

# A case study on brand factory marketing essay



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Retail Business has in recent times catapulted itself into the top growing industry in India. Today in most cities one can see these Retail Business giants penetrating even into lanes and by lanes. There many bigwigs who have made a successful foray into this market. This market is contributing a huge 10 per cent to the GDP of our country. In terms of providing employment, retailing in India stands at about eight per cent and is winding its way to become the next boom in the industry.

The current scenario in the retail sector in India is projecting wide expanse in sizes and shapes metamorphosing into shopping complexes, malls, huge complexes nick named multiplexes offer shopping bonanza, entertainment galore and wide food spread; all in one court that was hitherto known only in advance economic countries. The world of shopping has undergone a sea-change in terms of layout and consumer behavioral pattern, bringing in a welcoming an almost rebellious shopping in India. Gone are the days when you interacted with the typical street corner grocery shop-keeper across the counter. You now have the liberty to see, touch, feel and compare the wider range of products and make selection of your choice. This has created a new activity for the family shopping under one- roof and coming back satisfied apart from the sojourn contributing to enjoyment to some extent. The advent of Retail Business has cascaded other businesses such as the real estate. The requirement of vastness of infrastructure for the Retail business has indirectly catapulted business of Real estate, resulting in unimaginable scale of investments. The real estate sector saw a massive domestic and International operators flushing finance in the development of the infrastructure and buildings to cater to the needs of the Retail business.

The driving force contributing to the growth of the Retail business in India is several. They are-

[1] Underdeveloped Retail business limited to a few businessmen bringing the concept of the west to India

[2] Drop in real estate prices

[3] Sudden improvement of spending power in the hands of the consumer especially in the Middle Income group

[4] A gradual shift of several luxury products becoming products for minimal comfort due to living standard of living and habits.

The tremendous increase in the youth segment of our ever increasing population, bringing in the much wanted changes and fresh outlook in life is a major factor. The advent of IT industry ushered in much higher home take income which could not be dreamt by even the parents of the youth whose purchase power took a quantum leap. The breaking up of Joint families into nuclear ones in the cities and towns, increasing new trend of the women taking up to working alongside men led to the raising of tremendous opportunities in the services and retail sectors.

These are some of the prime contributory cause leading to growth of an organized retail sector in India. Retail business in India currently prides itself in promoting almost all personal preferences in life. To name some of them -

Clothing and Textiles especially apparels & accessories

Consumer appliance

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Electronics gadgets, Cosmetics and Toiletries

Products for Home & for the Office,

Travel and Leisure etc.

For ages, centuries have seen the good old Grocer in the neighborhood; the advent of the Retail segment in India is witnessed a metamorphic addition and expansion. One should not forget that the good old Grocer shops have not disappeared as lot of pundits had predicted. The torrents of sleek supermarkets have not made a great dent in the Indian evergreen traditional retail markets. Departmental blocks, Supermarkets, Hypermarkets and Specialty stores are the new formats in the Retail segment that have been welcomed whole-heartedly by the ever increasing population, especially the youth who are constant are on the look out for change.

The structure of the Retail market in India has liberalized to include sever verticals in differing formats catering to their respective target clients. The cities fast lanes and bye lanes are dotted with shopping malls and multiplexes giving them the look of modernity and coming of age especially the large cities. With all the major cities having been saturated, the avalanche of the Retail segment has penetrated the Tier II cities which are fast catching and are not lagging far behind in the race.

Statistics obtained on running and developmental plans up to 2007 reveals a extrapolation of about 220 shopping malls, consisting of 140 of them in the metros and the remaining 80 in the Tier II cities. The State governments of the states of New Delhi and National Capital Region (NCR) are extremely

excited in allotting land for Retail Commercial infrastructure development, thereby making availability of additional land for retail segment; thus making NCR contribute to 50% of the malls that have come up. Graphics highlights of this study of India Capital City and its surrounding II tier cities are given below:

Explanation: While Delhi being the capital first forayed into the Retail Market. The advent of this development in Delhi also followed suit in the II tier cities, some of them even surpassing it.

The Global players are eying India as a growth potential goldmine for investment in Retail business. Current survey has ranked India as the most happening destination for Retailers segment in magnetic growing Retail market. India's bludgeoning middle class that is seen as a virgin, untapped market in the Retail industry is in the eye for entry for the global Retail bigwigs. While India boasts of over 5. 1 million Retail outlets, the segment is loaded with small timers scattered as to the convenience of the Retail owners. This lop-sided market is an ensemble sans the grandiose of large sized operators like multiplexes, hypermarket and the like. This scenario offers on platter huge scopes of great opportunity of business for the Global retailing specialists. The structured retail sector is slated to out grow stronger than GDP in the coming decade chiefly driven by fast and ever changing lifestyles, burgeoning pay-packet and favorable distribution pattern of the Retail market.

Another major feather in the cap of the Retail industry in India is allowance of 51% FDI in each brand outlet. A second series of reforms, the government

is now mulling is to initiate in this segment is further liberalizing the norms for investment. This goes a long way in favor of the retail segment's growth in terms of design perception, building quality and affording modern facilities and also helps nurturing a consumer-friendly situation.

Retail business in India is at crucial juncture yet the future for the consumer markets is promising high potential for growth. Governments policies are increasingly becoming favorable coupled with emerging technologies are making it conducive for operations in and out of India. This upsurge in the retail business has put India as a dream destination for retail investors and has also catapulted simultaneously as corollary to the Retail business compelling investments in the Real Estate sector.

For the general global investors who cautiously test the Indian Markets for investments, domestic companies and joint ventures in the retail segment are seen to be more favorably juxtaposed than the stand-alone foreign operators in the emerging structured retailing business.

## **Objective of the Study**

The objective is to unshackle the intricacies in the

Supply Chain Decisions and

Supply Chain Model in the Retail verticals

In order deciphering the significance and the roles traced out on the logistics and the Supply Chain System [SCS] of the Retailers on the economies of scale of establishments involved in the industry.

## Literature Review

### Importance of Logistics & SCM

A 'Supply Chain' is nothing but a network in providing flexibility of operational requirement and choices in distribution that facilitates in procurement of resources and equipments in order to transform these into intermediate and finished products. This should culminate in the distribution of the finished products to end user.

'Supply Chains' are present in the service as well as manufacturing establishments; they vary in their complexity of the chain that is vastly different from industry to industry and company to company.

A very simple Supply Chain for a single product can be to procurement of Raw material from vendors that can be processed to bring out the requisite finished product from a single step for further transportation to the distribution channels and ultimately the end user.

In reality 'Supply Chains' have multiple finished products that has shared mechanism, conveniences, spares and capacities. Again the flow of inputs [materials] need not be on archaic and established network. In fact every requirement stems from available resources, different modes of transporting to be analyzed for optimal utilization and the cost of inputs for the finished items can be both extensive and huge.

'Supply Chain' from time immemorial consisted of Planning, Purchasing Manufacturing, Storing-cum-distribution and marketing establishments functioning independently. Each of these establishments has their own goals

and objectives that are often at cross roads to each other. Establishments specializing in marketing aims at providing high level of customer service and to maximize turnover and this are in direct conflict with the aims of the manufacturing establishments and distributor establishments.

Most of the operations pertaining to manufacture have designs in optimizing the output and lowering of the costs but they are either ignorant of have scant value on its negative implications on inventory levels and distribution capacity.

Purchases are contracted through negotiations with scant research efforts to gather extra information extending beyond past buying patterns and habits.

Lack of cohesiveness in integrating the requirement of all the components of the ' Supply Chain' can results in haphazard lopsided development that can lead to the collapse the entire business if not corrected. This clearly calls for a mechanism that can cater to these different functions for a fruitful integration. ' Supply Chain' management is on such weapon for such integration to happen.

' Supply chain' management is primarily seen for existence in between complete vertically integrated establishments wherein the total material flow is controlled by a single establishment overseeing each channel establishment operating independently.

Integrated and coordinated functioning among the different operators in the ' Supply chain' is the key for effective management.



Cooper and Ellram [1993] have compared the ' Supply Chain' management to a Sports Relay team that is well-balanced and well-practiced. A well oiled machinery function very well with each of its parts functioning smoothly like the relay team where each player knows their specific position for the hand-off. The coordination must be the strongest between players who directly pass on the baton, yet the entire team makes a coordinated effort to win the race.

## **Research Problem**

Understanding of the nuances involved and the intricacies of operations in a ' Supply Chain management

Supply Chain Decisions

Decision making in ' Supply Chain management are of two broad categories

-

Strategic and

Operational.

While these terms are self-explanatory, they implication is that the strategic decisions are made basically on a longer term spectrum. These go hand-in-glow with the corporate strategy that forms the guiding principle for the ' Supply Chain' policies at he designing stage.

Operational decisions, on the contrary, are short term based to focus on day-to-day activities. The primary importance of these decisions is to manage the

product flow effectively and efficiently aligning with the “strategically” planned ‘Supply Chain’.

The ‘Supply Chain’ management consists of four major decision-making arena which are

Location

Production

Inventory and

Transportation (distribution)

In each of these arenas there is scope for both Strategic and Operational elements that has to be taken care of.

## **Location Decisions**

The geographic distribution of production facilities, stocking storage centers and sourcing centers are the basic starting point in formulating a ‘Supply Chain’. The location in terms of availability of facilities requires a commitment of resources on a long-term basis. When the size, number, and location of these are firmed up it paves the way for suitable chain flow by which the product reaches the end user. These decisions are crucial to an establishment since they ultimately lay the foundation for a strategy to access customer markets, and will have a telling impact on income, cost, and efficiency of service. Determination of these decisions depends on optimizing routine functions that has a bearing on manufacturing I& distribution costs, duties & duty drawback, tariffs, taxes, domestic content, unavoidable

limitations in production, etc. (See Arntzen, Brown, Harrison and Trafton [1995] for reference.) Decisions on Location, though are primarily strategic, they have far reaching implications at the operational level.

## **Production Decisions**

What products to produce, seems a simple question but the most crucial factor forming part of the strategic decision making that include which plants to produce what products. This will also serves as the guiding factor for allocation of suppliers to plants, plants to Distribution Channels [DC], and DC's to end user markets. These decisions nevertheless have a huge bearing on the revenues, costs and levels of service to the end user of the establishments. Decisions are always taken on the presumptions of the availability of the resources and facilities and thereby determine the precise pathways for flow of product to and from the centers offering the required facilities. The second critical factor concerns with the capacity to manufacture the required facilities—and this again primarily depends on the level of vertical integration internal to the establishment. Decision making on operations takes into consideration the detailed production scheme. Master production construction chart, Machine functioning chart, Plant maintenance chart are some of the result from Production decisions. Still other decisions to take are on workload balancing, and quality control procedures at a production centre.

## **Supply Chain Modeling Approaches**

It is but obvious that, both Location and Production decisions mentioned above need entirely different thought and plan perspective. The totality of the entire establishment is to be considered in strategic decisions for an all-

encompassing effect that leads the way for integrating different aspects of the ' Supply Chain'. This obviously brings to the selection different models that are ascribable to the decisions are enormous, and require a large volume of data processing. These models provide approximate solutions to the decisions they describe often due to the large volume of data requirements, and to the wider scope of decisions. Meanwhile, the operational decisions cater to the day-to-day operation in the ' Supply Chain'. Here the models that cater to them are often obviously specific to the production requirement. The limiting perspective of these models quite often is dealt in minute details to provide effective if not optimal solutions.

For better understanding of the process of selection and understanding of the models, a precise study of the literature, and simultaneously an attempt to include the above contradictory nature in the models, modeling approaches are classified into three types —

Network Design

Rough Cut methods and

Simulation based methods.

Network design methods: This method mostly provides normative models for extensive strategic decisions. Primarily, these models include four major decision areas as mentioned earlier and aim for more on the designing part of the ' Supply Chain', establishment of the network and the correlated flows on them.

Rough cut methods: This method, as different from the Network design, provides policies as guidelines for the operational decisions. These models primarily presume a “single site” in other words ignore the network and adds ‘Supply chain’ characteristics to it, for example they clearly consider the site’s relation to the network’s other segments.

Simulation methods: This is a method in which an exhaustive ‘Supply Chain’ model can be analyzed, considering both the Strategic and the Operational decisions. There is however a word of caution that this is same for all simulation models; so evaluations are effectively limited to pre-specified policy rather than for development of fresh a policy. “What If?” versus “What’s Best?” is the age old tussle that needs to be tackled.

## **Network Design Methods**

These methods, as the name is self explanatory, determine the Location of production, storing of stock and sourcing resources, and ‘Supply Chain’ the product(s) go through them. These methods generally are of large scale, and used typically while planning from the beginning of the ‘Supply Chain’.

Geoffrion and Graves [1974]: They were the pioneers in this concept but it was not known as ‘Supply Chain’ then. They introduced for the first time a ‘Multi-commodity Logistics Network Design’ model for annual maximizing the flow for finished product originating from production plants to the Distribution Channels onward to the end user.

Geoffrion and Powers [1993]: They traced the history for twenty years, the evolution of the distribution strategies. He described as to how the

subsequent modes from the above mentioned model which can include more segments and several commodities detail.

Breitman and Lucas [1987]: They tried to construct a framework for an all-inclusive model of a production-distribution system, " PLANETS". This model was utilized to take decisions like-

What products to produce

Where and how to produce it?

Which markets to pursue and

What resources to use.

As part of a prestigious project they were successful in completing the implementation at General Motors.

Cohen and Lee [1985]: They worked on a creative framework for manufacturing strategy analysis. Here they came up with came with a descriptive series of stochastic sub-models, that took into account the annual product flows tracing it from the raw material suppliers through intermediate plants and distribution segments, finally reaching the end user. They used the heuristic methods to connect and maximize the sub- models. Later on they came up with models and methods that could integrate and had readable exposition [Cohen and Lee [1988]].

This time they presented a normative model for resource application all over the World manufacturing and distribution network. After-tax profit (profit-local taxes) for their entire market was optimized from a design developed to <https://assignbuster.com/a-case-study-on-brand-factory-marketing-essay/>

facilitate network and control of flow of materials inside the network. The structure developed to study cost divided between variable and fixed costs in procurement of material, production, distribution and transportation. The model was validated by putting it to test and analyzing the global manufacturing strategies of producer of a personal computer.

Arntzen, Brown, Harrison, and Trafton [1995]: They put forth the most all-inclusive determining model for supply chain management. Their main function was to minimize the blend of cost and time elements. Elements of Costing were to include purchasing, manufacturing, inventory of pipeline, and cost of transportation among different sites, duties, and taxes. Manufacturing lead times and transit times were included under the element of Time. This model was outstanding as it was clearly included duty and their recovery as part of the product flow through various countries. They achieved phenomenal success when they implemented this model at the Digital Equipment Corporation — \$100 million dollars were saved.

## **Rough Cut Methods**

Models under this method are the basis for most of the ' Supply chain' literature, and primarily concentrate on higher operational or tactical decisions. All most all of the integrative research (from a supply chain context) in the literature considers the Inventory Management viewpoint. The term ' Supply Chain' initially appeared in various literature with the Inventory Management concept. The crux of the Rough Cut models is the development of Inventory Control policies, taking into account various levels or segments together. These models have been dubbed to be called the "

multi-level” or “ multi-echelon” inventory control models. Further analysis can be had from referring to Vollman et al. [1992].

Multi-echelon inventory theory has a high success rate on implementation in the industry. Cohen et al. [1990] has describe “ OPTIMIZER”, as one of the most complicated models he has come across — to control IBM’s spare-parts inventory. Efficient algorithms and advanced data structures were created to succeed in large-scale Systems Integration.

## **Significance of the Study**

### **The key aspects of retail marketing are an attitude of mind.**

NRF Foundation/American Express 2004 Customer Service survey showed that almost all the shoppers report end user service being vital in decisions to make a purchase. Good customer service to traditional shoppers revolve around the most vital ‘ retail employees’ and the store ambience. As per the survey, almost two thirds of shoppers expect extremely courteous ‘ retail employees’ (67 percent) and behavior towards shoppers equal to valued customers (65 percent). Pressurization to buy merchandise was disliked by the consumers being (69 percent) and also found it very vital that employees are present and should ask for help (61 percent). Ambience was a factor for them meant neat and clean store, which 60 percent of shoppers valued most.

### **Retail marketing decisions are driven by what the shoppers need and want.**

The end users of any consumer products are individuals and their purchase of such products or services is for their personal consumption. Though this



looks simple in retail context it has critical significance for the management. The management has to realize that their entire efforts cannot be fruitful unless it understands the practice of how retail consumers come to decide to behave and expect others to behave with him in relation to retail products.

Blackwell, Miniard and Engel (2000): They have defined the first step of the customer's decision-making process as 'want' recognition in terms of emotional and psychological requirements. The real crux of the issue is to know as to what extent the consumer is serious enough to resolve their problem which in turn depends on their relative apparent significance of the problem faced by them and the extent of gap between the current and desired level of need to be satisfied. When the need recognition is truly at a strong level, only then search for alternative information would be evaluated called alternatives stages will occur.

### **What the customers regard as value and what they buy is decisive.**

The potential customers therefore undergo various levels of thought process until they choose a brand or a product to purchase. Branding strategies thus utilized by retailers' requirement are to be aware of essentials in these first levels that might have a bearing on later choices. Further the determinant factor, the level of judgment that customers evaluate a brand is their degree of involvement, i. e. higher levels of involvement denotes far-reaching evaluation processes, (Hawkins, Best and Coney, 1989). Product pricing is often perceived as an indication of the level of involvement since customers spend more time probing and comparing the same.

## **The essential elements**

A firm's Retail marketing mix may contain several elements, the essentials of them include-

€ Store location

€ merchandise assortments

€ Store ambience

customer service

Price

€ Communication with customers

## **Research Methodology**

The vital role played by Research methodologies cannot be undermined in planning for the required effectiveness and success of the research carried out. Case study approach has been used for a clear understanding of the actual problems faced. Methodology is the framework for the process of research that can be defined to achieve the result we are seeking. This can also be explained as a mechanism adopted for collecting the requisite data for interpretation culminating into drawing conclusions for the best result.

Cohen, Manion and Morrison (2007) states that

The design of the research is covered by the notion of fitness for purpose

That which helps in determining the methodology and research design.

Searching for facts and figures that takes us to a path of starting a new technology/knowledge is the process of research.

## **Paradigm of Research**

Research pattern is defined to be presumptions of an individual that will lead him to take correct conclusions for future actions and outcomes. The pattern of the research can be studied at three levels

Oates, 2006: According to Oates, there are three research patterns that are resorted to and are believed to be important in conducting any research effectively. These are mentioned below:

Positivism

Constructivism and

Critical Theory.

## **Research Methodologies used:**

### **Qualitative and Quantitative Data**

Qualitative or Quantitative data has a unique way of presenting facts for greater assimilation of facts that goes beyond percentages. Descriptive and text based data is represented by Qualitative data and Quantitative data is presented in tabulations and graphic forms. The topic of research will rely heavily on qualitative analysis and wherever possible, Quantitative analysis is used for greater understanding of the data. (Hussey, 1997)

Qualitative research method focuses on identifying the complicated nature and attempts to answer the questions starting with ' WHY' and ' HOW'. This

type of researches needs people's participation in the real life situations chiefly because of the intelligence quotient of humans' beings to understand and co-relate them in real practice.

Quantitative research method is an organized approach to solve problems. Quantitative methods are primarily used to get to the bottom of the problem that provides answers for questions starting with ' HOW MANY'

### **Inductive and Deductive:**

Inductive method of research consists of assumptions perceived earlier on a subject and theories built later-on making those assumptions as a base. Quite simply this means a solution is found basing on the said assumption instead of actual testing to prove as to whether or not the said assumptions are correct or wrong.

Deductive approach on the other hand contains established hypothesis that are chosen in the first instance and tested to check if there is truth in it.

Oates (2006) and Hyde (2000): They both are of the opinion that the two methods of inductive and deductive approaches are constructed using of qualitative and quantitative techniques and various ways of collecting data during their research.

The current research makes use of both the inductive and deductive approaches for deducing an effective solution for the problems faced in the research relying on observations, action and practice. This also makes use of quantitative and qualitative inquiry modes.

## **Suitable methodologies for this research**

### **• Action research:**

(Elliott, 1978) was of the view that action research combines the analysis with indication and focuses on matters practical and identified by the participants that are complicated and simultaneously capable of changing. A whole new view has come about as to how action research can seek out different methods of integrating themselves in order to get sustainable development of establishments. (Mc Niff and Whitehead 2000).

### **Case study approach:**

This type of research methodology is primarily used for constructing theories to evaluate the complicated problems. Case study approach afford for a clear understanding of the possible proceedings like the establishment, people and the social movement. Case study is defined thus "the study of a complicated and specific instance for knowing the actions in the context of the real world (Helen Simons, 2009). This approach concentrates on the context of the real world in a very detailed way. It considers a specific case in the company or an institution instead of testing the generalized theory.

The four stages involved in the Case Study approach are-

Design

Conduct

Analyze and

Developing the conclusions and implications. (Yin. R, 1994)

## **Data collection:**

There are different methods of collecting data as stated by (Cohen, Manion and Morrison, 2007) and supported by (Elliot, 1991). These are as follows:

Questionnaires

Conducting tests

Interviews

Role play

Accounts

This type of data collecting methods are primarily used if the researcher needs the following aspects (Oates, 2006)

Necessity to obtain the clear view

When asking complicated questions using open-ended method or whose logic should be expressed differently to different individuals.

To express the feelings, emotions and experiences that cannot be seen easily when one uses predefined questionnaire method.

## **Conclusion**

Currently most retailers in India comprise majority interested in the front end, but in comparison few are on the back end and ' Supply Chain. Yet in countries like the USA, Germany and England, where structured retail is highly developed; ' Supply Chain' efficiency is a major drawback

The track in retail segment of India is different from other global countries. The organized retail segment in India is badly fragmented and they face a huge deficiency in the ' Supply Chain.

The Future group in India obtains sizable economy in scale in managing their supply chain. Dealing in excess of 170000 products, the company enjoys in a partnership mode, a massive supplier relationship, shunning the unfair supplier - buyer transactional philosophy. Back-end operations are IT enabled and ' Supply chain' management improves consistency and effectiveness of the business.

Future Group, as part of the operation, also wants to bring down its cost of warehousing through a consolidation process. In India almost all retail stores are situated in the city centers -where they pay very rents and yet have limited storage space which are scarce-' Supply Chain management has grave business implications. Future Logistics currently handles three million SKUs (or stock keeping units) per day spread across the entire Future Group's various retail formats throughout the country. This number, by 2010, is expected to multiply to more than 30 million SKUs a day. Even with 98% accuracy, over 600, 000 products will not reach the distribution channel correctly, consequently incur an approximate sales loss of over Rs. 4 crores per day.

Zero defect