

Retail Structure

Meaning of Retail Organizational Structure

Have you ever taken a moment to think about the structure that is around us every day? Structure can come in many different forms. For example, a sports team without a coach and a game plan is destined for failure. The same is true for retail stores. Understanding a retail store's **organizational structure** is important when creating a business plan to determine its customers and appeal to them. Many retail businesses rely on a structure that places emphasis on three areas: centralized operations, store operations, and regional operations.

Centralized operations include duties such as store planning and human resources. **Store operations** include merchandising and marketing and are performed daily by retail stores. **Regional operations** refer to distribution and warehousing. This organizational retail structure is beneficial because it encompasses all areas of a business.

Retail Store Management Positions

A major part of the organizational structure of a retail store is that most of them have multiple management positions. Let's take a look at some of the types of management positions and what duties are required of them.

1. Manager

The manager is the person primarily responsible for the day-to-day operations of a retail store. It is the manager who makes key decisions including on who to hire, who to fire, and if a customer is entitled to a refund or exchange. For most retail organizations, the buck starts and stops with the manager.

2. Assistant Manager

The assistant manager is responsible for assisting the manager with the daily operations of the business. In the absence of a manager, an assistant manager is responsible for making the

important decisions for the store. The assistant manager is also tasked with completing any duties as designated by the manager.

3. Finance Manager

When working in retail, everyone knows that money is what makes the wheels turn, and the finance manager is responsible for greasing those wheels. The finance manager makes certain that the retail store is carefully utilizing the money that comes in and ensures they are aware of how much money is going out.

4. Corporate Recruiter

Depending on the size of the retail store, there may also be a corporate recruiter position. This position involves a highly skilled employee with the task of finding top-level employees to work with the organization. These recruiters are searching for talent to fill management positions including manager, assistant manager, and finance manager. The recruiter must have a thorough understanding of what it takes to perform each of these jobs in order to find the right person.

Classification of Retail Structure

1. Independent, Single Store Establishments:

These are generally located in localities where population is higher. They can be a specialized apparel store to MBO or a grocery store. Owned by a family or individual with operations limited to the area where store is located with direct personal relationship with customers.

The essence is that they have better understanding of their customers and supported by long standing patronage as they can revert to their needs within short span of time.

Unlike others they pay less attention to Store Design, Merchandise Mix, Employee Trainings, Book Keeping etc. This category of course requires very less capital to start, thus are major drivers to entrepreneurship in the retail category.

They also have very low credit rating in the market or almost nil past records to prove their goodwill or financial health; thus working with them or engaging with them, as supplier or tenant would require other party to be careful and safeguard all their interest.

2. Corporate Retail Chains:

As the name suggests, these well-known brands may specialize in a form of retailing (like super market, hypermarket, apparel store) with multiple stores across the state, country or even in the world. They have centralized decision-making body that may take decision for all its stores and then executed by respective city heads or unit heads.

The number of stores may vary from 10 to over 300 (such as Safeway, Wal-Mart, Target). They can be part of large corporation also like Target Corporation owns Target, Dayton's and Hudson's. Thus they may have multiple stores for multiple brands and multiple categories.

These stores employ large number of people and also sometimes become bureaucratic due to complex and multi-level decision-making process but sell product at lower price due to economies of scales attained through wide distribution channel and mass buying of products. They have same merchandise mix and merchandise across all stores.

In India, Shopper's Stop, Big Bazar, Pyramid, Shubiksha, Music World, Planet Sports, etc., are examples of this kind of stores.

3. Franchise Stores:

Franchising is an agreement between a franchiser and a franchisee that allows the franchisee to operate a retail outlet using a name and format developed and supported by the franchiser. These stores can be restaurants, fast food outlets, apparel outlets, sports goods outlets, hypermarkets etc.

In this kind of an arrangement generally franchiser charges franchisee a lump sum fees towards usage of brand names, retailing expertise plus a royalty and franchisee has to bear all operation cost along with above and has to earn profit.

Though in recent times franchiser also underwrites the losses if it occurs to avoid high attrition and motivate franchisee to invest as these kinds of arrangement require high investment. Franchisers support franchisee with merchandise planning, store management, training, manpower sourcing, IT support, interiors and advertising at national and regional level.

This format fuels growth faster as franchiser does not need to block huge capital, employ more people and hold huge stock. This model has helped people with adequate capital but without any technical knowledge to enter into retail trade. In India, UCB, Reebok, Adidas, Lee are examples for this kind of retailing.

4. Dealership

A licensed dealership is a mix of franchise and independent retailer. The licensee has the right (sometimes this is exclusive) to sell a brand of products. Unlike a franchise, the dealer can sell a variety of brands and there are generally no fees to the licensor. Dealerships may or may not be identified as an authorized seller or by the company's trademark. Think of cars and trucks as the most common example of a dealership.

5. Member Network

This type of store is similar to a franchise or dealer except that the connection to the larger brand name is about buying power for inventory and services. In this model, you are not placed under strict guidelines or rules that your store has to follow. And most times, there is not even a % of sales you have to pay back every month as long as you maintain a buying volume at a certain level.

An example of this would be Do it Best hardware stores. Some of these stores have garden centers, others have craft and hobby sections, and some just focus on lumber and hardware. None of them look the same, but they all get the advantage of private label merchandise and shared costs on advertising.

6. Network Marketing

Multi-level marketing (MLM) or network marketing is a business model where the selling of products depends on the people in the network. Not only is a product being sold, but other salespeople are being recruited to sell that same product or product line.

It's probably not a type of business one would initially consider when discussing retail businesses, but Advocare (the number #1 MLM company) used this model quite successfully for many years.

This type of retail ownership requires no physical storefront and the inventory is at once and stocked by the brand and not the retailer.

7. Existing Retail Business

Someone who inherits or buys an existing business is taking ownership and responsibility for someone else's hard work. The foundation has already been set, and the baton is being passed to you. This is often the scenario in a family business, where one generation takes over from their retiring parents. There's great responsibility in carrying on the tradition, especially if your parents built the company themselves.

Types of Retailers

1. Itinerant or Mobile Retailers:

They keep moving from place to place to sell their goods. They do not have any fixed place of business.

Types of Itinerant Retailers:

(i) Hawkers and Peddlers:

They carry goods themselves in basket or on shoulder bags or on push carts. They move about in residential areas and call out names of articles which they are selling. They are hawkers, they don't have enough capital and cannot store goods in bulk. Their main advantage is that they provide convenient service to the consumers and the limitation is that they deal in such products which are unreliable in terms of quality, price and durability.

(ii) Market Traders:

They sell their goods at different places on fixed market days, e.g., Mondays, Wednesdays. They mainly cater to lower income group of customers and deal in low priced and cheap consumer items of daily use.

(iii) Street Traders:

They spread their goods on pavements at busy street corners or near railway stations or bus terminals. They deal in newspapers, magazines, eatables, stationery items etc. They do not move from place to place with their goods.

(iv) Cheap Jacks:

They have temporary shop structures. They change their place of business after some time. They remain in one locality for a temporary period only, depending upon the prospects of their business. They deal in consumer goods of daily use as well as services such as repairs of watches, shoes etc.

2. Fixed-Shop Retailers:

They have permanent establishments to sell their goods either in local markets or in malls.

Fixed Retailers are of Two Types:

- i. Fixed-Shop Small Retailers, and
- ii. Fixed-Shop Large Retailers.

i. Fixed-Shop Small Retailers:

(1) General Stores:

- These are set up in residential areas.
- They stock all kinds of products needed by local residents for their daily use.

- They remain open for long hours at convenient timings.
- They provide credit facilities to regular customers if required.

(2) Specialty Stores:

They are located in central place in each locality. They generally specialise in a single type of product instead of dealing in different lines of products.

A few examples of them are:

- Stores dealing in children's garments only.
- Stores dealing in educational books only.

(3) Street Stall Holders:

- They are located at the street crossings or on the main roads.
- They setup their stalls by fixing shelves on a wall or placing a table or making a platform to sell and display goods.
- They sell low priced goods such as pens, magazines, cheap hosiery items etc.

(4) Second-Hand Goods Shops:

- They deal in used goods like clothes, books, furniture etc.
- Persons with modest means purchase goods from such stores.
- They store rare articles such as old postage stamps and antique items and sell them at higher prices.

(5) Seconds Stores:

These shops sell goods which are not according to standards specification. These are sold as seconds. They have some minor defects in them and these defects are not visible. These are sold

at a heavy discount. These shops are situated at market places. Even the manufacturers also open retail outlets to dispose of such goods. Readymade garments, sports goods, shoes etc. are sold in these shops. Sometimes these stores are set up temporarily by taking premises, hall or banquets on hire.

(6) Single Line Stores:

These stores sell only one line of products. They provide different designs, styles, and sizes of quality of the same product. For example stores selling shoes will have all varieties and sizes of footwear meant for kids, gents and ladies.

ii. Fixed-Shop Large Retailers:

These retailers deal in large stock of goods.

The most common type of large scale retailers are as follows:

(a) Departmental Stores:

It is a large retail store in which a wide variety of products are sold through separate departments under one roof. 'Bnamarche' was the first such retail store opened in France in 1852. There are stores like this in India which include 'Akberally' in Mumbai and 'Spencers' in Chennai.

(b) Multiple Shops / Chain Stores:

These are retail shops owned and controlled by a single big organisation. Most of them are also the manufacturers. They are located in different parts of the cities throughout the country. They deal in similar products at uniform prices.

Examples– (i) Bata, (ii) McDonald, (iii) Big Apple, (iv) Reebok, (v) Reliance Fresh, and (vi) Adidas.

(c) Mail Order Houses:

These are retail outlets that sell their goods through mail. There is generally no direct contact between the buyers and the sellers in this type of trading.

Automatic Vending Machine:

An automatic vending machine sells merchandise when a customer deposits sufficient money into its slot or vent to purchase the desired items. It contains products like beverages, snacks, candies, chocolates, platform tickets etc.

Examples:

- Mother Dairy sells milk through vending machines.
- ATM (Automated Teller Machine) can be used to withdraw money at any time without visiting any branch of a bank.
- Metro token can be purchased through these machines at Metro stations.

(d) Super market:

The super market is a large-scale retail institution specializing in necessities and convenience goods. They have huge premises and generally deal in food and non-food articles.

(e) Consumer Cooperative Stores:

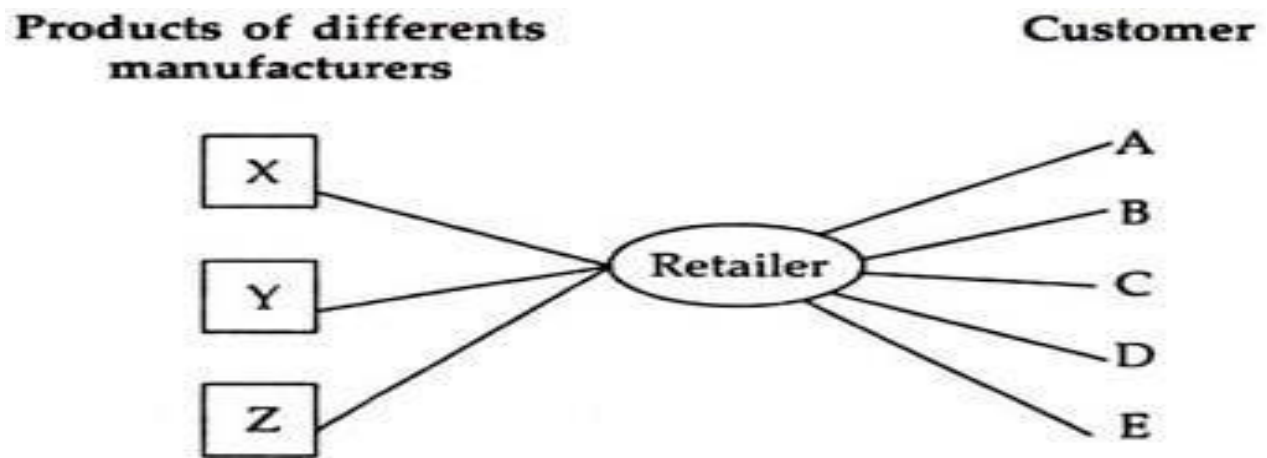
A consumer cooperative store is a retail unit owned and controlled by consumers. Any consumer can join the consumer cooperative store by buying its shares. Each member has only one vote irrespective of his shareholding. Members get dividend in proportion to their shares held in the cooperative store. Cooperative stores are run by the consumers themselves for their mutual benefits.

Functions of Retail Marketing

1. Assembly and Sorting of Merchandise:

Retailer has to meet every need of merchandise(Goods) of common man. He has to keep wide variety of goods and service that may be demanded by the customer. Retailer collects and assembles the goods from different manufacturers or middleman. He undertakes sorting or classifying of the goods to meet the specific need of each customer.

Following figure may illustrate the activity of sorting:



Retailer has wide variety of customers who have different requirements. Retailer collects and assembles these merchandise from different sources, assorts them and keep in his shelf ready for easy identification for himself and customers. He displays product to visiting customers and ensure sales.

2. Breaking the Bulk:

Retailer buys in large quantity “RETAILS” or cuts into small bulk or pack to match the need of each individual customer. The large bundle or bag or bulk is broken into small units of packs that is convenient for a retailer to buy and carry.

3. Holding Stocks:

Merchandise of adequate quantity is always kept in stores so that it is delivered whenever demanded. By holding ready stock, He creates Time Utility, and increases value of goods. This is an important service that a retailer is offering both to manufacturer and also to customer.

Manufacturers are relieved of creating storage and warehouse facility for the goods he has manufactured, as manufactured product is taken by the retailer. This will minimise the cost of warehousing, damage that may occur in storage period. Similarly every customer is benefited as any commodity he desires is readily available with retailer, Customer need not bother of buying the product in bulk and keeping the stock in his home.

4. Collect Market Information:

Customers come into direct and personal contact with the retailer. They share their opinion and ideas regarding the utility and value of goods and what they further expect from the goods. The retailer will share this information with the manufactures so that manufacturer can design, price and deliver the product to match the expectation of people, Common man may not be having the idea of variety of goods available.

Retailer knows the likes and dislikes of each individual customer; he can guide the consumer to buy the product that matches his taste and budget. Retailer's knowledge about the market, i.e., types of product available, expectations of people about the product will help retailer sell those product that matches taste of customer. It helps a manufacturer to produce the product that the customer likes.

5. Marketing Functions:

Retailer will perform marketing functions like transportation, warehousing, promotion and in some cases also grading, packing and labeling etc. In absence of retailer these activities have to be carried out by manufacture themselves. Retailer undertakes the task of transporting goods that are manufactured, keeps them in his warehouse until they are demanded.

During this period he may also undertake grading, packing and labeling if they are not already done. He undertakes sales promotion campaign through various forms of Publicity and advertising to create demand for products and sells them.

6. Promotion of Product:

Promotion is an important activity in selling the product. Retailer undertakes promotion of products by giving publicity and advertisement in the local media. Placement, showcasing and window dressing of the product in his shop and showroom will make the product visible to people and it may attract them to buy it.

Since retailer has personal contact with his customers he can influence their buying behavior by suggesting the product that matches their taste. Retailer will help for demand creation for the

product by offering services like free home delivery, after sale service. Discount and other offers which are important sales promotion strategies.

7. Offers Variety of Services to his Customers:

Regular retailer offers variety of services along with the sale. These may include free home delivery, after sale service, credit. Retailer is a man of confidence to a regular customer. Long and regular association-ship between retailer and his customer will make them to share their personal and family related issues. Retailer may act as Friend, Philosopher and Guide of his trusted customer in his routine life.

8. Risk Bearing:

A retailer by holding large stock of variety of products assumes the following kinds of risks:

- Selling risk of all the variety that he has stocked.
- At some point of time some quantity will remain unsold. He has to design strategy like discount sales, offer etc. to undertake stock clearance, or else he has to suffer the loss.
- Damage to goods- when the goods are in his warehouse goods may get damaged due to accidents, fire, earth quake, burglary or goods may lose value due to evaporation or any other cause. Every paisa of damage cannot be insured. Retailer undertakes the risk of sharing the burden of such loss.