

# An Empirical Study on Measuring Corporate Retail Store Success

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1 <sup>st</sup>	Dr. P.V. Raveendra	Head of Department , Department of Management Studies , Ramaiah Institute of Technology, Bangalore, Karnataka -India
2 <sup>nd</sup>	N. Srikanth Reddy	Assistant professor , Department of Management Studies , Ramaiah Institute of Technology, Bangalore, Karnataka -India

## Abstract

*Measuring success of any business is crucial and equally crucial is the measure used. There are many measures primarily financial in nature; however other measures are equally significant. Corporate retail plays a significant role in the modern economy. The Paper titled "An Empirical Study on Measuring Corporate Retail Store Success" is a study restricted to retail stores in Karnataka. EBITDA is found to be the one measure that the stores managers were using to measure retail success.*

## I. INTRODUCTION

There is no single measure that defines retail success; however, sales and profitability are popular measures. According to Vishal Agarwal, store operations is about converting resources into sales and profits [1]. Store performance measured in shrinkage, sales and store profitability [2]. There are various performance measures for retail success. These include the basis for comparison also like past performance and industry benchmarks. Footfalls, conversions and average ticket size are typical revenue measures [3]. GMROI, GMROF, GMROL, cost per customer, cost per transaction, inventory turnover ratio, shrinkage, attrition, same store sales, sales per square foot, sales per employee, sales per linear foot, sales per department, Footfalls, conversion rate, life time value, cost per acquisition, RFM [4] [5]. On regular basis the key metrics to be monitored are footfalls,

conversions, ticket size, stock levels [6]. The research methodology consists of survey research, where a schedule is used to collect data from store managers across Karnataka from 306 retail store managers. The total sample size is 306 samples out of which, 96 in Apparel, 59 in Consumer Electronics, 44 in Food and Grocery, 61 in Footwear, 46 in Home and interior. The objective of the study is to know the popularity of the measures used across the store verticals.

**II. DATA ANALYSIS AND INTERPRETATION**

The ratings on the preference for measure, is used to study the popularity of measures and to know if the measures differ across the segments.

**2.1 Analysis related to study of the measures used across the selected segments**

The objective of the study is to analyse the measure across the segments. The objective is achieved through hypothesis on the measures varying across the segments is tested using ANOVA as given below:

*Ha: The measures used vary with the segment*

Table 1 results on ANOVA table shows a significance of 0.978, for F value of 0.112. Since the P value of 0.978 is greater than the alpha value of 0.05, thus null hypothesis of no difference across the segments is not rejected. The usage popularity of the measures does not depend on the segments of the retail store. Thus, the measures seem to be standardized across all the segments.

Measure Rating					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.538	4	.134	.112	.978
Within Groups	6941.555	5809	1.195		
Total	6942.093	5813			

The scores for the usage popularity of the measures is given in the bar chart figure 1 in descending order of their importance. The industry uses EBITDA, Shrinkage, and Sales per square foot, Conversion ratio, Footfalls and attrition, followed by the gross margin measures.

Table 1 shows the total popularity score of a measure in a segment. These scores are across the five segments of Apparel, Consumer Electronics, Food and Grocery, Footwear and Home and Interior. The EBITDA scores are 434, 261, 197, 281 and 210. The shrinkage scores are 373, 241, 173, 242 and 175. Further the table shows that out of nineteen measures, only the six measures are highly popular, this table provides the numerical equivalence of the chart, the table is useful in knowing the score across each of the segment. Thus, the industry uses EBITDA, Shrinkage, Sales per square foot, Conversion ratio, Footfalls and attrition, followed by the gross margin measures.

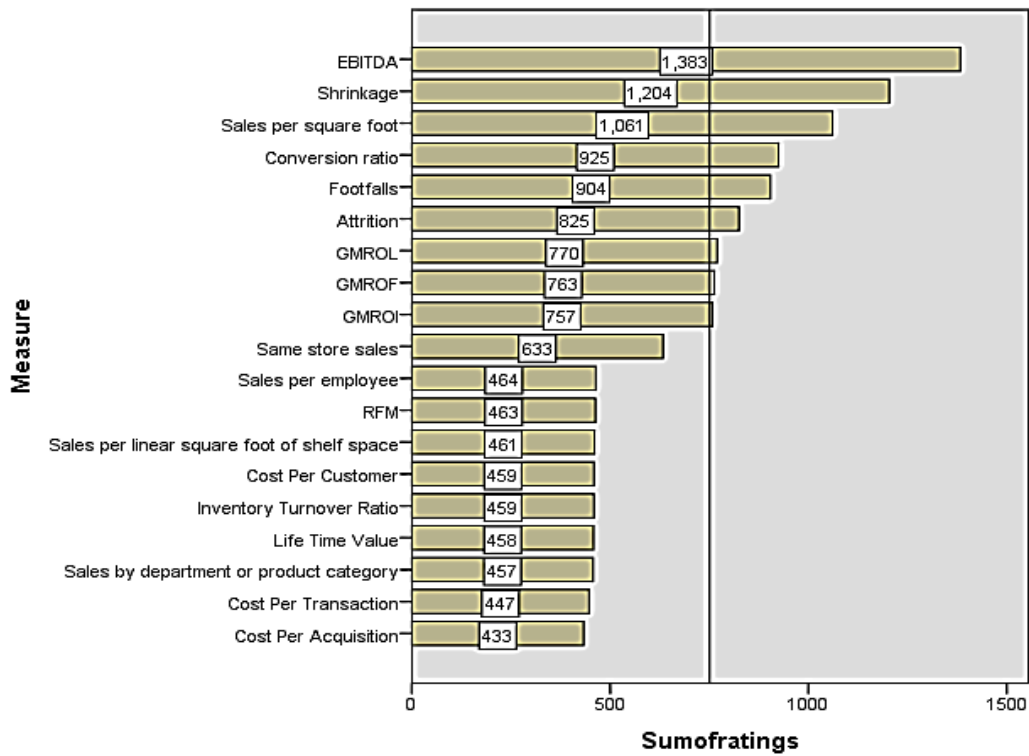


Figure 1: Bar chart showing the popularity of measures

Table 2: Horizontal comparison of measures used by segments

Segment	GMROI	GMROF	GMROL	Cost per Acquisition	Cost per Customer	Cost per Transaction	Inventory Turnover Ratio	Shrinkage	Attrition	Same store sales comparative	Sales per square foot	Sales per employee	Sales per linear foot	Sales by department	Footfalls	Conversion rate	Life Time Value	RFM	EBITDA
Apparel	245	243	241	132	143	135	141	<b>373</b>	257	207	332	151	140	146	284	284	148	149	<b>434</b>
Consumer Electronics	146	147	144	81	90	85	95	<b>241</b>	165	122	205	84	89	85	181	178	82	83	<b>261</b>
Food and Grocery	106	109	120	64	66	64	71	<b>173</b>	108	89	154	68	68	69	134	134	70	69	<b>197</b>
Footwear	147	150	152	91	90	90	89	<b>242</b>	174	118	210	91	94	88	176	183	90	96	<b>281</b>
Home and Interior	113	114	113	65	70	73	63	<b>175</b>	121	97	160	70	70	69	129	146	68	66	<b>210</b>
Total	757	763	770	433	459	447	459	1204	825	633	1061	464	461	457	904	925	458	463	1383

Table 2 is called the horizontal comparison table and is called so for a reason. The reason is that any kind of segment comparisons is not valid. The horizontal comparison can be defined as any comparison across the same segment, for example apparel segment. The scores represent the ratings across different sample sizes. The total sample size is 306 samples out of which, 96 in Apparel, 59 in Consumer Electronics, 44 in Food and Grocery, 61 in Footwear, 46 in Home and interior. Thus, Apparel has the obvious advantages over other segments. The cross-segment comparisons are for indicative purpose only as the ANOVA results make the differences insignificant.

### III. CONCLUSION AND SUGGESTION

It was found that that the most popular store success measure is EBITDA, which represents Earnings before interest, taxes, depreciation, and amortization. Though it is one of the most popular measures, it is useful measure at broader level like corporate or industry. However, it is suggested that store and store manager's success is better measured using productivity measures like GMROL, GMROI.

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### V. AUTHOR'S DETAIL

Dr. P.V. Raveendra is the Professor and HOD in Department of Management Studies, RIT. His areas of interests include subjects like Finance, Marketing, CRM, Personal Finance and soft Skills.

Mr.N.Srikanth Reddy is an Assistant Professor in Department of Management Studies RIT. His areas of interests include analytics, digital marketing, business marketing, integrated marketing communications, and sales & retail management.

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