

Fundamentals of Retail: Measuring the Effect on Brand Value

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Abstract

Retail is important for every company. Some fundamentals commonly identified with respect to retail management are availability, visibility, shelf share management, category management, trade endorsement, and out of the box activities. These fundamentals are very important and a company should take care of them as the brand value of products is at stake. The objective of this research is to see whether the brand value is affected or altered by the fundamentals of retail. From the survey and analysis, it was concluded that trade endorsement and shelf-share are not likely to be the inhibitors of brand value.

Keywords: Retail, Fundamentals, Brand Value

1. Introduction

1.1 Overview

Retail or selling at purchase point has now become the most important place for the product manufacturers or service providers. Since marketing and advertising efforts have gone astray now, retail is seen as a strategy that companies use to push their products and services at the point of sale or retail stores. Therefore, it has become vital for all the manufacturers and service providers to have retail planning department to monitor shelf establishment. It is also important that manufacturers should be very selective and careful while selecting the retail centers where they want to place their brands because it also adds or deducts the value of brand. As retail is very important for the company, there are a few factors that manufacturers must consider before selecting retail like availability, visibility, shelf share management, category management, trade endorsement, and out of the box activities as the brand value of the company is at stake.

Availability means that the product should always be available at the retail outlet. Visibility means that product should be clearly visible at the retail outlet i.e. consumers should be able to easily see the product at the outlet. Shelf share management refers to managing the space and the product on the shelves. Category management means that the company should manage the entire category of its products in the retail outlet. Trade endorsement can be defined as the promotion of a product or brand by the salesman of the retail outlet to boost product sales. Out of the box activities refer to creative techniques and untraditional promotion method or unique ways through which the product can be sold.

1.2 Contextual background

Retail marketing and its factors

In early 90's direct communication was considered a taboo in most of the third world countries and other parts of the world and customer driven sales were considered the only way of generating revenue. This was a major blow or hit to the companies who lacked quality products. This led to the birth of aggressive retail marketing and POS branding techniques which are now used commonly globally. Moreover, customer retention techniques were being discovered and experimented and on its success was implemented with full force. The concept of loyalty cards for example is seen as a global success. Today, point of sale activations have now become a more frequent activity by corporations and has grown out from the slow and impersonal culture of the yester- years (Mulhern, 1997).

Since many decades retail outlets have earned not only through the commissions and the profits they earn on products they keep in stores. Retail stores are now more in demand and are earning by renting space and shelves to FMCG companies. (Bruno, 1997).

1.3 Research Objective

Brand value is the key for all brands and manufacturers and therefore it is important to know the importance and

impact of brand value. The objective of this research is to see whether the brand value is affected or altered by the fundamentals of retail.

1.4 Research Question

" Is the brand value of a product affected by the fundamentals of retail?"

1.5 Hypotheses

- H₁: Availability has a significant impact on the brand value of a product.
- H₂: Visibility has a significant impact on the brand value of a product.
- H₃: Shelf share management has a significant impact on the brand value of a product.
- H₄: Category management has a significant impact on the brand value of a product.
- H₅: Trade endorsement has a significant impact on the brand value of a product.
- H₆: Out of the box activities has a significant impact on the brand value of a product.

2. Literature review

The post- World War II era has seen rapid production of many new products and services. This is the reason retailers have now become conscious of the opportunity cost of the limited space (Anderson, 1979). Retailers have the potential to significantly impact the strategies set by the manufacturer for developing and managing brand and its equity (Buchanan, et al., 1999).

Sales stimulate when product is physically present in stores. And therefore, the retail managers determine the profitability of each shelf space for the manufacturer (Cairns, 1962). On-shelf availability (OSA) is a key challenge for all retailers. Items that are out-of-stock (OOS) result in customer dissatisfaction; thus OSA/OOS are important customer service issues. Customer reactions to OOS range from product substitution to seeking products elsewhere (Dussart, 1998). An exploratory analysis of the structure of a complex product category: Wine, revealed that the 70% of consumer purchase decision process depends on product visibility rather than being top of the mind brand (Yague, 1998). Many researchers have also found a direct relationship between sales and product and the shelf space used by the product. The more the product is available on shelf, the more sales take place (Anderson, 1979).

Category management refers to dealing with a large number of competing brands and complementary brands with the aim of maximizing profit through proper planning. Category management is a real breakthrough in trade practices. Although it has been criticized a lot and its results are not always conclusive, category management is expanding across product categories world-wide scale. Effective category management is also critical to the success of retail. Researchers have surprisingly seen a relation between customer service, inventory and the prospect and confirmed sales. Based on an empirical and yet vast survey of more than 100 outlets it has been concluded that there is a positive relationship between sales and inventory, sales also have a positive relationship with customer relationship, while no relation was found between customer relationship and inventory. The research further explained that support is a function of the square root of sales, greater product variety leads to higher inventory, and that the service level is an exponential function of inventory, whereas, demand uncertainty was found to have no apparent effect on inventory levels (Molla, Mugisca, & Yague, 1998).

Trade endorsement is also vital for customers making buying decision and selection. Customers in developing countries rely more on shop keeper's endorsement when buying groceries and other products. Companies give almost 10% commissions to retailers to endorse their product to the customers. Companies have realized that retailers are the kings and they need to be polished in order to get the expected sales out of them. Manufacturer provides huge incentives to the powerful retailers to eliminate competitor's products from shelves (Gay, 2004).

Demand for retail marketing has made its impact in the world through internet as well. Internet has made significant impact on the retail environment by revolutionizing and transforming the local high street into a global cyber high street. Now millions of online shoppers are present on the virtual retail centers. (Shirky, 1997). US retailers view the Internet as a communication tool for attracting new customers, penetrating new markets, promoting the company's brand and improving customer retention (Young, 1999). Convenience, shopping and specialty goods may offer varying attractions to the on-line consumer. Evidence from the US experience of Internet retailing indicated a preference for electronic and related products (Morganosky, 1997). In addition to PC peripherals, banking services, books and magazines accounted for 47 per cent of Internet sales in the USA (Pavitt, 1997), whereas grocery shopping was considered less compatible with Internet shopping. In contrast, retail structure within the UK tends to be dominated by the food sector, and within that sector, the large food multiples. High concentration and competition, combined with static food sales and possible saturation of the market, suggest that the major UK food multiples may perceive the Internet to provide additional growth via a new marketing channel. It might also be expected that UK non-store or mail order companies are likely early adopters seeking to extend their "paper formats into the electronic world of cyber-commerce" (Jones and Biasiotto, 1999). Currently, the home shopping market struggles to maintain about 5 per cent of all European

retail sales. Unless on-line retailers can overcome consumer resistance to non-store based formats, the retail marketing potential of the Internet may be limited as compared to traditional mail order which has the ability to target niche markets directly (Reynolds, 1998).

On-line shopping in the UK is currently estimated at 0.2 per cent of UK retail trade, but sales are optimistically predicted increase 15 times over the next three years as more consumers accept and follow the electronic retail format. (Spiller, 1997). Given the flexibility of the Internet, retailers could introduce new web site, and later on the site may be updated to inform about new offerings (Farrow, 1999).

3. Methodology

3.1 Data

This will be a quantitative research. Primary data is required for this research. Data will be collected using questionnaires. Data will be ordinal in nature as likert scale will be used in the questionnaires.

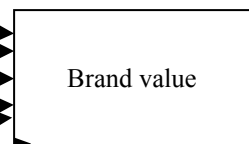
3.2 Sample and sampling technique

The sample size for this research will be 100 which will be a fair sample size and will give authentic results. The sample will constitute of shoppers mainly from different retail outlets, mostly superstores. The sampling technique used in this research will be convenience sampling where sampling will be done on the basis of ease and availability.

3.3 Variables & Framework

Independent

- Availability
- Visibility
- Shelf share
- Category management
- Trade endorsement
- Out of the box activities



3.4 Instruments of data collection

Instrument used for data collection will be a questionnaire based on the likert scale. Likert scale of 1 till 5 will be used so that it can predict effective results and show which factors impact the brand value and which don't.

3.5 Statistical model

The statistical model applied in this research is multi linear regression. Regression is used to test the cause and effect between variables. MLR will be used as there are multiple variables in this research and their impact on the dependent variables will be checked.

Formula: $Y_i = \alpha + \beta_1 X_{i,1} + \dots + \beta_p X_{i,p} + \epsilon_i$

4. Results and Discussion

4.1 Summary of tables

Table 1

This test is known as the reliability test in statistical researches and the coefficient is read in its results and is denoted by the Cronbach's Alpha. Universally this statistic should be around the 0.6 Region so it is considered a good reliability. Over 0.5 is considered legitimate and that the data can be used for research. In my results the figure is at 0.531 which denotes 53.1 % reliability.

Table 2

The table tells us about the summary of the models run in the backward regression technique. The 3rd model shows the final run of regression which has been executed on the data set after the removal of insignificant variables. The last model which is no 3 shows that there is no sample error as the difference of the adjusted and R square tables is less than 5 percent indicating that the data does not have a sample error. The model summary basically shows the stats of the model and variables used in the model as the error in this case is 2.9 % The R stats show the interdependence of the independent variables on the dependent variables on the dependent variable and in this case it is 56.8%. The coefficient of determination in this table is 0.323 or 32.3%

Table 3

We will be reading the statistics in all the tables as all the models are fit for use but the most credible and authentic model to be used and analyzed is the 3rd model which has eliminated the variables which are inconsistent. The F value is greatest at 11.318 indicating the fitness of use of the model. While this is also backed by the sig. value which is at absolute zero indicating that the model is significantly fit for use.

Table 4

The coefficients table shows the impact of the independent variables on the dependent variables. The t values

should be greater than 2 and in this case t values for availability, visibility category management and out of the box activities are greater than 2.0 which indicate that they are all significant. The sig values of these variables also prove that they have a significant impact on the value of a brand. The standardized beta values show the magnitude of impact of the variables on brand value so we can see that beta value for visibility is the greatest at 0.360 while availability is second at 0.316 while category management is third and out of the box activities being last in the rankings.

Table 5

The table above shows the variables which were insignificant on the overall impact on brand value of a product. This was due to the fact that shelf share and trade endorsement both had sig values which were above the benchmark of 0.05 hence proving their insignificance. Their respective t-values were also below the 2.0 cutoff hence giving evidence to the fact that they are insignificant.

4.2 Hypothesis Assessment Summary

H1: Availability has a significant impact on the brand value of a product.

This hypothesis has been accepted statistically as the liner regression analysis has proven that there is a significant impact of availability on the value of the brand. If a product is more available in the open market, it adds to the credibility of that brand and gives a more firm initiative for that brand. This statement is backed by statistics which shows that availability has a sig. value of 0.01 while the t-statistic is at 3.3; both values fulfill their respective field criterion.

H2: Visibility has a significant impact on the brand value of a product.

This hypothesis has been accepted statistically as the liner regression analysis has proven that there is a significant impact of visibility on the value of the brand. If a product is more visible in retail stores, it adds to the chance of a product to being registered in the consumers mind and a prospective sale in that process. This statement is backed by statistics which shows that availability has a sig. value of 0.00 while the t-statistic is at 4.208; both values fulfill their respective field criterion.

H3: Shelf share management has a significant impact on the brand value of a product.

This hypothesis has been rejected statistically as the liner regression analysis has proven that there is an insignificant impact of shelf-share on the value of the brand. On my interview with the respondents it was seen that customers thought of a product with a wider shelf-space to have a negative impact that the product might not be selling and puts customers off while making routine grocery purchases. This statement is backed by statistics which shows that availability has a sig. value of 0.689 while the t-statistic is at 0.401; both values fail to meet t their respective field criterion.

H4: Category management has a significant impact on the brand value of a product.

This hypothesis has been accepted statistically as the liner regression analysis has proven that there is a significant impact of category management on the value of the brand. If a product is more organized in retail stores, it adds to the chance of a product to being a prospective sale due to it being placed in a proper category. This statement is backed by statistics which shows that availability has a sig. value of 0.01 while the t-statistic is at -3.123; both values fulfill their respective field criterion.

H5: Trade endorsement has a significant impact on the brand value of a product.

This hypothesis has been rejected statistically as the liner regression analysis has proven that there is an insignificant impact of shelf-share on the value of the brand. On my interview with the respondents it was seen that customers thought of a product with a being endorsed by the salesman or the shop-keeper to be negative due to the fact that they thought that the store had an incentive on the sale of that certain endorsed product. This statement is backed by statistics which shows that availability has a sig. value of 1.643 while the t-statistic is at 0.104; both values fail to meet their respective field criterion.

H6: Out of the box activities has a significant impact on the brand value of a product

This hypothesis has been accepted statistically as the liner regression analysis has proven that there is a significant impact of out-of-the-box activities on the value of the brand. If a product has a team or a certain activity in retail stores, it adds to the chance of a product to being a prospective sale due to the interaction and personal element This statement is backed by statistics which shows that availability has a sig. value of 0.020 while the t-statistic is at 2.370; both values fulfill their respective field criterion.

5.0 Conclusion

5.1 Conclusions and findings

From the results we have concluded that fundamentals of retail are significant to a certain level and that they do impact the value of a brand. The statistical analysis proved that only shelf-share and trade endorsement was considered to be insignificant while the rest were critical predictors on the value of a brand.

5.2 Recommendation

Hence on the basis of the conclusion we recommend that all marketers should focus on the fundamentals of retail

and how the add to the value of a brand and can actually affect the sale of that certain product. Success of a brand or its failure can be a resultant of the mismanagement or proper capitalization of these fundamentals.

5.3 Limitation & Future scope of study

The limitation of this research is that the sample size is less; it could have been more to make the results stronger and reliable. Secondly people were somewhat not exactly aware with the concepts of fundamentals of retail and they had to be briefed about the concept. In the future this research could be further extended in this way that for each variable of the retail fundamentals could be identified which could be tested for their impact on the value addition of a brand.

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Output Statistics

Table 1

Reliability Statistics

Cronbach's Alpha	N of Items
.531	7

Table 2
 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.585 ^a	.342	.299	1.21259
2	.585 ^b	.342	.307	1.20612
3	.568 ^c	.323	.294	1.21687

a. Predictors: (Constant), Outof_thebox, Visibilty, Shelf_Share, Categ_Management, Trade_Endors, Availability

b. Predictors: (Constant), Outof_thebox, Visibilty, Categ_Management, Trade_Endors, Availability

c. Predictors: (Constant), Outof_thebox, Visibilty, Categ_Management, Availability

Table 3

ANOVA^d

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	70.966	6	11.828	8.044	.000 ^a
	Residual	136.744	93	1.470		
	Total	207.710	99			
2	Regression	70.966	5	14.193	9.757	.000 ^b
	Residual	136.744	94	1.455		
	Total	207.710	99			
3	Regression	67.037	4	16.759	11.318	.000 ^c
	Residual	140.673	95	1.481		
	Total	207.710	99			

a. Predictors: (Constant), Outof_thebox, Visibilty, Shelf_Share, Categ_Management, Trade_Endors, Availability

b. Predictors: (Constant), Outof_thebox, Visibilty, Categ_Management, Trade_Endors, Availability

c. Predictors: (Constant), Outof_thebox, Visibilty, Categ_Management, Availability

d. Dependent Variable: Brand_value

Table 4
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.028	.590		-.048	.962
Availability	.473	.131	.359	3.620	.000
Visibilty	.604	.168	.319	3.596	.001
Shelf_Share	-.001	.106	-.001	-.007	.994
Categ_Management	-.464	.142	-.303	-3.261	.002
Trade_Endors	.249	.157	.149	1.584	.117
Outof_thebox	.477	.201	.233	2.372	.020
2 (Constant)	-.029	.585		-.049	.961
Availability	.473	.130	.359	3.645	.000
Visibilty	.604	.167	.319	3.615	.000
Categ_Management	-.463	.141	-.303	-3.290	.001
Trade_Endors	.249	.152	.149	1.643	.104
Outof_thebox	.476	.193	.233	2.465	.016
3 (Constant)	.442	.515		.858	.393
Availability	.416	.126	.316	3.299	.001
Visibilty	.681	.162	.360	4.208	.000
Categ_Management	-.442	.141	-.289	-3.123	.002
Outof_thebox	.461	.195	.226	2.370	.020

a. Dependent Variable: Brand_value

Table 5
Excluded Variables^c

Model	Beta In	t	Sig.	Partial Correlation	Collinearity Statistics
					Tolerance
2 Shelf_Share	-.001 ^a	-.007	.994	-.001	.872
3 Shelf_Share	.035 ^b	.401	.689	.041	.931
Trade_Endors	.149 ^b	1.643	.104	.167	.853

a. Predictors in the Model: (Constant), Outof_thebox, Visibilty, Categ_Management, Trade_Endors, Availability

b. Predictors in the Model: (Constant), Outof_thebox, Visibilty, Categ_Management, Availability

c. Dependent Variable: Brand_value

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