Comparative Study on the Challenges of Distribution of Finished Goods to Customers in Different Types of Retail Stores

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Abstract
The study was undertaken as qualitative research. The purpose of this study is to compare the channels chosen by retailers to distribute goods to the final consumer. For the purpose of the study 3 different kinds of retails stores were chosen to understand their distribution of goods to the final customer. The retail stores chosen were Malls, Kirana stores and a cloth shop. The method of research was by interview method. The variables chosen for the study were types of channels, channel management, hybrid channels which were independent variables, and the dependent variable was creation of value. Five major questions were asked based on the value creation challenges retailers face in distribution management. From the study it was understood that retailers choose hybrid channels for distribution of goods to the final consumer to enhance the value.
Keywords: *Channels of distribution, Types of channels, channel management, hybrid channels, customer value creation*

1. Introduction

Retailing refers to the process of selling goods or services directly to consumers for their personal use. It involves various activities, such as purchasing goods from wholesalers or manufacturers, maintaining stock, and marketing and advertising to attract customers. Retailers play a crucial role in the distribution chain, connecting producers with consumers. In retailing, businesses typically operate physical stores, online platforms, or a combination of both. Physical retail stores allow customers to browse and purchase products in person, while online platforms provide convenience and accessibility for customers to shop from anywhere using the internet. Retailing involves various operational aspects, such as inventory management, supply chain coordination, logistics, and payment processing. Retailers strive to ensure efficient operations to meet customer demands and maximize profitability.

2. Literature Review

A monopolist retailer will be capable of focusing on the new channels for profit value. [1] The value chain market decision is easier for a monopolist retailer when compared to other retailers. (H. Gulcin Ugur, BoschTurkey, Ozgen Karaer, 2008) Chen, Kaya and Özer (2008) study a manufacturer's direct online sales channel and an independently owned brick-and-mortar retailer channel when channels compete on service. [2] The authors characterize the optimal dual channel strategies that depend on the channel environment. In modeling the online channel decision, we adopt the model used by Chen et al. (2008); a customer base heterogeneous in sensitivity to online service quality (e.g., willingness to wait) and a cost structure with diminishing returns in setting the online service quality (delivery time). Tsay and Agrawal (2004) [3] investigate channel conflict and coordination in a supply chain of a manufacturer and a reseller. Zhang (2009) studies a retailer's adoption of a multichannel strategy in connection with price advertising. Song and Zheng (2008) model a supply chain channel structure in a competitive oligopoly setting to investigate the "click-and-mortar" business model. [4] Liu, Gupta and Zhang (2006) study an entry-deterrence problem where the brick-and-mortar retailer, as the incumbent, may open his direct channel to deter an e-tailer. Subramanian (1998) studies competition

between direct marketers and conventional retailers. Coughlan and Soberman (2005) study a duopoly model where two manufacturers serve their consumers through the primary retailers or with dual distribution (primary retailers and outlet stores). Chaing and Dholakia (2003) carried out a study where they studied the reasons why customers purchased goods online when they did their shopping. [5] There were three variables that they identified as factors that influenced the customer's decision on whether they would purchase online or do it offline. These are accessibility features of the online shopping websites, variety of products and their characteristics, and of course, the price of the product. The study concluded that the accessibility and the convenience of shopping sites helped to motivate the customer to decide to purchase the product. [6] When there were problems faced by customers shopping online then the customer would change over to offline shopping and alternately when they faced problem in the offline channel, they would decide to shop online. After analyzing and comparing both the channels of shopping consumers were of the view that online shopping was more convenient for them and also helped in creating greater satisfaction which motivated them to purchase online on shopping websites. Tabatabaei (2009) has studied the opinion of the consumers who shop online and the consumers who purchase from retail outlets offline. [7] The objective was to find out why conventional customers chose to buy online and what the factors that influenced them to buy online were and what factor made them decide not to shop online. The survey covered a total of 264 respondents in a small mall and he then analyzed the data. All the respondents of this study were educated and had proficiency in using computers and the internet. [8] The survey covered aspects like demographic profile, computer literacy and internet skills. The result of the study was that online shopping consumers did their shopping online more than once a month and those consumers who shopped offline purchased between one to five times a years from shopping portals. Chaing and Roy (2003) focused on consumer choice when it came to buying online and at the offline stores during the stage of information search. A convenience sample was taken from 34 students who had been admitted for an undergraduate marketing course to select a product for testing. 56 products were developed keeping in mind the popularity of online shopping. The result of the study was that the consumer perceived shopping offline as inconvenient. [9] The customer intended to shop more online especially for those products that were searched online. Lack of trust in online channels is an important reason given by consumers for not purchasing online. (Jubayer 2015). Karim (2013) concluded in his research that the negative aspects of online shopping were problems with delivery of the product, problems in online payment, lack of trust due to privacy issues and poor customer service post-purchase. On the other hand, the motivating factors when it came to online shopping were always product availability, easy accessibility, less stress and the key time saving factor. As a retail channel, physical stores showed many advantages as compared to online stores. Physical stores always provide immediate gratification. Customer always preferred offline stores as compared to online stores, especially for products with offline attributes like the fit and feel. However, online stores can be of advantage for marketers to reach those markets that previously were not reachable due to physical limitations of offline outlets.

3. Research Gap

The survey conducted gives information about the retailer channel selection for selling the goods to the final customer. The study can be made backwards to understand the end-to-end supply chain of retailers as on how the goods are bought and how that channel is handled.

4. Objective of the Study

The objective of the study is to understand the retail channel chosen by the retailers to distribute the goods to the final consumers.

4.1. Description of Variables

For the purpose of the study, three independent variables were chosen. The independent variables are Types of channels, Channel management and hybrid channel. The dependent variable for the study was Customer value creation. Figure 1 shows types

of channels in conceptual model.

4.2. Independent Variables

Types of Channels: Types of channels refer to the different kinds of channels of distribution chosen by the retailer to distribute the final good to the consumer. The different types of channels are retail store, online shopping channels, catalogue retailing, direct selling, television home shopping and automated retailing.

Channel Management: Channel management refers to the supervision of the distribution channels through which the goods are reached to the final consumers.

Hybrid Channels: Hybrid channels refer to the distribution strategy adapted by the retailers that will be a combination of different types of channels.

4.3. Dependent Variable

Customer value creation: Customer value creation refers to the process of delivering the desired goods with the appropriate service which will enhance the value of the product which in turn will satisfy the customer preference with tangible and intangible benefits to the final consumer.

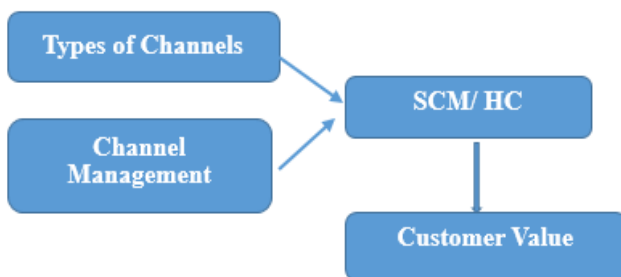**Conceptual Model for Understanding the types of channels chosen by retailers**

Figure 1 Types of Channels in Conceptual Model

4.4. Questionnaire

1. Which Channel do you prefer for Retailing?
2. What is the challenge faced in this Channel?
3. What is the criteria considered while choosing the channel?
4. How does the chosen channel support in meeting the demand?
5. Which type of logistics is used for the distribution of the stock?

5. Challenges faced by the Intermediaries

5.1. Challenges for Malls in Distribution Channel

The Stock life is not the same for all the products and having a track of every product and replacing them in the shelf is a challenge for the Store managers. Most of the malls follow "Just in Time" for stocking. Not all the wholesalers will have standardized channel management. Tracking them and managing the stock according to the availability is another challenge. The retailer should have track of all the lines of distributions which manufacturers and wholesalers have. If they will not have track, then there is a possibility that they will miss receiving a certain product which will be sent from that distributor.

5.2. Challenges for Kirana Stores Distribution Channel

Small Kirana Stores will usually have the practice of buying the goods from local wholesalers. The challenge is the availability of certain brands. If the local wholesaler does not have a brand, then the kirana store owner will have to go in search of that brand to bigger cities where the options are more. This is feasible only if the brand is in more in demand. Or else this practice will be a loss for the Kirana store person.

5.3. Challenges for Small Cloth Shop Owners in Distribution Channel

This sector usually will buy the products in bulk from other distributors in bigger cities like Surat or Mumbai. All the products will be bought at once from the wholesalers. If the product is in demand, the shop will have to wait for the next order period. If the demand is decreased by that time, then the business will be lost in that case. However, it depends on the relationship they have with the distributor. If the order is less quantity, then even the relationship might not work.

6. Findings of the survey

- All the three types of retailers chose hybrid models for distributing their goods.
- The goods ordered by them were based on the pattern which has been followed over a period.
- The logistics chosen were based on factors like quantity of goods ordered, distance between the

buying center and their inventory stock place.

- The retailers would buy stock with the usual distributor to maintain the long-term relationship.

7. Scope For Further Study

- The survey conducted gives information about the retailer channel selection for selling the goods to the final customer.
- The survey can be conducted backwards to understand the end-to-end supply chain of retailers as on how the goods are bought and how that channel is handled.

Conclusion

The study concludes that retailers nowadays choose hybrid channels to enhance the customer value and retain the customer for long-term.

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