in India and not so prominent in other places is called mandis that we call, so our vegetable mandis or our let us say which is basically B2B store and to we have to consider that as food based retailing as well.

Because see this is a place where people who are farmers who comes exactly to this particular mandis with their produce and sell them in bulk and the B2B customers buy them in bulk. Sometimes it might be a company which can buy it in a bulk, so it is a reverse way. It is not a B2C. Until now whatever examples we are giving are majorly B2C. Warehouse store sometimes you can consider it to be B2B because warehouse store is from where these convenience store owners will buy and then sell it to the convenience stores that happens.

So, these I can still consider to be B2B, but further bigger B2B will be our vegetable mandis and let us say rice mandis or farmer mandis that we see in India. So, what is that is where all the farmers will come with their produce, the whole produce of the day or let us say a few

farmers created a cooperative and that cooperative puts all their producers together and then come to this particular place because there is economies of scale they can take advantage of the reduced cost of transportation.

They will have bargaining power more if they have lots of producers with them and they sell it there. And sometimes the companies who will be in food processing or something like that, sometimes people who are in convenience stores or in some other stores will buy it. Sometimes the retailers which are big, big retailers might also buy it. So that is a B2B warehouse store basically I can consider, it is an open store, it is not exactly warehouse, open store where storage option of storage is not there.

Then there are certain other stores or options of storage are also there, so that is another kind of market which should be considered under the food-based retailing in the context of emerging markets or at least in the context of India. So that is where I will stop for this particular lecture. In the next lecture, we'll talk about general merchandising, what are the different formats available. Thank you very much. See you in the next video.