CHAPTER-6
CONCLUSIONS
Chapter-6 : Conclusions

This chapter is organized into four sections. The first section deals with conclusions, which is followed by recommendation. Finally, the implications of research and scope of future study have been presented.

6.1 Major Conclusions & Findings

Sourcing strategy
International retailers use a mix of local and global sourcing strategy. They resort to local sourcing for food products and global sourcing for non-food items. Low cost countries are major sourcing destinations for non-food items. Indian retailers are also using similar strategy. The sourcing strategy adopted by Indian players is enabling them to attain benefits of ordering convenience and stock management but it is somewhat lagging on the aspects of transport economy and discount prices of the sourced goods.

Supply Chain Management (SCM) Techniques
International retailers have been using SCM techniques like quick response system (QRS), efficient consumer response system (ECR), vendor-managed inventory (VMI) etc. to their advantage for quite long. These techniques enable the retailers with the task of forecast, planning etc. The Indian retailers are not far behind in implementation of these applications. Indian retailers too are using these techniques for demand planning, stocks out management, store replenishment and improving relationship with suppliers. A study done by Fiedner in 2003 highlighted the benefits of CPFR and found that the technology is helpful in coordinating the various supply chain activities including production and purchase planning, demand forecasting and inventory replenishment. It was found in a study by Samros and Holmstrom in the year 2000 that VMI is critical in e-grocery business to gain competitive advantage over traditional formats. Kurnia and Johnston in 2003 studied the Australian grocery industry and found that ECR can make
the supply chain efficient and more responsive. The findings of the above studies are in line with the research findings.

**Virtual Store**

International retailers have introduced virtual stores and have been benefiting from online sale, as it constitutes a large proportion of their total sales. The only Indian retailer to adopt this online format is Big Bazaar, which has gained substantially through its strategy of selling through its web store. The online strategy has been beneficial to Big Bazaar as it has helped to increase choice for customers, has accrued increased loyalty, more customer traffic and increased margins for the customer. Other Indian retailers have yet to adopt this model.

**CRM strategy**

International retailers have used loyalty programs as a popular method of CRM exercise. Most Indian retailers are also doing so. The CRM strategy has helped the Indian retailers gain data for planning and media activity helps with merchandizing, store portfolio segmentation, gain customer loyalty etc.

**Private Brands**

International retailers use a mix of national and private brands for its products. Private brands are mainly used for categories like food, apparel, and personal care. Indian retailers are also using the same strategy. The private brands help the Indian retailers provide more choice to customers, bring customer loyalty, more customer traffic and also helps with data mining and customer profiling. The above findings are in line with the study done by Schutte in the year 1969, which says that store brands are useful to increase margins, generate greater store loyalty, increase customer traffic, provide greater mix of products, and greater margins and this is found to be particularly true to grocery products. The findings of this research are also supported by Pepe et al who in their study in 2011 found that private label products could represent increased profitability for retailers and consumers preferred a full assortment of merchandise. Another study by Sachon and Martinez-de-Albeniz found strong growth of private label products and a share of 30% in total sales. Private labels contribute around 30 per cent of its sales in
FMCG and 25 per cent in personal care in the group’s major formats, including Pantaloons and Big Bazaar

Supplier relationship
Supplier relationship brings various benefits to retailers as has been demonstrated by examples of the western players. Indian retailers too are utilizing supplier relationship to share future plan information, training supplier employees and price discount. Palmer 2005, Bloom & Perry 2001 in their studies found that an important dimension for sustaining the company’s expansion is it relationship with its major supplier and is critical to the success of SC initiative. The various aspects of this collaboration benefits are: price benefits (discounts), joint information sharing, joint planning, investment benefits like training of employees, financial help, information sharing on future plan etc. The findings of the above studies support the findings of the research.

Formats
International retailers have achieved success by adopting different formats. Indian retailers have largely been using two formats-the hypermarket and supermarket. Though the Indian experiment with the formats is limited, it is helping the retailers to garner increased acceptance and margins.

Logistics
International retailers have very advanced logistic systems to manage their operations. Also they have a separate logistic system in place to manage their online arm. Most of them have a dedicated fleet to manage their logistic needs. Indian retailers are trying to gain the benefits of product variety, timely dispatch and cost saving through their logistics strategy though they need to develop further on this front.

IT and Digitalization strategy
International retailers have very advanced IT tools in place to track demand, manage stock out and every other operation within the store as well as backend operation. Indian retailers have also been quick to adopt IT tools. The Indian retailers are using IT applications like EDI to remain connected within themselves and with suppliers. They are
using RFID for supply chain visibility, tracking of goods and counter shrinkage reduction. Other IT applications enable better degree of product replenishment, stock keeping, office automation, storage and retrieval. Implications of RFID on supply have also been discussed in the study by Wilding and Deigrado (2004) wherein they illustrated the deployment RFID contributing to success in SC. RFID leads to better supply chain visibility brings with it better tracking, shrinkage reduction, better management, faster turn around time, more volume because of less lead time, improvement in on shelf availability.

Green Logistics

International retailers have been going green. They have adopted green practices in packaging, transportation, meeting warehousing needs and also in design of store buildings. There is hardly any awareness of the concept among the Indian retailers.

Broad non-food merchandise:

Strength in non-food as in food merchandise also contributes to success in SC for retail set up. A wide array of non-food merchandise helps get multiple benefits of sourcing and also increased footfall.

Diversification strategy

International retailers have diversified widely into other operations like financial services and insurance to take benefits of lower operating cost and also act as a buffer from fluctuations in one industry. Some of the Indian players have also adopted the same strategy.

Organized retail in India is simultaneously a promising and challenging prospect. A retailer requires a high level of adaptation to succeed in the Indian retail sector. A retailer's success and continuous growth in the Indian organized retail market can be attributed not to a single but to a number of factors. Indian retailers should learn from the experience of international retailers rather than reinvent the wheel themselves. It should adopt a mix of strategies, some of which may emulate the strategies of large retailers of the developed world while some others would be completely tailored to the
Indian market. Retailers who can foresee the different stages of development, and understood the Indian consumer psyche, have an insight of the infrastructure bottlenecks that could greatly delay any returns or even results of investing in supply-chain platforms and thereby strengthen its supplier network and back-office operations would emerge a winner.

Therefore, each retailer who has forayed into domestic arena will have to demonstrate unprecedented innovation, adaptation and experimentation to succeed in the largely unexplored but tremendously fertile but uncertain Indian retail landscape.

6.2 Recommendations

Based on the study a list of recommendations have been made

- Indian retailers should introduce an online arm as net penetration is increasing and also gradually there is increasing acceptance of online sale particularly in the metros.

- Indian retailers should increase the product portfolio under private label brands because of increasing acceptance of private labels and assurance of quality at low price, and also because it acts as a differentiating factor. When a customer desires a particular brand, it would be available only at specific stores.

- The country India is different from the developed markets. There is wide diversity in culture, local buying behavior. Indian retailers must understand each region, cultural belief, buying habits and practices and then devise a different format (customize a format) for different regions. So one format may not be adopted on a pan India basis.

- Efficient backend operation is a critical success factor for most international retailers. Indian retailers too need to manage their backend operation to taste success. They could create a separate strategic business unit (SBU) for managing their logistic need.
• Indian retailers should adopt green practices. This would help to improve image of the company in the eyes of the customers and in many instances help to reduce cost.

6.3 Implications of the study

A set of implications have been drawn based on the study and the macro environment and have been presented below

Introduction of different formats
International retailers have been successful in introduction of different formats. The domestic retail giants should also experiment with multiple formats and thereby introduce a number of modern retail formats like malls, hypermarkets and supermarkets, departmental stores, and boutiques simultaneously. Initial consumer response to introduction of hypermarket format in the retail sector has been very promising and has gained wide acceptance. With organized retail growing at a staggering pace, and with a growing middle class, organized retail in India is sure to see large returns by acceptance of these formats. Therefore domestic retailers should take courage and introduce new formats.

Supply chain and Backend Operations
The domestic retailers must be wary of is the lack of infrastructure to support supply chains and efficient retail operations in India. Companies in developed countries leveraged the infrastructure of their countries to build a large supply-chain, which has been the backbone of its success. Their efficient backend operations and investment in IT resulted in successful front-end operations. But the story in India is very different. This is because the infrastructure in India is inadequate. Inadequate highways, the absence of cold storage facilities, and an underdeveloped supply chain, has created a situation where the retailers cannot work efficiently. Therefore, the retailers will have to invest heavily in IT and backend operations, to be successful.

Sourcing Network and relationship management
The retailers need to pay attention to its sourcing network, transportation system and other logistics and make it both efficient and cheap.

**Virtual stores**

The growing urbanization and increase in comfort level on the net, is also responsible for the changing consumer psyche who are now willing to purchase online. Retailers can increase their offering on the net. Selling through physical as well as virtual stores can bring efficiency in supply chain operations of the retailers.

**HOWEVER, A RETAILER CANNOT IGNORE THE INDIA SPECIFIC FACTORS AND THEREFORE DIVISE STRATEGY ACCORDINGLY.**

**Urban Rural Divide**

A major factor that has accelerated the development of organized retail in India is the large disparities between urban and rural organized retail penetration. While major cities is witnessing a fast paced growth of organized retail, the rural areas are still seeing organized retail in the infancy or early development phase. Therefore large-retail chains need to equip themselves with the skills necessary to handle all stages of development. India, with its rural-urban divide is witnessing a multi-stage development of organized retail across the country. **In this backdrop managing a supply chain efficiently is indeed a challenge.**

**Versatile Retailing**

In a country where unorganized retailers, who have no co-ordination between themselves which store an endless list of products, and still which control 98% of the market, versatile retailing may be the answer. By providing a wide array of products under one roof, it would work out to be essentially an organized retailer in the disguise of an unorganized retailer.

**High level of Experimentation**

A retailer could experiment not only with formats but also with product-mixes and brands as was possible. The real reward of these experiments would be the enormous amount of
knowledge and experience about the organized retail in India, consumer preferences, and operational strategies that a retailer would garner. This would be proprietary knowledge that is otherwise most elusive in a previously untouched and unknown organized and uncertain Indian retail sector. This would help the retailer get a leg-up on any possible competition.

6.4 Directions for future research

1. The study takes into account only the three major players from India, whereas the Indian retail market is a mix of many players with different magnitude of operations. Players who have regional operations dot the Indian retail space and some even have their operations limited to a particular city or state. A future study can incorporate practices of these small and regional players.

2. As the data collected is from the national capital region (NCR) of India, it suffers from limited geographical scope. Future studies on the supply chain practices of Indian player can increase the relevance by collecting data from wider geographical area.

3. The study of supply chain practices revolves around eleven variables, whereas more variables can be identified or the current variables can be broken further to have a deeper view.

4. A future can undertake a more comprehensive relational testing based on the variables of the current study.