

Profit Analysis in Indian Retailing with Special Reference to Reliance Retail Value Stores in Ranchi

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ABSTRACT

The purpose of this paper is profit analysis in Indian retailing with special reference to reliance retail value stores in Ranchi through sales analysis, footfall conversion analysis, average bill value and shrink & dump. In India retail industry is in its nascent stage. With new entrants into the market, the industry is going to rise and the competition is going to increase. Profit of any organization depends on the amount of sales. The sales can be increased by either increasing the footfalls i.e. attracting new customers, or, by increasing the footfall conversion rate i.e. making it best possible for each customer who enters the store to buy something and add to the sale. We all know that retaining a customer or persuading him/her to purchase is much more cost effective than to elicit a new one. Thus, a survey was conducted on 150 valued customers of three Reliance Retail Value Stores in Ranchi, to find out the reasons for the gap between footfall, and its conversion rate, so that the sales may be improved and thus the profitability at the least possible cost. The survey reveals various reasons for the gap such as lower assortment of products, absence of loose staples, poor service at billing counters etc., which if taken into account would definitely increase the footfall conversion rate and thus the profit. On the basis of the findings of this survey, if the concerned authority works upon to annihilate the loopholes, the sales will definitely be improved and profitability can be maintained at a reasonable height.

JEL. Classification: L81; E51; E5.

Keywords: Sales Analysis, Footfall Conversion Analysis, Average Bill Value, Shrink & Dump, Reliance Retail Value Stores

1. INTRODUCTION

1.1. Background

A retailer buys goods or products in large quantities from manufacturers or importers, either directly or through a wholesaler, and then sells smaller quantities to the end-user. Retail establishments are often

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Acknowledgements: Paper was presented in "2nd International Conference on Global Development with Innovative Solutions-2012 (2nd ICGDIS-2012), on 15th& 16th December, 2012". Authors would like to thank the editors and anonymous referees for their comments and insight in improving the draft copy of this article. Author further would like to declare that this manuscript is original and has not previously been published, and that it is not currently on offer to another publisher; and also transfer copy rights to the publisher of this journal.

Received: 18-12-2012;

Revised: 19-12-2012;

Accepted: 30-12-2012;

Published: 31-12-2012:

called shops or stores. Retailers are at the end of the supply chain. In India retail industry is in its nascent stage. With new entrance into the market, the industry is going to rise and the competition is going to increase. India has already proven its IT assets mettle as a superpower in the arena of Information Technology. The retail industry offers to bloom to the same level in the presence of conducive-environment and support (Akash 2009). The retail scenario is one of the fastest growing industries in India over the last couple of years. India retail sector comprises of organized retail and unorganized retail sector. Traditionally the retail market in India was largely unorganized; however with changing consumer preferences, organized retail is gradually becoming popular. Unorganized retailing consists of small and medium grocery store, medicine stores, subzi mandi, kirana stores, paan shops etc. More than 90% of retailing in India fall into the unorganized sector, the organized sector is largely concentrated in big cities. Retail and real estate are the two booming sectors of India in the present times (Gellner 2007). If industry experts are to be believed, the prospects of both the sectors are mutually dependent on each other. Retail, one of India's largest industries, has presently emerged as one of the most dynamic and fast paced industries of our times with several players entering the market. Accounting for over 10 per cent of the country's GDP and around eight per cent of the employment retailing in India is gradually inching its way toward becoming the next boom industry.

The trends that are driving the growth of the retail sector in India are: Low share of organized retailing; Increase in disposable income and customer aspiration; and Increase in expenditure for luxury items (Biyani 2007).

Another credible factor in the prospects of the retail sector in India is the increase in the young working population. In India, hefty pay-packets, nuclear families in urban areas, along with increasing working-women population and emerging opportunities in the services sector are the key factors that have been the growth drivers of the organized retail sector in India, which now boast of retailing almost all the preferences of life - Apparel & Accessories, Appliances, Electronics, Cosmetics and Toiletries, Home & Office Products, Travel and Leisure and many more.

With this the retail sector in India is witnessing a rejuvenation as traditional markets make way for new formats such as departmental stores, hypermarkets, supermarkets and specialty stores.

1.2. Justification and Reasons of study

As profit is the only thing for which one goes for any business and prefers to continue in that, in order to know the prospects of Indian retail sector, it's imperative to analyze how the retailers in India generate profit.

1.3. Research Question

How the retailers in India generate profit?

1.4. Statement of Problem

Analyze of how the retailers in India generate profit in retail outlets with special reference to Reliance Retail Value Stores in Ranchi on the basis of Sales Analysis, Footfall conversion analysis, Average Bill Value and Shrink & Dump.

1.5. Objectives of the Study

The objective of this Paper is to focus on Profit Analysis in retail outlets with special reference to Reliance Retail Value Stores in Ranchi.

1.6. Hypothesis

Looking at the current market emergence and scenario a bright future waits to give Reliance Retail a warm hug.

1.7. Scope of the Study

This study will be helpful to business man, policy makers, customers and government to promote it for income generation and increase of GDP of the country.

1.8. The limitation

This study is completed in short time due to time and budget constraints and it is limited to few Reliance Retail Value Stores in Ranchi. So generalization of the results may not be accurate.

1.9. Structure of the Remaining Study

Section 1 is about introduction section 2 literature review section 3 methodology section 4 analysis and findings section 5 discussed and conclusion section 6 recommendations and implication of the study.

2. LITERATURE REVIEW

The retail scenario is one of the fastest growing industries in India over the last couple of years. India retail sector comprises of organized retail and unorganized retail sector. Traditionally the retail market in India was largely unorganized; however with changing consumer preferences, organized retail is gradually becoming popular. Unorganized retailing consists of small and medium grocery store, medicine stores, subzi mandi, kirana stores, paan shops etc. More than 90% of retailing in India fall into the unorganized sector, the organized sector is largely concentrated in big cities.

2.1. Retail Scenario in India

Retail and real estate are the two booming sectors of India in the present times. And if industry experts are to be believed, the prospects of both the sectors are mutually dependent on each other. Retail, one of India's largest industries, has presently emerged as one of the most dynamic and fast paced industries of our times with several players entering the market. Accounting for over 10 per cent of the country's GDP and around eight per cent of the employment retailing in India is gradually inching its way toward becoming the next boom industry.

As the contemporary retail sector in India is reflected in sprawling shopping centers, multiplex- malls and huge complexes offer shopping, entertainment and food all under one roof, the concept of shopping has altered in terms of format and consumer buying behavior, ushering in a revolution in shopping in India (Kearney 2007). This has also contributed to large scale investments in the real estate sector with major national and global players investing in developing the infrastructure and construction of the retailing business. The trends that are driving the growth of the retail sector in India are

- Low share of organized retailing
- Increase in disposable income and customer aspiration
- Increase in expenditure for luxury items

Another credible factor in the prospects of the retail sector in India is the increase in the young working population. In India, hefty pay-packets, nuclear families in urban areas, along with increasing working-women population and emerging opportunities in the services sector are the key factors that have been the growth drivers of the organized retail sector in India, which now boast of retailing almost all the preferences of life - Apparel & Accessories, Appliances, Electronics, Cosmetics and Toiletries, Home & Office Products, Travel and Leisure and many more. With this the retail sector in India is witnessing a rejuvenation as traditional markets make way for new formats such as departmental stores, hypermarkets, supermarkets and specialty stores (Mohanty and Panda 2008).

2.2. Growth and Prospects

Total retail sales in India will grow from US\$ 395.96 billion in 2011 to US\$ 785.12 billion by 2015, according to the Business Monitor International (BMI) India Retail Report for the second-quarter of 2011. Strong underlying economic growth, population expansion, the increasing wealth of individuals and the rapid construction of organised retail infrastructure are key factors behind the forecast growth. With the expanding middle and upper class consumer base, there will also be opportunities in India's tier II and III cities.

Mass grocery retail (MGR) sales in India are expected to undergo tremendous growth over the forecast period. BMI predicts that sales through MGR outlets will increase by 218 per cent to reach US\$ 27.67 billion by 2015.

BMI forecasts consumer electronic sales at US\$ 29.14 billion in 2011, with over-the-counter (OTC) pharmaceutical sales at US\$ 2.30 billion. The former sub-sector is expected to show growth of 66.8 per cent between 2011 and 2015, reaching US\$ 48.61 billion, with projected double-digit growth of key products such as notebooks, mobile handsets and TVs. OTC pharmaceuticals, meanwhile, should increase more, by 106.9 per cent throughout the forecast period, to reach US\$ 4.75 billion (Panda and Mohanty 2008).

China and India are predicted to account for more than 91 per cent of regional retail sales in 2011, and by 2015 their share of the regional market is expected to be at least 93 per cent. BMI forecasted growth in regional retail sales at 75.2 per cent for 2011, an annual average of 14.9 per cent.

Organized retail in India is expected to increase from 5 per cent of the total market in 2008 to 14-18 per cent and reach US\$ 450 billion by 2015, according to a McKinsey & Company report titled 'The Great Indian Bazaar: Organised Retail Comes of Age in India'.

Furthermore, according to a report titled 'India Organised Retail Market 2010', published by Knight Frank India, during 2010-12 around 55 million square feet (sq ft) of retail space will be ready in Mumbai, national capital region (NCR), Bengaluru, Kolkata, Chennai, Hyderabad and Pune. Besides, between 2010 and 2012, the organised retail real estate stock will grow from the existing 41 million sq ft to 95 million sq ft.

Driven by the growth of organised retail coupled with changing consumer habits, food retail sector in India is set to be more than double to US\$ 150 billion by 2025, according to a report by KPMG.

According to the report 'Strong and Steady 2011' released by global consultancy and research firm PricewaterhouseCoopers (PwC), India's retail sector, which is currently estimated at about US\$ 500 billion, is expected to grow to about US\$ 900 billion by 2014.

India has also been ranked as the third most attractive nation for retail investment among 30 emerging markets by the US-based global management consulting firm, in its 9th annual Global Retail Development Index (GRDI) 2010. Within Asia, India is expected to account for the third largest share at US\$ 2.7 billion in 2015, according to a report released by research firm Ovum on January 12, 2011.

Foreign direct investment (FDI) inflows between April 2000 and January 2011, in single-brand retail trading, stood at US\$ 128.34 million, according to the Department of Industrial Policy and Promotion (DIPP) (Nagesh 2007).

- Carrefour, the world's second-largest retailer, has opened its first cash-and-carry store in India in New Delhi. Germany-based wholesale company Metro Cash & Carry (MCC) opened its second wholesale centre at Uppal in Hyderabad, taking to its number to six in the country.
- Jewellery retail store chain Tanishq plans to open 15 new retail stores in various parts of the country in the 2011-12 fiscal.
- V Mart Retail Ltd, a medium-sized hypermarket format retail chain, is set to open 40 outlets over the next three years, starting with 13 stores in 2011, in Tier-II and Tier-III cities.
- RPG-owned Spencer's Retail plans to set up 15-20 new stores in the country in 2011-12.
- Spar Hypermarkets, the global food retailing chain of the Dubai-based Landmark Group, expects to start funding its India expansion beyond 2013 out of its local cash flow in the country. So far, the Landmark Group has invested US\$ 51.31 million in setting up five hypermarkets and plans to pump in another US\$ 51.31 million into the next phase of expansion.
- Bharti Retail, owner of Easy Day store—supermarkets and hypermarkets—plans to invest about US\$ 2.5 billion over the next five years to add about 10 million sq ft of retail space in the country by then, according to a company spokesperson.

The country's largest consumer products company Hindustan Unilever is testing waters in the coffee shop market even as US giants Starbucks and Dunkin' Donuts finalise plans to tap into increasing out-of-home consumption of coffee in the country. Hindustan Unilever has opened a 'Bru World Cafe' outlet on a pilot basis at Juhu, an upmarket western suburb of Mumbai.

3. RESEARCH METHODOLOGY

Analysis was done using the below mentioned criterions:

- a. Sales Analysis: This has been done by the use of secondary data as provided by the company.
- b. Footfall Conversion Analysis: This analysis has been carried out by the Primary Data collected through survey done at various Reliance Retail Stores in Ranchi.
- c. Average Bill Value (ABV)= Total Sales/No. of tickets
This analysis helps to compare the performances of the various Reliance Stores in Ranchi and their profitability.
- d. Shrink & Dump: "Shrink" is a term used for items that might have been stolen or somehow lost from the stores, whereas, "Dump" is used for the items that have either expired or is no more usable due to any reason.

Any item falling in this category is a net loss to the company. Thus, an analysis of Shrink & Dump in various stores, its cause and remedy has been an important element in Profit Analysis.

One of the universal concepts in marketing says that retaining a customer is much more cost effective than to elicit new ones. Thus in the profit analysis part a questionnaire had been designed which revealed the reasons for the gap between the footfall and its conversion rate. This in turn suggested the ways to increase the sales which would definitely increase the profit of the company.

The Reliance Retail 'Value' format stores chosen for this study are the stores that offer a wide range and assortment of products required for daily household needs. The various stores that fall under this category are: Reliance Fresh Ltd.; Reliance Hypermart Ltd.; Reliance Home Store Ltd.; Reliance Leisure Ltd.; Reliance Food Processing Ltd.; Reliance Dairy Foods Ltd.

Out of these the Reliance Retail Value stores available in Ranchi are: Reliance Fresh Ltd.; and Reliance Hypermart Ltd.

2. Profit Analysis of Reliance Fresh, Lalpur

Data shown below are approximate figures for the month of April 2011.

Total Sales: Rs. 27 90 000.00

Sales per day: Rs. 93 000.00

Total Cost: Rs. 23 43 600.00

Profit: Rs. 4 46 400.00

Shrink: 0.5% of Sales => Rs. 13 950.00

Dump: 6% of Sales => Rs. 167 400.00

Net Profit = Profit – (Shrink + Dump)
= Rs. 2 65 050.00

Average Bill Value: Rs. 240.00

Total no. of tickets: 388

Thus, Total Footfall= 555 (@ 70% rate of conversion)

Effect of 1% increase in Footfall Conversion Rate:

Total Footfall: 555

Total no. of tickets: 394

Total sales per day: Rs. 94 560.00

Total Sales per month: Rs. 28 36 800.00

Total Cost: Rs. 23 82 912.00

Gross Profit: Rs. 4 53 888.00

Net Profit = Profit – (Shrink + Dump)
= Rs. 272 538.00

Increase in Profit = 2.83%

4. RESULTS AND FINDINGS

On the basis of a well-structured questionnaire administered on 50 customers who visited to the retail outlet, the following information has been obtained pertaining to the type of family the costumers belong and the frequency of their visit to the retail outlet.

- a) The type of family the customers belong

The survey clearly reveals that 28% of the customers belong to the joint family and 72% of the total belongs to nuclear family. Thus stores should give importance to the buying needs of the customers belonging to both the categories; however emphasis should be more on consumers of nuclear family. We need to analyze their buying behavior individually in order to meet their needs perfectly. Those in joint families will definitely be more interested in buying goods in bulk, whereas those in nuclear family will like to buy loose items in small quantities. Thus to increase the footfall conversion rate, Reliance Stores must keep loose items as this was one of the greatest grievances of the consumers.

b) Frequency of visit of the customers

Out of the customers surveyed 50% of the customers visit the outlet very regularly, i.e. more than once in a week, some of them even every day. Thus we see that footfall is no problem however the conversion rate is. It is a general view that any person who is such a regular visitor of the store will definitely enter for vegetable items more often. Thus in order to increase the conversion rate, Reliance should improve the quality of the vegetables and make sure that the prices are competitive. Data reveals that 28% of the customers visit the stores once in a week, which suggests they are mostly busy people and they collect all the requirement once in a week and of course in bulk. Thus Reliance should increase assortment and avoid stock out conditions.

In order to know the factors that contribute to the profitability of the outlet, the questionnaire has been so designed to fit into the tool of factor analysis in SPSS. For the sake of factor analysis, data related to the following variables (V1, V2, V11) have been collected and the same have been analyzed in the later part of this section.

V1. Visiting the outlet with friends or family

Entering a store with friends or family results in a higher footfall and thus may lead to higher sales figure. However, higher sales can be achieved only when there is a huge assortment for all. The survey clearly reveals that around 80 percent of the customers accept that they prefer to enter the stores with their kin or pals. Thus Reliance Retail should have a better assortment of products to increase the footfall conversion rate.

V2. Stopover a reliance store only when something to purchase

The customers who may enter the store only when they have to purchase something are those who were targeted for this analysis. These customers add to the sales figure and thus the profit. The survey clearly reveals that ninety percent of the customers enter Reliance Store only when they have to purchase something. Thus in order to further increase the sales the company should improve the assortment so that the Average Bill Value rises and thus the profit.

V3. Enter a store for window shopping and end up purchasing

Statistics clearly reveal that around 70% of the consumers accept that they may enter a store for window shopping but end up purchasing their stuffs. This suggest that a large number of consumers entering the stores are potential customers and its only the matter of them finding the right object at right price and/or offers which may ignite their feel to buy the same. Thus to increase the conversion rate the company should focus more on discounts and promotions.

V4. Excellent services and the support provided by the staff at the outlet

The survey clearly reveals that most of the customers have rated the service and the support provided by the staffs as excellent, which is a good sign for the company. It clearly suggests that there are many customers who are attracted by the quality service they receive at the stores.

V5. Attraction of pretty good ambience

A good ambience in the stores ensures that customers can spend all the time they have, in the store to see the available products and choose the best according to them. However this also needs to have a good range of desirable products. The survey clearly reveals that most of the customers agree that they are attracted by the ambience of the stores. However, this can further be taken to the next level when all the customers may strongly agree to it.

V6. Drop into a reliance retail store during hot summers to enjoy the A.C

Statistics reveal that over 75% of the customers “Strongly Disagree”, that they may enter into a Reliance Store just to enjoy A.C during hot summers. This group includes service people or in other words busy people. We also find that around 24% of the consumers agree to the above statement. The consumers who agree to this statement are generally students. However, we should remember that these are only the people who agree mostly to the fact that “they enter for window shopping and end up buying things”. Thus keeping some products for these younger students may help to increase conversion rate largely.

V7. Recommending the outlet to near and dear ones

A fairly large percentage of customers agree that they advocate the Reliance Stores to their friends and relatives due to wide product range under one roof. This helps to increase the footfall. However we find that, out of this group people who “Agree” are much more than those who “Strongly Agree”. This clearly indicates that the customers are not delighted by the product range available through the Reliance outlets. Thus steps should be taken to correct it.

V8. Attraction of excellent accessibility

The figures reveal that most of the customers enter a Reliance Store due to its accessibility. This is both good and bad for the company. It is good as this indicates that the company is having a pretty good network of stores. However, the survey shows that 46% of the consumers “strongly agree” and 36% “agree” to it. It may happen that if they find some other option anytime they can definitely switch over. Thus Reliance should take measures to retain their customers.

V9. Excellent pricing pattern

Statistics show that most of the people believe that pricing pattern in Reliance Retail stores is good. 33% of the consumers agree whereas 14% strongly agree to it. However, we also have a few consumers who are not satisfied with the prices. Thus, reliance should make sure that the prices in the stores are competitive, to increase the footfall conversion rate.

V10. Appealing discounts and offers

The survey clearly proves that most of the customers are attracted by the discounts and offer. Moreover this kind of promotions and offers act as pillar to differentiate with the near competitors as well as leads

to the better performance of the stores. So, the stores need to focus more on various promotions and offers in order to increase the footfall conversion rate.

V11. Price discounts are preferred over other promotional tools

Various promotion and offers may be made available to the consumers; however, it should be ensured that right thing is given to the right customer at the right time. The survey clearly reveals that nearly 46% of the customers prefer price discount whereas 36% prefer other promotions and still others are indifferent. Thus the stores should provide both price discounts and other promotional offers while focusing on the former to increase the conversion rate.

Factor Analysis (SPSS Output)

Correlation Matrix

	V1	V2	V3	V4	V5	V6	V7	V8	V9	V10	V11
V1	1.000	.883	.858	.518	.813	.445	.871	.966	.704	.857	.861
V2	.883	1.000	.714	.508	.850	.436	.816	.883	.807	.925	.766
V3	.858	.714	1.000	.534	.711	.499	.776	.829	.594	.723	.903
V4	.518	.508	.534	1.000	.645	.858	.622	.501	.670	.642	.720
V5	.813	.850	.711	.645	1.000	.640	.912	.855	.806	.926	.747
V6	.445	.436	.499	.858	.640	1.000	.609	.430	.624	.551	.682
V7	.871	.816	.776	.622	.912	.609	1.000	.901	.791	.905	.786
V8	.966	.883	.829	.501	.855	.430	.901	1.000	.680	.874	.831
V9	.704	.807	.594	.670	.806	.624	.791	.680	1.000	.863	.664
V10	.857	.925	.723	.642	.926	.551	.905	.874	.863	1.000	.753
V11	.861	.766	.903	.720	.747	.682	.786	.831	.664	.753	1.000

a. Determinant = 3.19E-009

Descriptive Statistics

	Mean	Std. Deviation	Analysis N
V1	3.9800	1.30133	50
V2	4.2200	1.01599	50
V3	3.2600	1.41147	50
V4	4.3000	.46291	50
V5	4.0200	.86873	50
V6	1.7200	1.29426	50
V7	3.9200	1.00691	50
V8	3.9800	1.34756	50
V9	4.1400	.78272	50
V10	4.0400	.98892	50
V11	3.0600	1.47648	50

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.864
Bartlett's Test of Sphericity	Approx. Chi-Square	870.509
	Df	55
	Sig.	.000

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	8.437	76.705	76.705	8.437	76.705	76.705	6.486	58.964	58.964
2	1.143	10.394	87.099	1.143	10.394	87.099	3.095	28.135	87.099
3	.628	5.711	92.810						
4	.245	2.227	95.037						
5	.173	1.577	96.614						
6	.134	1.216	97.830						
7	.107	.969	98.800						
8	.051	.459	99.259						
9	.040	.364	99.623						
10	.022	.196	99.819						
11	.020	.181	100.000						

Extraction Method: Principal Component Analysis.

Communalities

	Initial	Extraction
V1	1.000	.938
V2	1.000	.881
V3	1.000	.748
V4	1.000	.912
V5	1.000	.865
V6	1.000	.931
V7	1.000	.889
V8	1.000	.949
V9	1.000	.743
V10	1.000	.902
V11	1.000	.823

Extraction Method: Principal Component Analysis.

Component Matrix^a

	Component	
	1	2
V1	.923	-.292
V2	.904	-.254
V3	.852	-.151
V4	.733	.611
V5	.930	-.008
V6	.685	.680
V7	.940	-.070
V8	.922	-.315
V9	.852	.127
V10	.945	-.096
V11	.905	.067

Extraction Method: Principal Component Analysis
 a. 2 components extracted.

Rotated Component Matrix^a

	Component	
	1	2
V1	.941	.228
V2	.905	.250
V3	.807	.311
V4	.311	.903
V5	.800	.474
V6	.234	.936
V7	.841	.426
V8	.952	.207
V9	.664	.550
V10	.858	.406
V11	.740	.525

Extraction Method: Principal Component Analysis
 Rotation Method: Varimax with Kaiser-Meyer-Olkin Measure of Sampling Adequacy
 a. Rotation converged in 3 iterations.

Component Transformation Matrix

Component	1	2
1	.856	.517
2	-.517	.856

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Interpretations from the Output:

SPSS clearly divides the variables into two factors, namely:

1. Ambience of the Stores.
2. Product features and consumer preferences.

From the analysis we find that the most essential variables are:

Factor1: V10 (discounts and offers)

Factor2: V6 (ambience)

Thus, in order to increase the footfall conversion rate, the company should go for extensive discounts and other promotional offers. The second factor that is having a lesser weightage but still affects the conversion rate is the ambience of the store. If the ambience of the store is good then a customer can spend all the time that he/she has in selecting the best available alternative for their good selves.

3. Profit Analysis of Reliance Fresh, Kadru

Data presented below are approximate figures for the month of April 2011.

Total Sales: Rs. 25 80 000.00

Sales per day: Rs. 86 000.00

Total Cost: Rs. 21 67 200.00

Profit: Rs. 4 12 800.00

Shrink: 0.4% of Sales => Rs. 10 320.00

Dump: 6% of Sales => Rs. 154 800.00

Net Profit = Profit – (Shrink + Dump)

= Rs. 247 680.00

Average Bill Value: Rs. 220.00

Total No. of Tickets: 391

Thus, Total Footfall= 559 (@ 70% rate of conversion)

Effect of 1% increase in Footfall Conversion:

Total footfall: 559

Total no. of tickets: 397

Total Sales: Rs. 87,340.00

Total Sales per month: Rs. 26 20 200.00

Cost: Rs. 22 00 968.00

Gross Profit: Rs. 4 19 232.00

Net Profit = Profit – (Shrink + Dump)

= Rs. 254,112.00

Increase in Profit = 2.60%

Data Analysis

On the basis of a well-structured questionnaire administered on 50 customers who visited to the retail outlet, the following information has been obtained pertaining to the type of family the costumers belong and the frequency of their visit to the retail outlet.

a) The type of family the customers belong

The survey clearly reveals that 34% of the customers belong to the joint family and 66% of the total belongs to nuclear family. Thus stores should give importance to the buying needs of the customers belonging to both the categories; however emphasis should be more on consumers of nuclear family. We need to analyze their buying behavior individually in order to meet their needs perfectly. Those in joint families will definitely be more interested in buying goods in bulk, whereas those in nuclear family will like to buy loose items in small quantities. Thus to increase the footfall conversion rate, Reliance Stores must keep loose items as this was one of the greatest grievances of the consumers.

b) Frequency of visit of the customers

Out of the customers surveyed 50% of the customers visit the outlet very regularly, i.e. more than once in a week, some of them even every day. Thus we see that footfall is no problem however the conversion rate is. It is a general view that any person who is such a regular visitor of the store will definitely enter for vegetable items more often. Thus in order to increase the conversion rate, Reliance should improve the quality of the vegetables and make sure that the prices are competitive. We also see that 34% of the customers visit the stores once in a week, which suggests they are mostly busy people and they collect all the requirement once in a week and of course in bulk. Thus Reliance should increase assortment and avoid stock out conditions.

In order to know the factors that contribute to the profitability of the outlet, the questionnaire has been so designed to fit into the tool of factor analysis in SPSS. For the sake of factor analysis, data related to the following variables (V1, V2, V11) have been collected and the same have been analyzed in the later part of this section. However, as the pattern is same as that is done in previous section, the entire SPSS output sheets are not presented rather the relevant findings from the SPSS output sheet are presented in the later part.

V1. Visiting the outlet with friends or family

Entering a store with friends or family results in a higher footfall and thus may lead to higher sales figure. However, higher sales can be achieved only when there is a huge assortment for all.

The survey clearly reveals that more than fifty percent of the customers Strongly Agree that they prefer to enter the stores with their kin or pals. Thus Reliance Retail should have a better assortment of products to increase the footfall conversion rate.

V2. Stopover a Reliance Store only when something to purchase

The customers who may enter the store only when they have to purchase something are those who were targeted for this analysis. These customers add to the sales figure and thus the profit.

The survey clearly reveals that over eighty five percent of the customers enter Reliance Store only when they have to purchase something. Thus in order to further increase the sales the company should improve the assortment so that the Average Bill Value rises and thus the profit.

V3. Enter a store for window shopping and end up purchasing

Statistics clearly reveal that more than 70% of the consumers accept that they may enter a store for window shopping but end up purchasing their stuffs. This suggest that a large number of consumers entering the stores are potential customers and its only the matter of them finding the right object at right price and/or offers which may ignite their feel to buy the same. Thus to increase the conversion rate the company should focus more on discounts and promotions.

V4. Excellent services and the support provided by the staff at the outlet

The survey clearly reveals that most of the customers have rated the service and the support provided by the staffs as excellent, which is a good sign for the company. It clearly suggests that there are many customers who are attracted by the quality service they receive at the stores.

V5. Attraction of pretty good ambience

A good ambience in the stores ensures that customers can spend all the time they have, in the store to see the available products and choose the best according to them. However this also needs to have a good range of desirable products. The survey clearly reveals that most of the customers agree that they are attracted by the ambience of the stores. However, this can further be taken to the next level when all the customers may strongly agree to it.

V6. Drop into a reliance retail Store during hot summers to enjoy the A.C

Statistics reveal that 70% of the customers “Strongly disagree”, that they may enter into a Reliance Store just to enjoy A.C. during hot summers. This group includes service people or in other words busy people. We also find that around 22% of the consumers agree to the above statement. The consumers who agree to this statement are generally students. However, we should remember that these are only the people who agree mostly to the fact that “they enter for window shopping and end up buying things”. Thus keeping some products for these younger students may help to increase conversion rate largely.

V7. Recommending the outlet to near and dear ones

A fairly large percentage of customers agree that they advocate the Reliance Stores to their friends and relatives due to wide product range under one roof. This helps to increase the footfall. However we find that, out of this group people who “Agree” are much more than those who “Strongly agree”. This clearly indicates that the customers are not delighted by the product range available through the Reliance outlets. Thus steps should be taken to correct it.

V8. Attraction of excellent accessibility

The figures reveal that most of the customers enter a Reliance Store due to its accessibility. This is both good and bad for the company. It is good as this indicates that the company is having a pretty good network of stores. However, the survey shows that 56% of the consumers “strongly agree” and 26% “agree” to it. It may happen that if they find some other option anytime they can definitely switch over. Thus Reliance should take measures to retain their customers.

V9. Excellent pricing pattern

Statistics show that most of the people believe that pricing pattern in Reliance Retail stores is good. However, we also have a fairly good number of consumers, (nearly 28%), who are not satisfied with the prices. This is more often in case of vegetables. Thus, reliance should make sure that the prices in the stores are competitive, to increase the footfall conversion rate.

V10. Appealing discounts and offers

The survey clearly proves that most of the customers are attracted by the discounts and offer. Moreover this kind of promotions and offers act as pillar to differentiate with the near competitors as well as leads to the better performance of the stores. So, the stores need to focus more on various promotions and offers in order to increase the footfall conversion rate.

V11. Price discounts are preferred over other promotional tools

Various promotion and offers may be made available to the consumers; however, it should be ensured that right thing is given to the right customer at the right time. The survey clearly reveals that nearly 80% of the customers prefer price discount over other promotions. Thus the stores should provide price discounts to most of the customers to increase conversion rate.

Interpretations from the SPSS output

Correlation Matrix clearly reveals that questions are highly correlated to each other. SPSS extracted only one component which can be named as “Attractive features of the stores, products and consumer preferences”.

Variables with highest values in descending order:

1. V10: Discounts and offers
2. V9 : Prices
3. V3 : Product Range

Thus, we find that the most important factor that contributes to the footfall conversion rate is Discount and other Promotional offers, which should be prioritized.

The second most important factor is the price of the goods. Thus, the company should ensure that the prices of their products are competitive in order to increase the conversion rate. The third rank according to the analysis was given to the product range. Thus in order to increase the footfall conversion rate, the company should increase the assortment of the products.

4. Profit Analysis of Reliance Mart, Kanke Road

Data presented below are approximate figures for the month of April 2011.

Total Sales: Rs. 2 01 00 000.00
 Sales per day: Rs. 6 70 000.00
 Total Cost: Rs. 1 60 80 000.00
 Profit: Rs. 40 20 000.00
 Shrink: 0.4% of Sales => Rs. 80 000.00
 Dump: 4.5% of Sales => Rs. 9 00 000.00
 Net Profit = Profit – (Shrink + Dump)
 = Rs. 30 40 000.00

Average Bill Value: Rs. 650.00
 Total no. of tickets: 1030
 Footfall Conversion Rate: 55%
 Total Footfall per day= 1873
 Effect of 1% increase in Footfall Conversion Rate
 Total Footfall: 1873
 Footfall conversion rate: 56%
 Total no. of tickets: 1049
 Total Sales= Rs. 6, 81,850.00 (per day)
 Sales per month = Rs. 2 04 55 500.00
 Cost = Rs. 1 63 64 400.00
 Gross Profit: 40 91 100.00
 Net Profit = Profit – (Shrink + Dump)
 = Rs. 31 11 100.00
 Increase in Net Profit: 2.34%

Data Analysis

On the basis of a well-structured questionnaire administered on 50 customers who visited to the retail outlet, the following information has been obtained pertaining to the type of family the costumers belong and the frequency of their visit to the retail outlet.

a) **The Type of Family the Customers Belong**

The survey clearly reveals that 56% of the customers belong to the joint family and 44% of the total belongs to nuclear family. Thus stores should give importance to the buying needs of the customers belonging to both the categories. We need to analyze their buying behavior individually in order to meet their needs perfectly. Those in joint families will definitely be more interested in buying goods in bulk, whereas those in nuclear family will like to buy loose items in small quantities.

b) **Frequency of visit of the customers**

Out of the customers surveyed, 50% of the customers visit the outlet very regularly, i.e. more than once in a week, some of them even every day. Thus we see that footfall is not a problem however the conversion rate is. It is a general view that any person who is such a regular visitor of the store will definitely enter for vegetable items more often. Thus in order to increase the conversion rate, Reliance should improve the quality of the vegetables and make sure that the prices are competitive. We also see that 32% of the customers visit the stores once in a week, which suggests they are mostly busy people and they collect all the requirement once in a week and of course in bulk. Thus Reliance should increase assortment and avoid stock out conditions

In order to know the factors that contribute to the profitability of the outlet, the questionnaire has been so designed to fit into the tool of factor analysis in SPSS. For the sake of factor analysis, data related to the following variables (V1, V2, V11) have been collected and the same have been analyzed in the later part of this section. However, the findings relevant for the analysis have been extracted from the SPSS output sheets and are presented in the later part.

V1. Visiting the outlet with friends or family

Entering a store with friends or family results in a higher footfall and thus may lead to higher sales figure. However, higher sales can be achieved only when there is a huge assortment for all.

The survey clearly reveals that more than forty percent of the customers Strongly Agree that they prefer to enter the stores with their kin or pals. Thus Reliance Retail should have a better assortment of products to increase the footfall conversion rate.

V2. Stopover a reliance store only when something to purchase

The customers who may enter the store only when they have to purchase something are those who were targeted for this analysis. These customers add to the sales figure and thus the profit.

The survey clearly reveals that forty percent of the customers disagree to enter Reliance Store only when they have to purchase something. Thus in order to further increase the sales the company should improve the assortment and increase promotional offers so that customers may be attracted to buy an unplanned product and add to the Average Bill Value and thus the profit.

V3. Enter a store for window shopping and end up purchasing

Statistics clearly reveal that more than 60% of the consumers accept that they may enter a store for window shopping but end up purchasing their stuffs. This suggest that a large number of consumers entering the stores are potential customers and its only the matter of them finding the right object at right price and/or offers which may ignite their feel to buy the same. Thus to increase the conversion rate the company should focus more on discounts and promotions.

V4. Excellent services and the support provided by the staff at the outlet

The survey clearly reveals that most of the customers have rated the service and the support provided by the staffs as excellent, which is a good sign for the company. It clearly suggests that there are many customers who are attracted by the quality service they receive at the stores.

V5. Attraction of pretty good ambience

A good ambience in the stores ensures that customers can spend all the time they have, in the store to see the available products and choose the best according to them. However this also needs to have a good range of desirable products. The survey clearly reveals that most of the customers strongly agree that they are attracted by the ambience of the stores.

V6. Drop into a reliance retail store during hot summers to enjoy the A.C

Statistics reveal that 58% of the customers “Strongly agree”, that they may enter into a Reliance Store just to enjoy A.C. during hot summers. These consumers are generally students. However, we should remember that these are only the people who agree mostly to the fact that “they enter for window shopping and end up buying things”. Thus keeping some products for these younger students may help to increase conversion rate largely.

V7. Recommending the outlet to near and dear ones

A fairly large percentage of customers agree that they advocate the Reliance Stores to their friends and relatives due to wide product range under one roof. This helps to increase the footfall. However we find

that, out of this group people who “Agree” are much more than those who “Strongly agree”. This clearly indicates that the customers are not delighted by the product range available through the Reliance outlets. Thus steps should be taken to correct it. Moreover, we also see that a fairly good number of people disagree to it, which clearly suggests that people are not satisfied by the assortment of the product.

V8. Attraction of excellent accessibility

The figures reveal that most of the customers enter a Reliance Store due to its accessibility. This is both good and bad for the company. It is good as this indicates that the company is having a pretty good network of stores. However, the survey shows that 40% of the consumers “strongly agree” and 24% “agree” to it. It may happen that if they find some other option anytime they can definitely switch over. Thus Reliance should take measures to retain their customers.

V9. Excellent pricing pattern

Statistics show that most of the people believe that pricing pattern in Reliance Retail stores is good. However, we also have a fairly good number of consumers, (nearly 24%), who are not satisfied with the prices whereas. This is more often in case of vegetables. Thus, reliance should make sure that the prices in the stores are competitive, to increase the footfall conversion rate.

V10. Appealing discounts and offers

The survey clearly proves that most of the customers are attracted by the discounts and offer. Moreover this kind of promotions and offers act as pillar to differentiate with the near competitors as well as leads to the better performance of the stores. So, the stores need to focus more on various promotions and offers in order to increase the footfall conversion rate.

V11. Price discounts are preferred over other promotional tools

Various promotion and offers may be made available to the consumers; however, it should be ensured that right thing is given to the right customer at the right time.

The survey clearly reveals that nearly 80% of the customers prefer price discount over other promotions. Thus the stores should provide price discounts to most of the customers to increase conversion rate.

Interpretations from the SPSS output

SPSS clearly divides the variables into 4 factors namely:

- Customers motive behind entering the Reliance Stores.
- Attraction for the customers in the stores.
- Ambience of the stores.
- Price and Product Range.

Variable with the highest value:

Factor 1: V11 (Discounts & Offers)

Factor 2: V5 (Ambience)

Factor 3: V9 (Prices)

Factor 4: V2 (Product Range)

Thus, we find that the most important factor that contributes to the footfall conversion rate is Discount and other Promotional offers, which should be prioritized. The second factor that is having a lesser weight age but still affects the conversion rate is the ambience of the store. If the ambience of the store is good then a customer can spend all the time that he/she has in selecting the best available alternative for their good selves. The next most important factor is the price of the goods. Thus, the company should ensure that the prices of their products are competitive in order to increase the conversion rate. The third rank according to the analysis was given to the product range. Thus in order to increase the footfall conversion rate, the company should increase the assortment of the products.

Findings

On the basis of the Factor Analysis Output for the Reliance Retail Value Stores of Ranchi, following findings have been obtained.

- Most of the customers like to visit the Reliance stores with their friends or family.
- Customers feel that the discounts and other promotional offers are not at par with the other competitors.
- Reliance Fresh is mainly visited by the modern middle class families who emphasize equally on the quality and price of the products of everyday requirements.
- Parking place is not sufficient in most of the Reliance Fresh Stores.
- Customers require better product assortment.
- Customers like the ambience of the Reliance Stores.
- The quality and prices of the Perishable items (fruits and vegetables) are not competitive.
- The services offered by the staff are rated to be good by the customers.
- Most of the customers prefer price discounts over other promotional offers.

5. DISCUSSION AND CONCLUSION

Looking at the current market emergence and scenario a bright future waits to give Reliance Retail a warm hug. Amelioration of Reliance Fresh Store would also help the Reliance Retail to bask in the glory of success. Zenith of achievement has always been the permanent resort of Reliance Retail Ltd. There are very few loopholes which can only be perceived with a magnifying glass, however they require immediate attention. Think tank of Reliance Retail plan to play on the heart string of the customers like virtuoso. Customers are the hearts' blood of prospects and growth. The exigency is not only to satisfy the customer but also to make them delighted. Delight will only be able to rein the minds of the customers when the product price, quality, service etc. surpasses the customer expectations. Loyal customers' satisfaction and 'word of mouth' has always been the source of sustenance and pillar of success for Reliance Retail Ltd. The nurture and nourishment of this strong bond of relationship would help Reliance Retail to earn immense fame and reputation. Thus Reliance Retail would stand unparallel, peerless and immaculate stalwart in the domain of retail and its competitors would like to follow its footsteps as its identity would be the hallmark of the wondrous appreciation of its customers.

6. RECOMMENDATIONS AND IMPLEMENTATIONS

Findings generated from the analysis done in previous sections insist us to recommend the following for the sake of maintaining and upgrading the profitability of Reliance Retail Value Stores in Ranchi.

Expansion of assortment of the product

The survey clearly shows that many customers feel that Reliance Stores should have a better assortment of products. The ever changing and ever rising demands of the customers are unavoidable and hence product range should be enlarged.

Effective grievance handling

Accumulation of grievances in the minds of the customers leaves a negative impact on the fame of the store. “Word of mouth” has become the ‘elan-vital’ for Reliance Retail Stores. The customers themselves act as best advertisement and their word of mouth is the best publicity of the store. Thus a special unit is needed to always be on their tip of the toes to deliver the best possible sincere service to eradicate the grievances from their roots forever.

Increase the discounts and other promotional offers

Most of the customers clearly suggested that the near competitors of Reliance viz. Big Bazaar was one step ahead of it in respect of discounts and other promotional offers. In order to gain an advantage over others and also to increase the footfall conversion rate, Reliance should increase the discounts and other promotional offers.

An effective waiting line management

Point of Sale is a major cause of discomfort to the consumers. The survey clearly revealed that customers desired a much better service at the billing counters. Events of customers leaving the store without buying anything due to a long queue and ineffective service are the issues which should be taken in to account as efficiently as possible.

Adequate maintenance of product range to avoid stock out conditions

The survey clearly reveals that both the joint and the nuclear families constitute an equal share of the customer base. Joint families on one hand have large number of members in the family and thus require products in large quantities. Thus a wider assortment of products is necessary to satisfy them. On the other hand nuclear families have a comparatively lesser number of members and thus have a completely different buying nature. In order to adhere to the needs and wants of both, sufficient stock of products is required at all the time.

Quality and price of the perishable items (fruits and vegetables)

One of the major grievances of the customers was related to the quality and also the price of the Fruits and Vegetables. The complaint revolved around them not being fresh and the prices being much higher than the market. Thus

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