



## Retailing-A Conceptual Framework

Dr. M. Sudheer Kumar, Professor, Department of Management Studies  
Rajeev Gandhi Memorial College of Engg & Tech\_Autonomous, Nandyal, Kurnool  
District (AP)

Mr. K.Rama Krishna, Assistant Professor, Department of Management Studies  
Rajeev Gandhi Memorial College of Engg & Tech\_Autonomous, Nandyal, Kurnool  
District (AP)

Y. Loknath, Assistant Professor, Department of Business Administration  
Annamacharya PG College of Management Studies, Rajampeta-516126 Kadapa  
District (AP)

**Abstract:** Retailing may be understood as the final step in the distribution of merchandise, for consumption by the end consumers. It thus consists of all activities involved in the marketing of goods and services directly to the consumers, for their personal, family or household use. In this article an attempt is made to conceptual the concept of retailing, function of retailing, retail life cycle, consumer shopping behaviour in retailing and types of retail formats.

**Keywords:** Consumer Behaviour, Distribution, Marketing, Retailing, Retail Life Cycle

### Introduction

The word retail is derived from the French word 'retailer' meaning to cut a piece off or to break bulk (Niclom, 2006). In simple terms, it implies a first-hand transaction with the customer. Retailing involves a direct interface with the customer and the co-ordination of business activities from end to end right from the concept of design stage of a product or offering to its delivery and post-delivery service to the customer. This industry has contributed to the economic growth of many countries and is undoubtedly one of the fastest changing and dynamic industries in the world today.

Retailing has become such an intrinsic part of our everyday lives that it is often taken for granted. The nations that have enjoyed the greatest economic and social progress have been those with a strong retail sector. Why has retailing become such a popular method of

conducting business? The answer lies in the benefits a vibrant retailing sector has to offer – an easier access to a variety of products, freedom of choice and higher levels of customer service.

Over the last few years, there have been sweeping changes in the general retailing business. For instance, what was once a strictly made-to-order market for clothing has now changed into a ready-to-wear market? Flipping through a catalogue, picking the right colour, size, and type of clothing a person wanted to purchase and then waiting to have it sewn and shipped was the standard practice in the earlier days. By the turn of the century some retailers set up a storefront where people could browse, while new pieces were being sewn or customized in the back rooms. Almost all retail businesses have undergone a similar transition over the years.



Consumer money drives the economy, and retail is where consumers spend that money. When goods are put in the hands or shopping bags of consumers, retailers realize revenue-and so does the wholesalers, distributors and manufacturers that make up the rest of the consumer-goods distribution chain. In addition, retail transactions serve as a means for collecting sales taxes, which support public services of all kinds. Retail goods are traditionally divided into durable goods, such as furniture, cars and large appliances, which are expected to last at least for five years, and non-durable goods, which include food, clothing and other categories far too numerous to mention but which eventually form the bulk stuff you see on makeshift tables at garage sales.

#### **Definition**

There are many approaches to understanding and defining retailing; most emphasize retailing as the business activity of selling goods or services to the final consumer. Retail is defined as:

***“Any business that directs its marketing efforts towards satisfying the final consumer based upon the organization of selling goods and services as a means of distribution”.***

The concepts assumed within this definition are quite important. The final consumer within the distribution chain is a key concept here, as retailers are at the end of the chain and are involved in a direct interface with the customer. However, the emphasis on final consumer is intentionally different from that on customer: a consumer is the final user of a purchase whereas a customer may have bought for his or her

own use, as a present or as part of an own business activity. Purchases for business or industrial use are normally not retail transactions. Additionally, retailing includes more than the sale of tangible products, as it involves services such as financial services, hair cutting or dry cleaning.

Retailers are often referred to as 'middlemen' or 'intermediaries'. This suggests they occupy a middle position, receiving and passing on products from producers and wholesalers to customers. This is accomplished by the addition of service and the provision of the store in a convenient location to provide a successful channel of distribution. The key objective for any successful channel is to ensure availability of the right product, in the right quantity, at the right time via the right channel. All marketing channel decisions need to be related to ensuring that the customer is a focal point for the selection and display of stock so as to make the sales operation as effective as possible.

Retailing may be understood as the final step in the distribution of merchandise, for consumption by the end consumers. It thus consists of all activities involved in the marketing of goods and services directly to the consumers, for their personal, family or household use.

From the customer's point of view, the retailer serves him by providing the goods that he needs, in the required assortment, at the required place and time. From an economic standpoint, the role of a retailer is to provide real added value to the customer. This comes from four different perspectives.



### Retailing Functions

Retailing is a marketing activity. As such, it is a vital part of the total system of activities that the business sector performs in planning, pricing, promoting, and distributing products and services that will satisfy the wants and needs of present and potential customers. This system begins with extractive and/or manufacturing firms and ends with the final consumer. Within the system there is an on-going process of movement and storage of goods so that the consumer can conveniently purchase desired and needed products at the time that he or she wants to. The retailer linking the consumer to the process. The customer, as a consumer, performs the consumption function by using the products and, services that he or she purchases from the retailer. Here it can be seen that the consumer comes in contact with, and becomes an integral part of, the total marketing system through direct interface with the retailing function. The retailing function, whether performed by such well-known organizations as Bonwit Teller, Safeway, and Montgomery Ward, or whether it is accomplished by the local corner drugstore, involves the creation of utility. To economists, Utility is the want-satisfying power of a product or service. The retailer creates utility in four ways; assortment, time, place and possession. Assortment utility is performed in order to provide a proper selection of merchandise or services. The retailer purchases individual supplies from wholesalers and/or manufacturers in order to build a combination of products that is varied but related. This process is known as assorting. For example, the merchandise assortment in a ladies ready-to-wear store will include dresses,

sportswear, coats, shoes, jewellery, gloves, and purses. These items are ordered in bulk from number of different manufacturers. By having related but different items in the store, the customer can fill certain needs without running from one store to another.

The first utility is regarding the **form** of a product that is acceptable to the customer. The retailer does not supply raw materials, but rather offers finished goods and services in a form that customers want. The retailer performs the function of storing the goods and providing us with an assortment of products in various categories. He creates **time** utility by keeping the store open when the consumers prefer to shop. By being available at a convenient location, he creates **place** utility. Finally, when the product is sold, **ownership** utility is created.

### Retail Life Cycle

The concept of product life cycle as explained by Philip Kotler, is also applicable to retail organisations. This is because retail organisations pass through identifiable stages of innovation, development, maturity and decline. This is what commonly termed as the retail life cycle.

Attributes and strategies change as institutions mature. The 'Retail Life cycle' is a theory about the change through time of the retailing outlets. It is claimed that the retail institutions show an 's-shaped' development through their economic life. The s-shaped development curve has been classified into four main phases:

#### *Innovation*



A new organization is born - it improves the convenience or creates other advantages to the final customers that differ sharply from those offered by other retailers. This is the stage of innovation, where the organization has a few competitors. Since it is a new concept, the rate of growth is fairly rapid and the management fine-tunes its strategy through experimentation. Levels of profitability are moderate and this stage can last up to five years depending on the organization.

### ***Accelerated Growth***

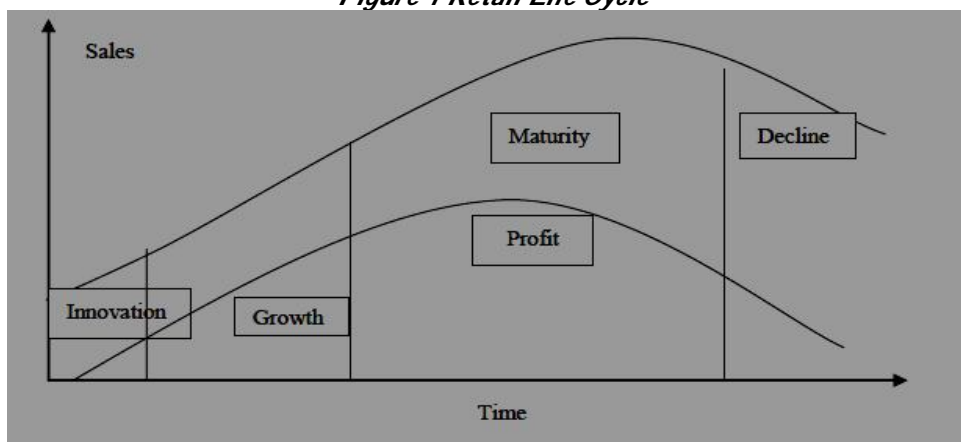
The retail organization faces rapid increases in sales. As the organization moves to stage two of growth, which is the stage of development, a few competitors emerge. Since the company has been in the market for a while, it is now in a position to pre-empt the market by establishing a position of leadership.

Since growth is imperative, the investment level is also high, as is the profitability. Investment is largely in systems and processes. This stage can last from five to eight years. However, towards the end of this phase, cost pressures tend to appear.

### ***Maturity***

The organization still grows, but competitive pressures are felt acutely from newer forms of retail that tend to arise. Thus, the growth rate tends to decrease. Gradually, as markets become competitive and direct competition increases, the rate of growth slows down and profits also start declining. This is the time when the retail organization needs to rethink its strategy and reposition itself in the market. A change may occur not only in the format but also in the merchandise offered.

***Figure 1 Retail Life Cycle***



### ***Decline***

The retail organization loses its competitive edge and there is a decline. In this stage, organization needs to

decide if it is still going to continue in the market. The rate of growth negative, profitability declines further and overheads are high. The retail business in



India has only recently seen the emergence of organized, corporate activity. Traditionally, most of the retail business in India has been small owner-managed business. It is hence, difficult to put down a retail organization, which has passed through all the four stages of the retail life cycle.

### Definition of Shopping

According to Dholakia (1999), the rationale for shopping is making physical visits to a shopping site. It is considered as a household task as well as a form of recreation, relaxation and entertainment. As per the definition of Lunt and Livingstone (1992), *going out to shop is a conspicuous moment in consumption* (Dholakia, 1999). Most researchers, who have studied shopping behaviour, consider shopping a gendered activity. In their studies, South and Spitze (1994) and Flam and Axelrod (1990), have revealed that shopping is a women's activity and they were the ones responsible for household shopping. Many other consumer research studies about shopping have also had a greater part their respondents as women (Dholakia, 1999).

Shopping is also considered by Oakley (1974), to having the most positive attribute of being a leisure activity along with work (Dholakia, 1999). Howard (2007) also believes shopping to be a leisure pursuit and with the rapid development of shopping centers, both retailers and developers are trying to make it more of a pleasure activity. Of the many studies done in an attempt to identify motives of shopping, the one by Tauber (1972) is a prime one. He identified eleven motives of shopping in a market based economy apart from the

acquisition of products and services and classified them as role playing and social experience outside home (Howard, 2007).

Social reasons are important, as Lunt and Livingstone (1992) describe shopping as a spectacle in which the person who is shopping is both a spectator and a performer (Dholakia, 1999). However, most of these motives that have been mentioned in the table can be described as pleasure or leisure related. Many studies that have followed Tauber's (1972) study have made an attempt to generate some evidence from reality to confirm these motives. A lot of consumer behaviour researches have investigated and found insights into the personal and situational experiences of shopping and its emotional and behavioural effects (Howard, 2007).

Many other studies have also explored into the motives behind shopping. Babin et al. (1994) explained that the purpose of shopping can be utilitarian that is shopping for goods and non-utilitarian or hedonic outcomes (Howard, 2007). These two broad motives being product and experiential have been related to emotions while shopping and to the outcomes of shopping by (Dawson, Bloch, & Ridgway, 1990; Millan & Howard, Shopping for Pleasure? Shopping Experiences for Hungarian Consumers, 2007). Another research on the key determinants and motivations of shopping behaviour by Dholakia (1999) has explored and empirically tested three reasons behind going for shopping as 'interactions with family', 'utilitarian' and 'shopping as pleasure'.



### Types of Shopper

*There are many types of shopping behaviours and shopper types* (Dholakia, 1999). Broadly, shoppers are divided into two categories based on their objectives which are markedly different. Utilitarian shoppers are those according to whom shopping is a form of work or a task which is to be accomplished (Babin, Darden, & Griffin, 1994; Batra & Ahota, 1991), until they make a purchase. The other category constitutes of hedonistic shoppers who give importance to enjoyment and excitement they experience during the shopping trip. These kinds of shoppers consider shopping as a leisure activity and derive pleasure from it, along with the purchase of products (Rook, 1987). Previous researches have also stated that majority of shoppers combine both utilitarian and experiential values during their shopping activities (Nichols, Roslow, Li, & Mandokovic, 2000; Nichols, Roslow S, Li, & Kranendonk, 2002). According to Babin et al. (1994), developed market economies have consumers with high levels of hedonic shopping values; however, these values are less noticeable in less developed countries (Millan & Howard, 2007).

Cushman Wakefield Healey & Baker (2002; Millan & Howard, 2007) survey on Where People Shop covering 12 countries of Europe has identified six types of shoppers on the basis of demographic, attitude and behavioural characteristics. These can be segmented as pleasure seeking shoppers, principled shoppers, discerning food shoppers, independent shoppers, enthusiastic shoppers and negative shoppers. Apart from considering food shopping as essential, pleasure seeking shoppers

enjoy the leisure oriented side of shopping and mostly shop for designer clothes or stop by at a coffee shop or snack bar. Principled Shoppers who are mostly older women, are governed by strong moral principles where shopping is concerned. In terms of food, they buy organic, natural and non-factory framed food and in terms of clothes, they prefer to shop for fashion brands. Discerning food shoppers constitutes of the population which buys food in markets and local shops around the neighbourhood instead of going to the supermarkets. The younger population with children, a part of the independent shoppers' category, shop for clothes more often than food and they do not prefer to be assisted while shopping, especially for clothes. The enthusiastic shoppers are most likely to shop in streets rather than going to shopping centers and are influenced by the offers that are given in the various retail outlets. The last group of shoppers, known as the negative shoppers has the highest ratio of males who have a negative perception of shopping and they cannot spend good time in a shopping area.

Consumer Centre (2007) also classifies shoppers into six kinds of shopping personalities. The window shopper visits the shopping mall for leisure, usually walks around in the mall with a friend enjoying the whole atmosphere, without an intention to buy. The second type is the bargain hunter who prefers to shop at discount stores and mostly buys when the retail outlets offer sales. The power shopper does not visit the shopping centers that often, but are very organized when they are shopping. They carry a shopping list with them, buy only what they need and know where to get it. The





shopaholics have been further divided into two segments, one being the consumers who enjoy the whole shopping experience, and the other being the compulsive spenders. The second kinds of shopaholics are people with low self-esteem and get pleasure out of spending money, which is not a healthy thing to happen. Their urge to shop returns back every few days. The shopping phobic people are the ones who just hate the experience of shopping in a shopping centre and cannot find anything positive out of going out to shop. They would rather sit at home and shop online. The indecisive shoppers find it very difficult to decide what to buy. They run around each store just to evaluate the price and quality of one product, which they don't end up buying at all. Lastly, the shopping misers are somewhat similar to the shopping phobic, who just has to take out faults from everything they see in the shopping centers including the parking lots, prices of the merchandise, the return policy of the outlets, etc.

Relating to mall shopping behaviour, Bloch et al. (1994) has classified shoppers into four segments. They are enthusiasts, rationalists, grazers and minimalists. Researches like Bellenger and Korgaonkar (1980) and Lesser and Hughes (1986) have also emphasized on recreational shoppers (Dholakia, 1999).

### **Consumer Shopping Behaviour in Retailing**

The behaviour of shoppers differs according to the place where they are shopping and their involvement level with the act of shopping (Berman, Joel, & Evans, 2005), and research has also shown that a relationship exists between environment and revenue in retail and

service outlet stores (Milliman, 1982). The basic difference however continues to be the maturity of markets and formats. The basic difference however continues to be the maturity of markets and formats. While retail in the West has evolved in terms of formats over the past hundred years, organised retail in India is still a new phenomenon (Swapna Pradhan, 2007).

Shopping is the act of identifying the store and purchasing the product. The behaviour of shoppers differs according to the place where they are shopping and their involvement level with the act of shopping (Berman, Joel, & Evans, 2005). Shopping is a function of the nature of the product, the degree of perceived risk inherent in the product class and the level of knowledge or amount of information about alternatives. Observations of shopper behaviour in the store show that every purchase involves part or the whole of a process that follows a consistent pattern of See-Touch-Sense-Select. Connolly *et al.*, (1999) have classified shopping behaviours into three categories: a) blinkered mode in which shoppers confidently and efficiently zooming in on familiar brands, with no time or interest in logical label reading or studying product attributes, b) 'magpie' mode in which the shopper allows himself or herself to be distracted and attracted by different brands on display, and c) 'browser' mode in which the shopper behaving more rationally, reading the 'back of pack' copy and invariably comparing prices, ingredients, and seeking more information about product attributes, making piece-value comparisons across various brands.



There is a growing need to evaluate the true drivers of shopping behaviour in the Indian context (Sinha and Banerjee, 2004). The trade mark of Indian retailing, the small kirana shops with a high level of personalised service, is making shoppers reluctant to depart from traditional ways of shopping. The knowledge of consumer shopping behaviour is an essential input to the development of an effective marketing strategy, which is required for the effectiveness, and success of any business (Al-Rasheed, Zairi , & Ahmed , 2004).

Past research and theories in consumer behaviour have often concentrated on consumer choice behaviour, particularly brand choice behaviour (Sheth , 1983). Compared to the theoretical and empirical work on brand choice behaviour, store patronage behaviour as a distinct field of investigation has received only scant attention (Darden & Lusch , Patronage behavior and retail magement, 1983) and further suggested that consumers are using shopping strategies rather than brand strategies in solving many consumption problems. Rhee and Bell (2002,) believe that while shoppers often patronise many stores, they typically have a primary affiliation to a 'main store' that captures the majority of their purchases. Research conducted by Woodside and Trappey (1992) identified an automatic cognitive processing of store attributes by means of which consumers decide which will be their primary store. It is empirically examined that retail store attributes affect retail format choice and purchases (Popkowski Leszczyc, Harry, & Timmermans, 1997).

### **Types of Retail Formats**

Reynolds et al. (2005) defined a retail format as a physical representation in the form of firm's activities which relates to the business model developed by the retailers and their business strategy. It is a kind of a retail mix followed by a group of retailers, which they can present to the customers and where an interaction with the shoppers can be made. It is an assortment of variables such as the merchandise, price, ease of payment and the whole, shopping experience that is offered to the customers, through which the business context and strategy can be conveyed. To convince the target audiences and to compete with other players in the market, the retailer needs to represent himself with an appropriate retail format. While deciding on the retail formats, the retailers ought to assess certain factors such as drivers of growth, the customers' profile and their expectations, the competitors and the challenges faced from them. The process of format selection by the retailer is represented in the figure below (Sinha , Using Transaction Utility Approach for Retail Format Decision , 2004). With continued development of the retail industry, newer retail formats are emerging every day. Many researchers have tried to explain as to why this occurrence of new retail formats takes place. These explanations have given credit to demanding consumers, competitive retailers and manufacturers. Some studies have proposed the idea that value oriented consumers demand for new formats and in a response to these demands; the retailers are driven to develop these.





*Table 1 Store Based Retail Formats*

Type	Location	Assortment	Services	Prices and Promotions
Traditional Departmental Store	Business distinct shopping centre or isolated store	Expensive width and depth of assortment; average to good quality	Good to excellent	Average to high prices heavy ad and catalogue use direct mail: personal selling
Full-Line Discount Stores	Business distinct shopping centre or isolated store: power stripe centres	Expensive width and depth of assortment; average to good quality	Slightly below Average-to-average	Low prices: Heavy uses of newspapers, prices oriented, moderate sales force
Speciality stores	Business distinct shopping centre or regional malls	Very narrow width of assortment: Expensive depth of assortment, average to good quality	Average to high excellent	High prices, heavy use of display, extensive sales force
Hypermarkets	Stand-alone	Average	Low	Low
Variety stores	Business distinct shopping centre or isolated store	Good width to depth of assortment, below average to average quality	Below average	Heavy use of newspaper, self-services
Off-price chain	Business distinct, suburban shopping strip or isolated stores	Moderate width but poor depth of assortment, average to good quality, low continuity	Below average	Use of newspapers, brand is not advertised: limited use of sales force
Factory outlet	Out-of-the way site or discount malls	Moderate width but poor depth of assortment, some irregular merchandise, low continuity	Very low	Little: self service
Membership club	Isolated stores or secondary site	Moderate width but poor depth of assortment, low continuity	Very low	Little: limited sales force, some direct mail
Flea market	Isolated site, race track or arena	Extensive width but poor depth of assortment, variable quality, low continuity	Very low	Limited: self service
Drugs stores	Stand-alone, strip centres	Very deep	Average	Average to high
Home improvement centres	Stand-alone, power strip centres	Very deep	Low to high	Low

(Source: Sinha, Using Transaction Utility Approach for Retail Format Decision, 2004)

The retailers' perspective suggests that operational efficiencies, the competitive as a result of expense control and retailers are pushed towards bringing



new formats. Other researchers explain this phenomenon with the help of globalization of the manufacturing base. Rousey and Morgansky (1996) has suggested that whoever may be responsible for the emergence of newer retail formats, but in the end the consumer is gaining as he is being provided with a variety to choose from (Rousey & Morganosky, 1996). The most common types of retail formats are listed in the table below

With a diverse range of retail formats available, consumers tend to get confused. Consumer try to stick to certain retail formats, however, their preferences change with the development of newer retail formats. Although patronage patterns occur, they are specific to certain product categories like food and clothing. Shifts are bound to take place in other product categories. With the increase in the number of retail formats from which the consumers can make choices, the retailer should try to understand the market and consumer shopping habits from a dynamic rather than a static perspective (Rousey & Morganosky, 1996).

#### Conclusion:

The retail sector has played a phenomenal role throughout the world in increasing productivity of consumer goods and services. It is also the second largest industry in US in terms of numbers of employees and establishments. There is no denying the fact that most of the developed economies are very much relying on their retail sector as a locomotive of growth. The India Retail Industry is the largest among all the industries, accounting for

over 10 per cent of the countrys GDP and around 8 per cent of the employment. The Retail Industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. But all of them have not yet tasted success because of the heavy initial investments that are required to break even with other companies and compete with them. The India Retail Industry is gradually inching its way towards becoming the next boom industry.

#### References

1. Al-Rasheed, S., Zairi, M., & Ahmed, A. (2004). *Getting in the mind of the customer: An empirical study of consumer behaviour in retailing*. working Paper, Bradford University, School of Management.
2. Babin, B., Darden, W., & Griffin, M. (1994). Work and or fun: measuring hedonic and utilitarian shopping value. *Journal of Consumer Research*, 20(4), 644-56.
3. Batra, R., & Ahota, O. (1991, April). Measuring the Hedonic and Utilitarian Sources of Consumer Attitudes. *Marketing Letters*, 2, 159-170.
4. Bellenger, D., & Korgaonkar, P. (1980, Fall). Profiling the recreational. *Journal of Retailing*, 56(3), 77-92.
5. Berman, B., Joel, R., & Evans. (2005). *Retail Management-A Strategic Approach* (8 ed.). New Delhi: Pearson Education (Singapore) Pte. Ltd.
6. Bloch, P., Ridgway, N., & Dawson, S. (1994). The Shopping



- Mall as Consumer Habitat. *Journal of Retailing*, 70, 23-42.
7. Connolly, A., Davenport-Firth, D., & Bell, C. (1999). Visual Planning – the power of thinking visually. *Journal of brand management*, 6(3), 23-36.
  8. Cushman Wakefield Healey , & Baker. (2002). Where People Shop.
  9. Darden , W., & Lusch , R. (1983). *Patronage behavior and retail mangement*. New York, North Holland.
  10. Dawson, S., Bloch,, P., & Ridgway, N. (1990). Shopping motives,emotional states and retail outcomes. *Journal of Retailing*, 66, 408-27.
  11. Dholakia, R. (1999). Going Shopping: Key Determinants of Shopping Behaviours and Motivations. *International Journal of Retail and Distribution Management*, 27(4), 154-165.
  12. Fram, E., & Axelrod, J. (1990, October). The distressed shopper. *American Demographics*, 12, 44-5
  13. Howard , E. (2007). New Shopping Centres: Is Leisure the Answer? *International Journal of Retail and Distribution Management*, 35(8), 661-672.
  14. Lesser, J., & Hughes, M. (1986, November- December). Towards a Typology of Shoppers. *Business Horizons*, 56-62.
  15. Lunt , P., & Livingstone, S. (1992). Mass Consumption and Personal Identity. *International Journal of Retail and Distribution Management*, 27(4), 154-165.
  16. Millan , E., & Howard , E. (2007). Shopping for Pleasure? Shopping Experiences for Hungarian Consumers. *International Journal of Retail and Distribution Management*, 35(6), 474-487.
  17. Millan , E., & Howard , E. (2007). Shopping for Pleasure? Shopping Experiences for Hungarian Consumers. *International Journal of Retail and Distribution Management*, 35(6), 474-487.
  18. Millan , E., & Howard , E. (2007). Shopping for Pleasure? Shopping Experiences for Hungarian Consumers. *International Journal of Retail and Distribution Management*, 35(6), 474-487.
  19. Milliman, R. (1982). Using background music to effect the behaviour of supermarket shoppers. *Journal of Marketing*, 46, 86-91.
  20. Nichols , J., Roslow , S., Li , F., & Mandokovic , T. (2000). US-Chilean Mirrors: Shoppers in Two Countries. *Journal of Consumer Marketing*, 17(2), 106-119.
  21. Nichols , J., Roslow S, S., Li , F., & Kranendonk , C. (2002). The Seven Year Itch? Mall Shopper across Time. *Journal of Consumer Marketing*, 19(2), 149-165.
  22. Niclom , A. (2006). *The Retailing Handbook* . London: Oxford NTC Publications,.
  23. Oakely, A. (1974). *The Sociology of Housewor*. Bath: Pitman .