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SINGLE-BRAND RETAIL STORE OR MULTI-BRAND RETAIL STORE FOR INFORMATION TECHNOLOGY INDUSTRY- THE SELLER PERSPECTIVE

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ABSTRACT

In recent time we have seen the shift of offline stores to online stores rapidly. We might see the growth of E-tail or M-tail as well in coming years. Currently there is important change in offline retail industry looked upon by the sellers. The choice is to choose Single or Exclusive Brand Retail or Multi-Brand Retail store with reference to Information Technology Industry. This shift in the thinking may not be recent alone but sure with emerge of Large Format Retailers or Regional Large Format Retailers and now E-tail/M-tail it is widely getting considered. There are many aspects which affect the decision for the seller between single brands over multi-brands retail. Many companies are creating Omni-Channel approach to give the seamless experience to their customer to choose between offline and online option. This is another reason why single brand retail will grow over multi brand retail in coming time for Consumer Personal Computer Brands.

KEYWORDS: *E-tail, Exclusive Brand Retail ,Information Technology Industry, Large Format Retailer, M-tail, Multi Brand Retail, Omni-Channel, Offline Retail, Regional Large Format Retailer, Seller, Single Brand Retail, Consumer Personal Computers.*

I. INTRODUCTION

Information Technology Industry of India has major role to play for growth of Digitization in the country. Within Information Technology Industry the most volatile segment will be Consumer Personal Computers (PC). Due to lot of changes in technology rapidly there is convergence of the Mobility and Computing experienced in recent time. While there are very few brands left who are dominating overall PC business like Acer, Asus, Dell, Hewlett-Packard, Lenovo etc. Always there is a challenge faced by seller to choose the brand for retail basis return on investment, consistency,

after sales service etc. This Research was done to understand what will be the perspective of the seller when they select the brand and whether single or Exclusive Brand or Multi-Brand is a choice. As survival for the Retailer amidst the rise of E-Commerce and slowly established Large Format Retailers in Metros now. It's imperative to understand this decision making and shift in the thinking of sellers.

II. RETAIL INDUSTRY IN INDIA

Way back from 1990 retail in India started flourishing. Decade on decade the retail industry had shown descent growth. In India still unorganized retail contributes close to 90% of total space. Consumer durables & Information Technology contributes 4% of this pie [8].

Key Formats which are found in organized retail are;

- Exclusive Branded Retail Store = Self-owned or franchised by Brand
- Multi Branded Retail Shops = Different Brands under one roof for comparison but usually attempt is made to sale particular brand among the available rest
- Convergence Retail Shop = It has two or more industry combined shops like Consumer electronics and IT are the examples of convergence shop
- E-Retailers = Also called as E-tail which is nothing but the online shopping facility as market place provided either by single brand on their own site or multi brand provided by third party market place. Same facility when available through mobile is called as M-Retailers or M-tails.

Now we all know that these E-tails are eating up share of offline (Exclusive/Multi-Brand/Convergence) retail stores very rapidly. This can be truth still there is long way to go in India as far as millennial contribution to overall purchase is concerned or the availability of internet adapted population is concerned.

This has triggered one more approach of consumer to feel the product at offline and buy online. Since the rates offering was quite differentiating since few years. Scenario is changing for few brands and industry though. As offline Retailers still contribute sizable amount of business from the industry brands.

They do have say in devising the policies for the most of the brands in India. This has made compulsion to brands devise certain policy differentiations when they want to keep offline and online both channels happy.

Many brands have made separate product catalogs for the online and offline stores. Like way back when LFR started foray in India it was presumed that they will eat away small shops. This became reality only to major metro locations and second level cities only after close to 10 years of full fledged inception.

Also on other hand we witness as many E-tail companies want to open the offline stores to make sure that the customers who are largely not coming on the internet they are not missed at all. This approach is nothing but Omni- Channel approach by most of these brands now [7].

Omni-Channel gives the benefit to the brand to maintain both types of customers who can take a feel and buy either at brand shop or get diverted to E-tail for purchase post touch and feel experience.

Looking at current share of only 2.5% by Online stores and expect to even if double by 2020 as per IBEF (Indian Brand Equity Foundation) that leaves big pie still for offline retailers to choose the strategy for coming years [3].



Figure 1: Online Retail Vs Total Retail in India

III. EVOLUTION OF SINGLE BRAND AND MULTI BRAND

Earlier days when offline was the only option for brands, the dominance of multi brand retail over single brand retail was there. The key benefit of multi brand retail was to give wider choice of brands to the customers. Then there was emerge of the online stores worldwide. This caused the necessity to evolve offline and online stores for many brands as a strategy. The coexistence of the both was the only choice and then emerged the concept of Omni-channel. The Omni-channel could give advantage of online as well offline to ensure the end customer gets seamless treatment [6]. This could be first instance where the need of pure single or exclusive brand started emerging much bigger than the multi brand.

Few years back the multi brand retail was evolved to next level where big players started investing into the industry. The concept of Super market, hyper market started to grow further. This was the time when Large Format Retail (LFR) concept was adapted .The need for convergence of different industry started with this exploring even multi chain of the retails at regional level called as Regional LFRs. Since over period Information technology became more as commodity than the luxury for customers, it opened this converged channels to explore the new avenues of business. These LFR and RLFR started capturing good amount of market share for the brands. As these retailers could provide the experience which was required for the brands captured attention of vendors quickly.

The biggest disadvantage for the brands when they display their product at these LFR/RLFR or singular industry multi brand outlet was that they may not the first choice for customer or seller.

Similar is the case for online market place also. Unless the brand is not exclusive on online it doesn't have guarantee to pull customer among all brands. Even though the size of the market at these multi brand is bigger than exclusive/single brand place it also has other disadvantages which we will discuss further.

IV. SELLER PERSPECTIVE

As mentioned above there are many attributes which decide the choice of seller to select between Single /Exclusive Brand Retail or Multi Brand Retail when he want to invest money for the business.

RETURN ON INVESTMENT (ROI)

As we know for any business the main Importance is the return on investment. When we compare Single Brand retail against Multi brand retail we can understand what is difference on ROI for particular seller. In case of Multi brand usually any brand can only occupy certain portion of the space which is designated for the brand. Since its only portion of the entire space usually no brand is interested to buy that space at cost. Maximum what brands do is in store promotional arrangements like posters/glow sign /danglers etc. Where as if it is a single or exclusive brand then there is a clear understanding between seller and brand to ensure the entire décor is done as per brand requirements.

Now this usually either done by seller at its own cost and company brand owner (Vendor) reimbursed the portion of the same as per agreement or entire interior of the place is done by the Vendor itself. In both cases the cost is either shared or fully paid by Vendor here.

The next important cost to seller is the rent of the place if it's not owned by seller. Many vendors have a policy to reimburse the rent fully or partially to the seller as part of commercial agreement.

There are few vendors who do not share any part of the rent as well. Most of them are industry leader brands and dictate the terms as per Brand value.

Also when brand keeps both exclusive and multi brand retailers to cater wide customer base, they ensure that the incentive structure is better to the exclusive brand retailers. This also calls for the more investment by these sellers. The display inventory at showroom is one more additional cost for investment point of view to the seller in any retail showrooms. Exclusive or Single brand showroom display inventory many times are given to seller on discounted rates or allowed to sell after certain period at discounted price to customers to support the cost of display.

Third important cost to retailer is manpower cost to run the show. Every brand expects that the person at retail counter should be equipped with all the knowledge of the brand and ensure the customer conversion. This requires the train manpower at the brand shop which are not only trained by the brand time to time but also many times sponsored with the salary sharing with the seller. This is done with many important or big Multi brand showrooms of LFR/RLFR as well. Since here brand motto is to ensure at multi brand showrooms the maximum conversion is done to their respective brand only.

Apart from manpower, rent, display inventory forth component is earning on the sale which also when compared for single brand and multi brand it's always found that the single /exclusive brand showroom earn better than the multi brand showrooms. As a fact that at these exclusive showrooms the customer mindset is to buy particular product is already there hence usually cost of the product comes last priority to customer as well. In exchange customer enjoys the loyalty benefits from the brand here.

SINK OR SAIL WITH ONE BRAND

Apart from ROI which is most important parameter for the seller, another reason seller chose to Single Brand or Exclusive Brand is the better certainty of the business. While in multi brand it is always uncertain which brand may sell, in case of single brand it's mostly fixed. What they call it as linear to some extent and easy to calculate then fix ROI for the seller. The brand itself takes lot of efforts to ensure that the respective ROI is earned by the seller and hence the predictions are much better on the sale out. At same time many challenges like excess inventory, residual stocks or ageing category are addressed regularly and resolution is concluded. As at same time for any reason if the brand doesn't perform well for particular period it off course makes the dent on ROI to seller. Since Brand image is seller image the risk of sail or sink with the single brand is more and the only alternate left to seller in such condition is go to another brand. Many sellers for this matter prefer to have multiple single brand showrooms of competition brands so that at least the best wins and overall ROI is maintained at any given point of time. Still instead of choosing multi brand retail, choosing more number of single brand outlets makes sense to seller.

SERVICE SUPPORT

The next important aspect for Information Technology dealers is the support from the brand in case of service cases. In multi Brand showrooms most of the time after sales the onus of the service support doesn't bothered much to seller. Since seller may not have expert for all brands they usually direct such calls to the specific company service centers to the customer. While in single brand showrooms it is perceived as if Brand showroom and the expectation of the customer from brand shops are always high to get after sales support.

At same time seller also understand the same as the one bad mouth publicity damages another few customer in flow to the shop. He also tries to take care utmost of the customer here. Since the relation of the brand is always stronger with such brands the after sales support also is found more out of the way when it comes to single or exclusive brand.

V. CONCLUSION

If we have to conclude on what should be the choice for sellers today those who are into offline retail and competing against LFR/RLFR and E-tail, the best choice could be getting into exclusive brand or single brand showrooms than multi-brand showrooms. The scale and buying power off course makes LFR/RLFR and E-tail as best choice of channel for most of the brands. Even though no brand can afford at least at this moment to lose their more than 50% contributor which is scattered channel between exclusive and multi-brand outlets. Further evolutions of Retail industry may be something different as we expect with rapid growth of mobile commerce in India the shift from offline to E-tail & E-tail to M-tail is bound to happen. Still even in such cases the role of Offline Retail is a key to give touch and feel to customers. Specifically in Information Technology industry where most of the products still require the service support, installations or technical understanding the role of offline retails is going to be there.

Recently few e-commerce adapted strategy of offline to online strategy by which they on boarded such company owned & company authorized brand retails to participate in cash back offers to use the market place to accept payment from the customer [5]. This is another big business where the offline and online both enjoyed the growth. Only further research is important to understand how these offline retails maintain their survival with peers of

same brand and other brands in coming future.

Also one important thing which should always be remembered that every Brand look for better and better average selling price (ASP) for their products. It's always found that exclusive brand shops increases this ASP due to trained staff and availability of higher end models on display at showrooms. Off course it's linearly proportional to profitability of the brand which always a challenge at Multi-Brand Retail of just through E-tail/M-tail options.

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