A Comparative Study of Demand Chain Management (DCM) Practices in Indian Retail Sector

Ashutosh Mohan,
Institute of Management Studies, Banaras Hindu University, Varanasi, India

1. Introduction

The word retail is derived from the word retailleur which means to cut off a piece or to break bulk. So, a retailer may be defined as, a dealer or trader who sells goods in small quantities. Retailing includes all the activities involved on selling goods or services to the final consumer for personal or non-business use. Dune (2008), defined retailing as the final activities and steps needed to place a product made elsewhere into the hands of the consumer or to provide services to the consumers. In fact, retailing is actually the last step in supply chain that may stretch from Europe or Australia to our home town. Therefore, any firm that sells a product or provides services is performing the retailing function. Regardless of whether the firm sells to consumer in a store, through the mail, over the telephone, through the internet, door to door or through a vending machine, the firm is involved in retailing.

The entire concept of DCM is relatively newer and suggests a different point of view for analyzing the chains. It stems from Porter’s Value Chain concept and along with Supply Chain Management (SCM) concept. Although, the DCM and SCM are highly uncombed concepts. It can be easily affirmed that the concept of DCM is not just another word coined, but in totality, posits a distinctive orientation that emphasizes on customer centricity by ensuring better inter-functional coordination between supply chain and marketing. In this way, business becomes demand and/or customer led. The concept of demand chain evolved from basic distribution function of marketing and also relates the strategic aspects of the value chain to some operational aspects of logistics.

The Indian retail sector, as it has developed over centuries, is very different from that of the developed countries. In the developed countries, products and services normally reach consumers from the manufacturer/producers through two different channels: (a) via independent retailers (b) directly from the producer. In the latter case, the producers establish their own chains of retail outlets, or develop franchises. However, the above two modes of operation are not very common in India as less than five per cent of the retail transactions are done in the organized sector. The second mode is found in a few national firms and some subsidiaries of global firms. Indian wholesale trade too is not organized. The micro, small and medium enterprises dominate the Indian retail scene. The trading sector is highly fragmented, with a large number of intermediaries. So also, wholesale trade in India is marked by the presence of thousands of small commission agents, stockists and distributors who operate at a strictly local level. Apart from these, in many cases small producers such as artisans and farmers sell their goods directly to end consumers. The existence of thousands of such individual producer-cum-sellers is an example of ‘vertical integration’ as it is found in the Indian retail sector. There is no ‘barrier to entry’, given the structure and scale of these operations.

There has been a lack of investment in the supply chain of the retailer, leading to an inefficient market mechanism. Though India is the second largest producer of fruits and vegetables (more than 180 million MT), it has a very limited integrated cold-chain infrastructure, with approximately 5386 stand-alone cold storages, having a total capacity of around 23.6 million MT. out of which nearly 80% of this is used only for potatoes. The chain is highly fragmented. Storage infrastructure is necessary for carrying over the produce from production periods to the rest of the year and to prevent distress sales. Lack of adequate storage facilities and inappropriate transportation network causes heavy losses to different members of chain in terms of wastage in quality and quantity of produce. It clearly shows the importance of demand chain management in Indian retailing. The DCM may work wonders for different retailers whether organized or unorganized. The present research paper aimed at the same point where the importance of DCM is analyzed not only for organized retailers but also for
unorganized retailers. Besides that, the DCM effect is also checked through the eyes of customers in terms of benefits realized by them.

Indian Retail Economy: India is known as the ‘Nation of Shops’. After agriculture, retailing is the second largest employer in India. Approximately, over 12 million shops exist in various parts of the country. By and large, these shops are totally unorganized, independent and owned – self managed outlets. Presence of unorganized retailing is highly prominent in small towns and cities with main presence of neighbourhood ‘Kirana’ stores, push cart vendors, ‘melas’ and ‘mandis’. Organized formats are at nascent stage or rather evolving themselves. As per the market research report (PwC Report, 2015 and KPMG, 2014), the retail market in India grew at a CAGR of 12.47 percent during the period 2007–2012 and is expected to grow at a rate of 13.23 percent from 2012 to 2018. This high growth trajectory is explicitly visible when the organized retail penetration is mere 2-3 percent (Deloitte, 2013) and infrastructural bottlenecks such as supply chain inefficiencies and poor connectivity with few high potential sub-urban and rural areas. Yet, there is no dearth of potential as revealed by AT Kearney, the well-known international management consultancy, it recently identified India as the ‘second most attractive retail destination’ globally from among thirty emerging markets. Having seen such prospects Government of India (GOI) has recently permitted infusion of FDI up to 51 % in multi-brand retailing and 100 % in single brand retailing.

The Indian retail is transforming rapidly to introduce a new face of retailing. The fastest growth showing industry in last few years is the organized retail. Though, till now it is not recognized as the industry by the Indian government. The Indian retailing has mostly strengthened its position in the last few years, while growing with the economy and making it more robust to face challenges. In the spectrum of total retail business, the major percentage 59.5% has occupied by food and grocery retail, followed by clothing and accessories with 9.9%. The third largest category is out of home food services which captured the 5.4% percentage.

2. Conceptual Understanding through Literature Related with Demand Chain Management

Supply Chain Management (SCM) has drawn increasing attention of the researchers since the last two decades in view of its great potential in improving the performance of an organization in respect of productivity, efficiency, responsiveness and other relevant parameters. Now the performance of an organization is no longer viewed in isolation in fierce competitive business environment, rather the same is considered and evaluated from the perspective of the whole supply chain right from the upstream suppliers to the downstream customers. The increasingly flattening world is constantly evolving and impacting the way companies do their businesses. Supply Chains have become global, complex and dynamic. The success of a company depends on developing innovative supply chain strategies that help the company to win, in turns, and make money from information while driving continuous improvement. SCM practice enables world's leading organizations to re-align their supply chains to the flat world paradigm by providing functioning solutions for company needs in supply & demand planning and forecasting, sourcing & procurement, supply chain execution and enterprise asset management. Now-a-days, many organizations become a part of at least one supply chain. They have to perform equally well, in order to achieve better performance. It also requires elimination of interfacing between many techniques across applications and individual departments. The supply chain is the flow of information, fund and material through a manufacturing company, from the supplier to the customer.

The objective of SCM is to maximize the competitiveness and profitability for the retailer, as also for the whole network, including the end customers. The supply chain management framework in retailing has three key nodes as:

- Supply chain network structure
- Supply chain business process
- Supply chain management components

The implementation of supply chain management involves identifying the supply chain members, the processes that need to be linked with each of these key supply chain members, the processes that need
to be linked with each of these key supply chain members and the type or level of integration that applies to each process link. Efficient SCM requires a developed network of transportation and communication infrastructure besides the competence of retailers. Retail supply chain management involves various activities related to sourcing, storing and transportation etc.

At the same time, the modern perspective separated the distribution into two distinct sets of activities called demand creation and demand fulfillment. In other words, it could also be termed as physical distribution and marketing. Some studies pinpointed that the distribution part of the four Ps of marketing covers supply chain aspect (Bodron, 1965; McCarthy, 1964, and Bucklin 1966). The distances between the concepts of the same origin increased over a period of time. This might be due to independent endeavor to develop efficiency and effectiveness. However, recent studies showing the reunion of these in the DCM concept which some studies (Hilletofth & Hilmola, 2008 and Juttner et al., 2007) referred to as DSCM (Demand- Supply Chain Management).

In recent years, the notion of DCM has emerged as another means of looking at chain activities (Ericsson, 2011b). Despite the fact that DCM is a relatively new concept, it has already been defined in many different ways. A distinction may be made between two views of DCM, one broader and other narrower. In a broader sense, Selen & Soliman (2002) have defined DCM as “a set of practices aimed at managing and coordinating the whole demand chain, starting from the end customer and working backward to the raw material supplier.” It requires turning the supply chain on its head and taking the consumer as the starting point rather than its final destination. The view of the consumer as an integral part of the chain is perhaps the most important issue in the shift from SCM to DCM. This definition seems to have its base in what Holmstrom et al. (2001) defined “the concept of the customer’s demand chain, which transfers demand from markets to suppliers, is significantly less familiar.” Another study (Heikkilä, 2002) defines in similar line “a chain starting with the specific customer needs and designing the chain to satisfy these needs instead of starting with the supplier or manufacturer and working forward.”

Some early works claimed that DCM is an integrative function that involves the synergistic aspects of marketing and supply chain. Of all the definitions proposed, the most comprehensive definition was proposed by Madhani (2015) through conceptual modelling whereas Santos and D’Antone (2014) took a two-pronged approach in defining DCM i.e., SCM and Strategy which is a new dimension added so far. Taking an alignment of SCM and marketing in cognizance, Gaudenzi & Christopher(2016) presents a balanced view in their definition.

There are no doubts that demand chain management practices provide the differential advantage means a competitive advantage that customer perceives as creating superior value with respect to competition. Precisely, the perspective towards the advantage makes the difference between the two, i.e., when firm’s perspective is dominant in describing a phenomenon, it may be referred to as competitive advantage whereas when customer’s perspective gets diligence it may be called a differential advantage. In the present research, the DCM is more concerned with end-customer.

Heikkila J. (2002) tried to find out the answer of the question - How do companies in the fast-growing industries achieve good customer satisfaction together with efficiency in supply chain management (SCM)? Good relationship between the customer and the supplier contributes to reliable information flows, and reliable demand information flows in turn contribute to high efficiency. Understanding the customer’s situation and need together with the right offering contributed to good co-operation in improving the joint demand chain, which further leads to superior demand chain efficiency and high customer satisfaction. In the same research study, the demand chain model with five propositions was proposed by the researcher serves a good starting point to understand the nitty – gritty of demand chain management.

3. Research Methodology

There are hectic activities are going on in the sector in terms of expansion, entry of international brands and retailers as well as focus on technology, operations, customer centric processes etc. Indian
consumers are rapidly evolving and accepting modern retail formats overwhelmingly while traditional markets are fast losing their shine. The research study revolved around few basic questions such as:

- What are the various differentiating factors between organized and unorganized retailers related with demand chain management practices?
- How do customers differentiate between organized and unorganized retailers on demand chain management practices while making their purchase decisions?

The study has been carried out with following hypotheses:

H1: There are significant differences between organized and unorganized retailers on various demand chain management practices.

H2: There are significant differences in perception of customer related with organized and unorganized retailers’ demand chain management practices.

The present study employed descriptive cum analytical research in the form of a survey undertaken to quantify the importance of the different demand chain management practices and relative customers’ perceptual differences.

3.1 Sample Design

Based on the deliberations with experts, the two main criteria for selecting the retailers were identified as

*Coverage based on Product Category:*

The present study covered the following categories of retailers as:

- Food and grocers, which were present at every nook and corner of India
- Textiles and clothing, which were usually departmental stores and
- White goods or electronic appliances store

*Coverage based on Geography:*

The Indian retail universe is very vast, widespread and diverse. Selection of national representative sample would involve a very large budget and time. Therefore, it was decided that the study should concentrate in Uttar Pradesh and adjoining areas to be precise Delhi and NCR.

Unorganized retailers also known as Mom-n-pop store were affected by the expansion of organized retailers’ catchment area. A catchment area was defined as the area from where the organized outlet was expected to draw its customers. By using the standard industry norms, the catchment area for different types and formats of organized outlets was defined as follows:

<table>
<thead>
<tr>
<th>Type of Store</th>
<th>Catchment Area (in Kms.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount Store</td>
<td>One</td>
</tr>
<tr>
<td>Supermarkets</td>
<td>One</td>
</tr>
<tr>
<td>Hypermarkets</td>
<td>Ten</td>
</tr>
<tr>
<td>Department Stores</td>
<td>Ten</td>
</tr>
</tbody>
</table>

From the catchment area of each organized retail outlet, five unorganized outlets were selected for data collection purpose. For selecting the requisite number of unorganized retailers, a list of retailers was generated in the catchment area of each organized retailer. It was done in consultation with key informants and knowledgeable retailers in the area and the requisite sample unit was drawn from the list while following the systematic random sampling as well as snowball sampling technique. The total unorganized retailers selected under sample plan were 300.

*Sample Design for Customers:*

As the customers are major stakeholders for any kind of retailing. To access the impact of organized retail network on customers, exit interviews were conducted so as to get the first hand information from every selected organized retail outlets. Similarly, the customer survey of the unorganized retailers’ outlet was conducted. Customers were selected randomly at the exit route of retail outlets.
For every sampled retail outlet at least six customers were selected so as to ensure at least three positive and complete responses of the customers. The total size of customer sample was 1000.

4. Data Analysis & Interpretation

Data obtained through the questionnaire was subjected to Cronbach’s Alpha technique to check the reliability of used scales in the question. The reliability test data for scale used in the questionnaire, Cronbach’s Alpha value for standardized items came out to be 0.745, which is much higher than the acceptable value of 0.6. It clearly indicates that the agreement continuum was quite reliable for the research.

4.1. ANOVA Test for Retailers Questionnaire

To check the difference in opinion of responses between organized and unorganized retailers, ANOVA test was performed for the different questionnaire statements related with DCM. Testing was done at a significance level of 0.05.

- The statement ‘Real time information sharing with wholesaler/distributor enables material and money flow of demand chain’, the F value of corresponding statement was .361 and p-value was 0.548 which was more than 0.05. Hence, no significant difference was identified between organized and local retailers. Further, the grand mean values of 4.29 indicated that the by and large both type of retailers were agreeing on the statement.

- For the statement ‘Capture of critical data elements’ (F = 91.497; p = .00), organized retailers showed their agreement to catch the critical data elements (Mean = 4.23) whereas unorganized retailers showed somewhat a stage of dilemma (Mean = 3.11).

- For the statement ‘My firm relies on a few dependable suppliers’ (F = 118.64; p = .00), organized retailers were fully agreeing for the same (Mean = 4.42) but on the other hand unorganized retailers rejected the idea (Mean = 2.42). The wide difference in opinion is possible due to size difference between organized and unorganized retailers, where organized retailers can opt for centralized procurement from few dependable suppliers.

- For the statement ‘My firm considers quality as number one criterion in selecting suppliers’ (F = 6.38; p = .012), nearly both categories of retailers showed high degree of agreement for the statement (Grand Mean = 4.26).

- For the statement ‘Risk and reward sharing plays a pivotal role for strengthening the supplier relationship’ (F = 22.35; p = .00), the significant difference was reflected in the opinions of the two category of retailers. The organized retailers showed relatively higher level of acceptance for the statement (Mean = 4.38) in comparison to unorganized retailers (Mean = 3.70).

- For the statement, ‘My firm prefers to purchase product in economic lot size that minimizes the Ordering costs’ (F = 21.75; p = .00), the significant difference was reflected in the opinions of the two category of retailers. The organized retailers showed relatively higher level of acceptance for the statement (Mean = 4.37) in comparison to unorganized retailers (Mean = 3.62). It happened because organized retailers can have centralized purchasing and follow EOQ policy.

- For the statement, ‘My firm tries to reduce the level of safety inventory required to save cost’ (F = 31.43; p = .00), organized retailers were striving for the same (Mean = 3.60) whereas unorganized retailers refused the idea (Mean = 2.69).

- For the statement, ‘My firm prefers customized product delivery system’ (F = .058; p = .810), there was no significant difference was identified between two category of retailers. Further, the grand mean values of 3.78 indicated that the both category of retailers were showing agreement for the statement.

- For the statement, ‘Customer satisfaction level is frequently measured and evaluated by my firm’ (F = 19.69; p = .00), organized retailers were showing highest level of agreement (Mean = 4.38) and local retailers showed relatively low level of agreement (Mean = 3.76).
For the statement, ‘My firm regularly determines future customer expectations’ (F = 1.044; p = .308), there was no significant difference was identified between two category of retailers. Further, the grand mean values of 4.31 indicated that the both category of retailers were showing high level of agreement.

For the statement, ‘My firm orientation is on customer retention rather than on single transaction (F = 30.57; p = .00)’, the significant difference was present between organized and local retailers and surprisingly the local retailers overshadowed the organized retailers in making efforts to retain the customers (Mean = 4.78)

For the statement ‘My firm emphasizes on quality and service levels preferably defined by customers’ (F = 2.13; p = .145), there was no significant difference was identified among responses of two categories. Further, the grand mean values of 4.16 indicated that the all retailers across the category were nearly fully agreed for customer retention.

For the statement ‘My firm provides platform to receive complains & feedback from customers’ (F = 9.73; p = .002), organized retailers showed highest level of agreement (Mean = 4.40) in comparison to local retailers (Mean = 4.00).

For the statement ‘Availability of product is an important criterion to satisfy the customers’ (F = 17.94; p = .00), the significant difference was reflected in the opinions of the different category of retailers. All categories of retailers showed high level of agreement (Grand mean = 4.60) for the statement because no one can afford to lose customer due to unavailability of product.

For the statement, ‘Right time delivery of product is a crucial aspect of managing customer relationships’ (F = 44.56; p = .00), the significant difference was reflected in the opinions of the different category of retailers. All categories of retailers showed high level of agreement (Grand mean = 4.51) for the statement because abiding to promise is an essential condition to build the relationships.

For the statement, ‘Product should be placed in such a way so that customers can easily access the product in a store’ (F = 69.67; p = .00), significant difference was evident among the responses. The one of the charm for organized retailers lies in better display and facility to handpick the items, that is why, organized retailers showed full agreement for the statement (Mean = 4.90) in comparison to local retailers (Mean = 3.90)

For the statement, ‘Premium quality products with comparative value addition from other retailers attract customer towards store’ (F = 34.33; p = .00), organized retailers have high level of agreement for the same (Mean = 4.76).

For the statement, ‘Price of products play important role in customer retention’ (F = 10.07; p = .002), organized retailers have high level of agreement for the same (Mean = 4.48) in comparison to local retailers (Mean = 4.09).

For the statement, ‘Customer footfalls can be increased by short term discounts, sales offers etc.’ (F = 15.57; p = .00), organized retailers have high level of agreement for the same (Mean = 4.57) in comparison to local retailers (Mean = 4.07).

For the statement, ‘Store’s ambience is a promotional tool for my firm’ (F = 39.31; p = .00), organized retailers showed very high level of agreement (Mean = 4.47) in comparison to local retailers (Mean = 3.20). Due to space crunch it was not possible for local retailers to match the ambience with the organized retailers.

For the statement ‘Behaviour of front line employees play, important role in customer retention’ (F = 60.49; p = .00), organized retailers showed very high level of agreement (Mean = 4.63) in comparison to local retailers (Mean = 3.52).

For the statement ‘Customer preference functions’ (F = 43.52; p = .00), the significant difference was reflected in the opinions of the two category of retailers. Both category of retailers showed high level of agreement (Grand mean = 4.37) for the statement because no one can afford to ignore the customer preferences.

For the statement, ‘Customer Acquisition & Retention Practices’ (F = 2.56; p = .11), there was no significant difference was identified among responses of two categories. Further, the grand mean values of 4.28 indicated that the all retailers across the category were nearly fully agreed for...
customer retention because attracting new customers and retention of older ones are increasingly become necessity for all categories of retailers.

There were 23 common DCM practices between organized retailer’s and local retailer’s questionnaire. The significant difference of opinions was identified between organized and local retailers on 18 DCM practices out of total 23. For remaining five practices both category of responses were identical. Thus, the alternate hypothesis has been accepted for 18 DCM practices common to organized as well as local retailers and alternate hypothesis has been rejected for remaining five common practices.

4.2. Paired Samples T- Test for Customers’ Questionnaire

Paired Samples T- Test was carried out to check the difference of opinion for organized and local / unorganized retailers’ DCM practices. Testing was done at a significance level of 0.05. The mean values have been used to know the preferences of customers for organized and local retailers.

For the ‘Product Related Parameters’, it was evident from the test that customers had difference in preference for organized and local retailers (t = 41.403, p = 0.000 < 0.05). Further the mean value for organized retailers (4.29) was higher than the mean value of local retailers (3.27), which clearly indicated that the organized retailers were preferred over local retailers. Customers’ had a positive preference for organized retailers in comparison to local retailers.

For the ‘Price Related Parameters’, it was evident from the test that customers had difference in preference for organized and local retailers (t = 15.760, p = 0.000 < 0.05). Further the mean value for organized retailers (3.85) was higher than the mean value of local retailers (3.17), which clearly indicated that the organized retailers were preferred over local retailers. Customers’ had a positive preference for organized retailers in comparison to local retailers.

For the ‘Outlet Related Parameters’, it was evident from the test that customers had difference in preference for organized and local retailers (t = 57.518, p = 0.000 < 0.05). Further the mean value for organized retailers (4.26) was higher than the mean value of local retailers (2.74), which clearly indicated that the organized retailers were preferred over local retailers. It seems to be true because organized retailers have better ambience, parking facilities, attractive display, freedom of choosing product etc.

For the ‘Location Related Parameters’, it was evident from the test that customers had difference in preference for organized and local retailers (t = 8.668, p = 0.000 < 0.05). Further the mean value for organized retailers (3.34) was lower than the mean value of local retailers (3.70), which clearly indicated that the local retailers were preferred over organized retailers. It seems to be true because local retailers provide ease of access as nearby mom-&-pop store.

There were four broad categorization of DCM practices in customer’s questionnaire such as Product related parameters, price related, outlet related and location (convenience) related parameters. The significant differences were identified in preferences for organized and local retailers in the eyes of customers. On three parameters, organized retailers were having edge over the local counterparts but on one parameter as Location, the local retailers gained advantage over the organized retailers. Thus, the alternate hypothesis has been accepted for all four parameters.

5. Discussions

There were six questions where no difference was identified between local and organized retailers such as real time information sharing with back end partners; determination of future customer expectations; quality and service level defined by customers; and practices to increase customer retention and footfall. For the four DCM practices both category retailers agreed for adoption because it becomes mandatory for all retailers to treat customers as king and to promote retention of customers. For next two questions such as reduction in level of the safety inventory and customized product
delivery system, no difference between organized and local retailers was identified but the agreement for these practices were relatively low.

Local retailers showed disagreement for following DCM practices such as Capture of critical data; reliance on few dependable suppliers and behavior of front line employees because they lacked the expertise and resources to opt for. Further, for some practices such as orientation for customer retention than single transaction; availability and right time delivery of product, they showed full agreement because now-a-days, it becomes necessity to ensure availability.

Organized retailers, in general, showed relatively higher level of agreement for various DCM practices. For the practices such as right time delivery and availability of product, organized retailers showed total agreement. The practices such as easy accessibility, premium quality product availability and value pricing were again agreed by the organized retailers. Ensuring the availability of premium quality products is possible only by organized retailers because they have wide access of suppliers throughout the globe. Similarly, by eliminating the role of intermediaries and purchasing in bulk through centralized purchasing, they can offer best possible value price to their customers. Easy accessibility of product by the customers at the retail outlet is again possible by organized retailers because they usually have large size stores in comparison to local counterparts. Finally, organized retailers were also agreeing on customer preference functions such as proper location, parking facilities, ambience, quick billing, plastic money transaction facilities and free gifts.

As concern to customers’ questionnaire, there were 27 questions under five sub-headings as product, price, outlet, location and others. Paired sample t-test was performed to check the difference in customers’ preference for local as well as organized retailers.

The result of paired sample t-test clearly indicated there were significant differences between customers’ preference for organized and local retailers on different shopping parameters. For product related shopping parameters such as availability of wide product range, choice of more brands, pack size and variants, fresh / new stock and quality product availability, customers treated the organized retailers only slightly better than the local retailers. It means local retailers are also offering wide array of products to their customers, while ensuring the quality and availability.

Surprisingly, local retailers performed much better than the organized retailers on several customer oriented practices in the eyes of the customers. Customers considered local retailers were providing more lucrative credit facility than the organized ones. Similarly, customers evaluated location related parameters such as closer to house and easy to access preferable for local retailers over organized retailers. Further, local retailers gained significant edge over organized retailers for personal recognition factors and goodwill of the shop or shop-owners. As it is clear that customers visits the nearby local retailers more frequently, the chances of building and nurturing a one-to-one relationship is much higher than organized retailers.

Organized retailers gained clear edge over the local retailers in the eyes of customers on following parameters as promotional schemes, freedom of choice, better parking facility, attractive display, cool ambience, variety of payment modes, family shopping experience, entertainment and air conditioning facility. Most importantly, customers accepted the price advantage of organized retailers over the local ones but the extent of price difference was not significant. It means that customers perceive that their nearby local retailers are also having value price offers.

6. Conclusions and Recommendations

Some of the unorganized retailers’ DCM practices related recommendations are as follows:

- Availability and quality are two basic elements required to be ensured by the retailers to win the competition. That is why efficient and responsive supply chain management is an essential requirement of any retailer.
- Customers’ preferences and future demand status can be accessed only if unorganized retailers are having complete information about them.
Similar to organized retailers, unorganized retailers should also have good stock control systems, where there are simple re-order systems to ensure that stock-outs are avoided on both Fast-seller and Basic Demand lines categories.

It becomes utmost important for unorganized retailers to select the suppliers solely on product quality parameters, even if, they have to opt for large supply base in comparison to organized retailers.

In the most dynamic business environment, building relationship with customers is the only option for unorganized retailers to retain their customers.

One of the major attractions of unorganized retailer is to offer credit facilities to their customers but it also requires a proper recordkeeping. That is why, unorganized retailers should have at least one computer terminal with printer and locally designed Tally based software or Windows Office at least.

Another very vital element of unorganized retailers’ service strategy is home delivery facilities. In fact, every local retailer needs to ensure the proper and timely home delivery service.

Some of the recommendations for healthy co-existence of organized and unorganized retailers in India are as follows:

- Apart from FDI restrictions countries have imposed several regulations that can vary across regions within the same country. Zoning is often a part of urban planning, but it may restrict the location of organized retailers and/or shopping malls.
- The Government of India needs to formulate a three pronged strategy so as to a) improve operational efficiencies by forming collaborative business alliances among the key players in the value chain, b) foster differentiated strategies to move beyond traditional retailing and price competition towards product innovations and marketing and c) minimize rules and regulations to reduce business costs.
- Indian government needs to facilitate the up gradation of the skill sets of the traditional Unorganized retailers by providing training on various management dimensions such as customer handling functions, procurement and overall service marketing philosophy.

Since the retailing story is just unfolding in India, but then the art of successful policymaking is minimizing the negative impact and, if possible, compensating the losers, while maximizing the gains for majority of stakeholders and even taxing them marginally to generate resources to compensate the losers or assist them in acquiring other jobs or opening other businesses. Successful implementation of DCM practices ensure the not only the competitive advantages but also the successful coexistence of organized and unorganized retailers.

REFERENCES


