Small Retailer's Merchandise Decision Making:
A Grounded Theory Approach

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ABSTRACT

This study is focused on small retail stores of Jammu province of J&K and examines the relationship between retailer's perceptions of the trading area and their assortment policy decisions and their reported performance levels for a FMCG product category. The study focuses on the external environment as well as internal environment of the small stores which affect the decision making of the assortment. Retailers keep a small range of assortments as market uncertainty is high. Moreover, the study focuses on the impact of store attributes on the assortment policies. This study controls for both store space and the store location factors. The impact of customer profile and the local market environment faced by small retailers is also analyzed as an important factor towards the assortment policy decision. A grounded theory based analysis was carried out. The analysis brought out four criteria used by the retailers in selecting products for their store based on the evaluation of the external and internal environment.

Key words: Assortment, Grounded Theory, Product Selection, Small Retailers.

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Introduction

The Indian retail environment can be broken into two sectors: organized and unorganized sector. The organized retailing covers supermarkets, hyper-markets, and malls. These are professionally managed and offer a variety of services and products under one roof whereas the unorganized retail sector consists of small retail stores, which have a small store area and are usually family-owned (Ramakrishnan, 2010). Indian retail industry has been dominated by small retailers, and most of the people prefer to shop from small retail stores for their household shopping's. Although India has the highest retail density in the world but only 4 per cent of these outlets are more than 500 sq. ft. in size. The small retail stores are almost all are family-owned shops and establishments (Mukherjee & Patel, 2005). This reflects the diversification of the small stores in Indian retail environment. These retailers are popular and own a high preference by the customers due to the services they provide like easy returns, credit, retailer attitude, refunds etc. According to Ramakrishnan, 2010 small retailers have high flexibility of designing their marketing mix according to local consumer needs. The diversified nature of the small retailers has been the motivation for taking them as the target context of the current research.

The national portal of Government of India defines small retailers as those retailers whose scale of operation is restricted to a small segment of the market and to a narrow range of products (National Portal of India, 2005). In Indian retailing scenario, small retailers account for a very small portion of the total retail but their number is very large. Small retailers face a complex and changing environment, but one which varies considerably from one store to another. Responsiveness to the local market environment is an important dimension of a market orientation for small retail operations (Kara, Spillan & DeShields Jr., 2005). Although the Indian retail industry has seen a large growth in organized retailing, the trademark of Indian retailing, the small shops with a high level of personalized service, is making shoppers reluctant to depart from the traditional ways of shopping (Sinha & Banerjee, 2004). Retailer's performance depends

upon the store characteristics, merchandising policies and environmental conditions (Reinartz and Kumar, 1999).

A paradigm shift in the consumer's demographics, socio-economic and geographical positions are the driving force for the adoption of organized retail format, aiming at catering to the evolving needs and tastes of discriminating consumers. Also this has impacted the marketers to look for the ventures in rural areas of India. The big challenge for the small retailers in order to compete with the organized retailers is in terms of products and services they provide. The upcoming retailers have forced the existing small retailers to think about reforms in retailing to attract more customers and thus maintain a profitable business. For the same, the small retailers need to think over the assortments and varieties they offer within a product category. The research on small retailers in western countries emphasizes on the importance of small retailers because of the features like easy product available, offer customized services, credit facilities and importance on personal relationships (Smith & Sparks, 2000; Megicks & Warnaby, 2008). In a similar direction, Sinha and Banerjee (2004) report that traditional retailers in India have a huge potential and attract customers due to their flexibility in providing retail facilities. The current research adds to existing research on merchandise selection decision of retailers but in small retailer's domain in India. It explores small retail stores-related factors that can help retailers improve their competitive position. The purpose of the current research is to explore the small retailers merchandise selection criteria, i.e. new product selection criteria and the product retention criteria of the retailers.

Literature Review

Small retailers in India.

According to Venkatesh (2008), there are about 12 million small stores spread over 5,000 towns and 600,000 villages across India. These account for more than 70 per cent of grocery sales of India (Jones, Lasserre & Gehlen, 2005) and play a strategic role in Indian retail business (Ramakrishnan, 2010). So the importance of small retailers cannot be neglected in Indian retail

environment. The number of constraints for the small retailers is also high in order to compete with the other retailers. So the small retailers need to evaluate several factors before adding new products to their product list. In the same context, the first study was published by Grashof (1970), which addressed two primary decisions affecting the mix of products carried by a retail chain. These were related to "(a) the addition of new items, and (b) the deletion of items now stocked by the chain". But in the subsequent 30 years, few follow-up articles on this topic have been published (Kaufman, Jayachandran & Rose, 2006; Rao & McLaughlin, 1989; White, Troy & Gerlich, 2000). The research on product adoption by a retailer has been dominated by large retail formats. However, the topic of product adoption should be observed from the point of view of small retailers also as, for selection of products, they are not dependent but rather make decisions completely on the basis of what they believe will sell in the market. They can adopt appropriate mechanisms to tailor fit their offered products that are in line with the need and demand of the target market customers (Ramakrishnan, 2010).

The earlier researches in the area of product selection focus on retailers addition of new products as consumer demand, promotional program of the suppliers, test market information, and the estimated sales as presented by the supplier. But this study was in context to the organized retail stores. Due to heterogeneous and uncertain customer preferences, variety seeking behavior of consumers and competition between several retailers, product selections has increased in all merchandise categories. With fixed shelf space, increasing variety means less store space for each product, which translates to higher operational costs due to either lower availability or higher replenishment costs. As a result of the excessive levels of variety, many retailers are switching to a strategy called "efficient assortments" (Kurt Salmon Associates, 1993). It is a matter of question that how retailers of small retail shops develop their assortment policies keeping in mind the market environment. They donot follow the operational model which is better suited for large retail stores. Even though there may be little work being suggested by the analysts of the assortment planning of small retailers, the ''Heterogeneous nature of the marketplace demands that retailers tailor their assortments to local tastes . . .'' (Mantrala et al., 2009). So, the small retailers need to select the products for their stores keeping

several factors in mind. The current research is a step towards finding out the determinants of product selection and product retention.

Merchandise Decision Making.

Merchandise decision making for a retailer mainly includes two decisions i.e. what new products to be included in the assortment and which products to be retained or deleted. Assortment is traditionally defined as the number of products offered within a single product category (Levy & Weitz, 2001). A product category is defined as a group of products that consumers perceive to be interrelated and/or substitutable. Retailers need to select the products for its store by keeping a tradeoff between customer expectations and retail profits. With the appropriate tradeoffs between variety, depth, and service levels, retailers try to satisfy the customer demands by providing the right merchandise in the right store at the right time. If the retailer is unable to provide the expected merchandise to the customers, they tend to lose their current sales as well as future sales. The small retailers need to select products for their stores from the vast array of new products across multiple categories offered by the manufacturers (Kaufman et al., 2006). In case of small retailers, they need to select products for their stores from the products being offered by the wholesalers.

The small retailers are small in shop size and are dependent on a long chain of intermediaries for getting their supplies (Aithal, 2011). So the problems faced by these retailers are much higher. As the environment in which these small retailers operate is difficult and full of challenges (Kök, Fisher & Vaidyanathan, 2009). Previous researchers have investigated how retailers evaluate selection of products through examinations of category and shelf management (Dreze, Hoch & Purk, 1994), assortment optimization (Boatwright & Nunes, 2001), product attractiveness (Rao & McLaughlin, 1989), inter-firm relationships (Kaufman et al., 2006), and introductory slotting allowances (White et al., 2000). However, limited empirical research has examined the determinants of retailers' selection of new products and retaining of the existing products in small retail environment.

Methodology

As discussed earlier, the studies related to small retailers are limited and those relating to Indian context are scant. Moreover, the studies focusing on assortment planning have been typically on large retailers. A qualitative technique of data collection was used, which was based predominantly on the concept of grounded theory. Grounded theory, a research methodology primarily associated with qualitative research, was first proposed by Barney Glaser and Anselm Strauss in 1967 (as cited in Dunne, 2011). A grounded theory is derived inductively through the systematic collection and analysis of data pertaining to a phenomenon (Strauss & Corbin, 1998). Very few studies could be noted in the field of assortment planning and category management which have applied grounded theory. One such study is of Gruen and Shah (2000) which, in their research of examining factors affecting category management, developed a theoretical model using Glaser and Strauss' (1967) "grounded theory" method in a manner similar to that used by Manning, Bearden and Rose (1998).

Since the focus of the current study is on merchandise selection criteria of the small retailers, we have adhered to the definition of small retailers which has been explained in the introduction. So the focus of the study was to interview the small scale retailers from the rural and urban regions of the Jammu province of J&K, India. Semi-structured depth interviews were conducted for collecting data. The interviews were conducted by the authors. In this study, 24 unstructured interviews of small retailers were taken from both rural and urban areas of Jammu Province in J&K till data saturation was attained. Data saturation means that with the collection and analyses of additional data, no new concepts are developed and additional data do not require changes in conditions, characteristics, or consequences of the existing categories (Strauss & Corbin, 1990). Each interview was conducted and converted into the verbatim. The set of interviews were initially started by asking the retailers about their consent to participate in the discussion. All the interviews were conducted in person and at the retailer's shop, mostly in the afternoon and morning time when they were ready to participate in the discussion. Also, to satisfy the retailer's query of discussion, the retailers were informed that the objective of the study was to understand

how retailers decide which products to keep in their store and which not to. Wherever required, they were asked to cite examples and cases to bring out the dimensions. The average length of interviews was approximately 35 minutes, the longest one lasting for 1 hour 12 minutes. The interviews were audio-recorded and they yielded about 182 pages of transcript. The interview sessions were stopped at 25 interviews as it was being observed that the data being collected from the transcript was turning out to be more or less redundant.

This qualitative based pilot survey helped generate research dimensions which, in turn, lead to model development (Creswell, 1998). The respondents of the study were small retailers who typically sell FMCG products from stores, which are better known as Kirana stores. The study typically focuses on the study of the environment in which the retailer operates. Thus the socio demographic strata of the type of customers residing in the locality were also studied from the retailers' point of view. Villages and towns in 3 districts of the Jammu Province in J&K were selected to represent the small retailers. These retailers were a suitable group because they served a population of small towns in rural and urban area. The areas of Jammu province of J&K were selected on the basis of convenience from the Census 2011. For reference, see table 1. In all 24 interviews were conducted, out of which 21 retailers who were interviewed were males and 3 were females. The small stores, which were catered, had an average size of approximately 100 – 200 square feet. The stores had multiple goods being sold, specifically focused on foods and grocery products. A wide range of products such as FMCG, cereals, vegetables, footwear, stationery, tobacco products, electronic items and mobile recharge coupons were sold by these retailers. Few of the retailers being interviewed typically sold cosmetic and stationary goods. Each village being catered had multiple shops which were generally located in different parts of the village and served a faintly distinct area. A unique feature of the small retailers was that the retail shop was located within household premises.

Data Analysis

The recorded interviews were first converted into a verbatim which, in turn, was subjected to grounded theory based analysis (Glaser & Strauss, 1967). Three independent investigators read the transcripts. They conducted open coding of these transcripts, which generated 225 statements that showed a general behavior of small retailer's assortment selection criteria. The general statements were thereafter searched for in existing literature on the subject in order to identify whether the codes could be related with any theme from the relevant literature. Although the work on small retailers is very less, the reference of assortment planning with respect of large retailers was taken from the existing literature. Thereafter a round of axial coding (Strauss & Corbin, 1998) was conducted to sort the descriptions into 74 first order statements. The available 74 were further analyzed to create 16 second order themes that described the major themes as emerging from the interviews. Further, these 16 second order themes were sorted to combine and form 5 final categories. The details of the emerged sub-themes, concepts and the categories have been shared in Table 2. The 5 categories developed from the axial and selective coding served as the major constructs of the small retailer's assortment planning criteria based on external environment.

The current research divides the retailer's criteria of deciding merchandise for its store into external and internal factors. In this research, we talk about the external environmental factors, which are not directly in control of the retailer but are important for the retailer when deciding the store merchandise. Examples are the store's trading area and customer profile. Internal factors are factors under the retailer's control, such as store attributes, retail profitability and relationship management.

Findings

Trading Area and Retailer Merchandise Selection.

In a study by Palmer-Jones and Sen (2006), it is argued that the population density in the store's trading area, consumer characteristics and shopping behavior determines the store's performance. The organized retailers usually operate in urban areas where population density is high and consumer shopping behavior is heterogeneous. But small retailers operate in areas of low population density where consumer shopping behavior is more homogeneous. As small retailers in India are present in both urban and rural areas, the sample of the study was also diversified to urban and rural domain. Demographic factors such as shoppers' income and age vary across each trading area in urban and rural areas. Heterogeneity provides opportunity for experimentation with retail assortment (Goswami 2009), so the retailers need to keep higher diversified assortments. The construct of trading area constitutes of three sub- constructs: Competition, Market Uncertainty and Store Location. The findings of the relationship are explained below through the descriptive statements of the respondents.

Competition

"I have many stores in the locality which sell the same products which I do… As the number is increasing my overall sales get affected."

Although the level of competition within the locality is high, the retailers perceive that other retailers selling the same goods will have their own targeted customers and they have their own. Most of the retailers consider no direct competition with the other retailers of the village. Generally, if a product is not available with them, the customer swaps the retailer otherwise the customer would not leave his retailer. These retailers consider that competition will be present in terms of increased number of other retail shops, but they can retain their customers just by having their preferred goods. With the increase in number of retail stores, the customers get

distributed and this affects the overall sales. They add new goods to their stores, if the competitive retailer nearby has added it to its store.

"I do not have any competition with the big retailers in the city area because the brands we sell are different and our customer demands are different."

These retailers believe that organized retailers are not a threat to them. They consider that these big retailers sell higher quality products and have money to run their business on big platforms whereas these small retailers have fixed customers and carry fixed merchandise. The scope of goods to be carried in the store is limited to the customer preferences and the local competition.

Store Location

"My store is located in the rural area so the customers are limited to my locality. Moreover I have to travel large distances to reach to the supplier."

These retail stores are located in the rural areas. These areas have localities of poor or lower middle class people. People have two-wheeled vehicles for transportation. The retailers have to travel to the city to reach their supplier. Hence, they usually purchase a stock for more than a week so that sudden needs of the customers can be catered. The store is usually surrounded by small residential houses with local people residing in the locality. The Indian traditional retail store format is dominated by small stores locate in the front of their house in a small room with less than 50 sq feet of area.

Market Uncertainty

"We have a small retail store with fixed customers, so we have to know what customers will buy. The customers are fixed but the demand pattern fluctuates so we have to know which brands to keep and in how much quantity".

"We try to know what products and what specific brands have the highest sale in the locality, then accordingly we order it to the supplier on fixed basis. Sometimes a mid-day demand arises, and then the supplier sends the stock at my store only."

The most important factor in assortment selection is to know the market dynamics, i.e. the demand pattern. Nearly all the retailers emphasized that the stock to be kept is mainly guided by the purchasing pattern of the customers. But in case of new products kept in the store, the uncertainty of sale is the highest so very few items are kept in the store. Until the customer demands, the new product is not the added in the stock. Sometimes, if the product or the specific brand does not have a distinct demand pattern in the market, the chances of dropping the product from the assortment list are very high. Many retailers were reluctant to add any new product, as they feel it is a risky affair. The retailers emphasized that demand and customer choice for a brand is the main criteria of product selection.

Customer Profile and Retailer Merchandise Selection: Between 2001 and 2010, the size of the rich consumer class in India had increased by 21.4 per cent, while the middle class increased by 12.9 per cent (Shukla, 2010). Branded products are now sold in India through both traditional and modern retail outlets. Brand visibility has increased through multiple advertising channels such as television, newspapers, radio and lifestyle magazines (Aneja, 1996). So, due to the increased customer brand awareness, the retailers have to put in great efforts to offer products that satisfy customer demands, and hence attract customers towards the store. Moreover, employment opportunities for the people have increased, which has helped even the rural customers to buy new products on regular basis. Small retailers are often found where the consumers live in close communities in small geographical areas (Hu & Jasper, 2006). Some of these areas lack market information, so the product consumption is relatively stable over long periods. Also, media and social influences on the need for product diversity are relatively limited (Grewal et al., 1999). So the retailers in these areas do not show product diversity in their assortments. Rather the assortments are typically based on the customer demands and preferences. In a research by Walsh (1995), it was concluded that customers shopping in urban

areas have more desire to try new products than customers in rural areas. So the retailers need to analyze the customer demands depending upon the type of market to be dealt in. The construct of customer profile is formed using the three themes which are market diversity, customer preferences and social strata.

Market Diversity

"I cater to all types of communities. I have Hindu, Muslim, Kashmiri pundit, and Dogri customers. The village does not have a distinct market place; rather it has small retail stores which are built inside the house of the retailer. People live a simple life style."

The people in the locality have a simple lifestyle. They are mainly engaged in agricultural practices or have their own small businesses. These customers prefer low cost brands. Moreover, the exposure level is low. So the brand awareness among the people is also low. People belonging to various communities like Dogras, Kashmiri pundits, Hindu, Muslim live in the villages. Although their brand preferences are similar, retailers have to keep certain community based products at the store. For instance, during Shivratri Festival, when Kashmiri pundits purchase certain dry fruits and other Pooja accessories, the retailer has to keep an inventory of this stock depending upon the demand pattern. Some of the retailers emphasized that their major customers belong to the labor class (migrated) people who buy low price products but in bulk quantities.

Customer Preferences: *"I select products for my store based upon what customers demand. If the product is not available at my store, I tell customers to wait for some days and I get it for them. The brands which are advertised on TV or newspapers sell more than the non-advertised brands. When a supplier comes at my shop with a new brand, I usually keep it only when its advertisements come on TV."*

The retailers would keep those brands in their stores which are well known. The retailer keeps both national as well as local products in the store. Because of the price constraint,

customer preferences vary from low priced products to high priced products. These customers do not differentiate brands in terms of national, international or local rather they buy products either on the basis of price of the product or the awareness of the brand. The retailer's stock only those products that have high customer preference. Most of the customers prefer small packaged products, so the quantity of units stocked for small packaging is more than those for large packaging. Many of the retailers emphasized that when customer demand for a new product is repetitive, they ask the customer to wait for some days while they get that product for the customer. Many retailers shared a fact that when they come across a brand that they were not aware of but has enjoyed a clear demand in other markets, they are interested in stocking that brand.

Social Strata

"I cater customers from all the religions…. The customers from poor and lower middle class families come to my shop."

The customers living in the locality belong to the rural areas. The customers have low living standards due to monetary constraints. Very few people around have their own car but few people have a two wheeled transport vehicle. The customers belong to a poor or lower middle class background. Retailers have to manage their merchandise accordingly. Products of lower price as well as high range are to be kept. As the customers are rigid in their preferences, the stock of the preferred brands is to be maintained always otherwise the customers will swap to the other retailers.

Relationship Management and Retailer Merchandise Selection

In current era, relationship management is predominately used in the context of technology. However, in case of small retailers, where use of technology is not evident, the retailers use the traditional approach of maintaining relations with the third party. The business environment for small retailers is different from those of large retailers in terms of the technology, infrastructure, customers as well as the merchandise they carry. In a study, Home (2002) found that the consumers that visit small retailers give importance to the friendly

personnel, location convenience, likelihood of meeting acquaintances at local store, and quick easy purchase. The retailers' behavior in treating their customers and the retailers' knowledge about their regular consumers enables them to serve them efficiently and improves their ability to handle consumer complaints (Adeji, Griffith & Noble, 2009). In terms of product selection, the retailer's relationship management with supplier plays an evident role.

Klemz and Boshoff (2001) found that small retailers were empathetic to their consumers and it generated store loyalty. Building strong relationships with local community helps small retailer's combat competition posed by big organized retailers (Jackson & Stoel, 2011). Landry, Arnold and Stark (2005) examined that the relationship with local community provides them insight about consumers' needs and product requirements. They can strengthen this relationship by associating with local events and enhancing their belongingness to the community. Traditional retail stores have been providing certain extra facilities to the customers in order to have an increased level of satisfaction, and thus retention of the customers. These facilities may be providing goods on credit, home delivery of goods or providing scope for bargaining. The construct of relationship management was formed with four sub-constructs which are: supplier, credit facility, buy back facility and replacement facility.

Supplier

"I have a fixed supplier since I have opened my shop. I trust my supplier in terms of quality of the product and timely delivery of goods. In case of shortage of goods, he sometimes delivers goods at my store."

Many of the retailers emphasized that they have a single supplier from where they procure goods. They go to the supplier on weekly basis and buy goods. In case of a sudden demand, the supplier delivers goods at their stores. The relationship between the supplier and the retailer is healthy and trustworthy. Sometimes the retailer adds a new product on the recommendation of the supplier. The unsold products are also taken back by the supplier

sometimes. The supplier helps the retailers in terms of providing higher margin goods. So, by building a trust worthy relationship, both the retailer and the supplier lead a profitable outcome.

Credit Facility: "*I usually keep new products in the store when they provide me it on credit. I tell the supplier I do not have the money to keep something new, so I will pay you when my product gets sold.*"

"*I also give goods on credit to my customers, as they are my regular customers and live in locality.*"

Most of the retailers said they only adopt a new product provided they do not have to pay the amount to the supplier up front. The retail pays the amount when all the units are sold. Hence, a credit from the supplier helps the retailer to add a new product to his store. If the demand of the product seems to be increasing, the retailer buys more stock from the supplier. The retailer also provides its customers goods on credit facilities. The retailer provides goods on credit to the customers, who are regulars at the store and buy goods in bulk, . This helps in building a strong relationship between the retailers and the customers.

Buy-Back Facility: "*When I add a new product in my merchandise, I tell the supplier to buy back all the unsold goods…. sometimes when the product turns out to be defective, I buy back the product from the customer.*"

Another very important factor that influences retailers in deciding the product selection process is the buyback facility from the supplier. This facility helps the retailers to sell back all the unsold goods to the supplier. This facility is helpful to the retailers because as the customer preferences are restricted, it's a risky affair to add a new product. But if the supplier gives a buyback facility, the retailer can easily add a new product in his merchandise list. Also, these retailers have a small space in their store and rarely have a stocking place. So when a stock is piled up, it gets difficult for them to manage other products. Hence this facility helps them reduce their stock piling cost. Nearly all retailers prefer a brand with buy back facility.

Replacement Facility: "I keep new brands only if the distributor offers replacement. This helps me to be on the safer side of the risk."

Nearly all retailers were also willing to stock a brand provided the supplier is ready to replace the unsold stock or replace the defective stock. When a product is new, customers are not aware of it. So in order to minimize the risk, retailers want suppliers to offer a replacement facility. This opportunity is also beneficial for suppliers because, instead of giving products on credit basis, they would like the retailers to buy the product, and if the product does not sell, the suppliers would take it back. Some retailers also mentioned that they take a new product only when the supplier is known. The retailers also offer replacement facility to the customers. When the product is defective the retailer replaces it with a new one. Then this defective product is replaced by the supplier. A retailer mentioned an example of a defective pack of 100 ml of shampoo (Brand X). He said that when he visits the supplier next time, he will give it back to him and get a new bottle.

Store Attribute and Retailer Merchandise Selection: Earlier research determines that store environment and atmosphere appear to be influential in consumer's format decisions (Baker, Grewal & Levy, 1994; Donovan Donovan, Rossiter, Marcoolyn & Nesdale, 1994). The findings of studies published in the trade literature are similar in identifying product assortment, availability, convenience, and pricing as significant drivers of format choice (Taylor, 2003)

Store Size

"I have a small shop of about 100 sq. feet. I have placed shelves on all three walls and distribute all the product categories accordingly."

Almost all the retailers who were interviewed had a small shop of about 50 sq ft to 100 sq ft in area. The retailers had placed wooden shelves on the three walls. The categories of the products were divided accordingly. Nearly all stores had Over the Counter (OTC) facility. Very few retailers had a refrigerator provided by the supplier or the company distributors. These retailers used hangers for display of products. The entire inventory was maintained inside the

store; very few retailers had separate area for stocking of goods. Some retailers had placed a wooden plank in the center of the retail store where they placed the grocery items for display. Due to small size of the store, the retailers could not place the products category wise. The space management was rather haphazard. The high-demand products were kept in front and the low-demand products on the back shelves. The products preferred by children were displayed on the counter.

Product Categories: *"I sell nearly all grocery items, cosmetic items and even stationary items for kids."*

The products being offered by these retailers were not only specific to the grocery items but certain cosmetic products like hair oil, hair shampoo and face cream were also kept by them. They also kept stationary items for children. As the demand for stationary items was not frequent, these items were placed on the back shelves. The brands to be kept for each product categories were divided on the basis of customer preferences. Nearly all possible sizes of packaging of brands were kept in the store. The retailers were not willing to increase their product categories due to the space constraint in the store and also due to the customer preferences.

Ownership: *"I run the store all alone and do not have any sales person."*

The stores do not have sales persons as the retailers believed that the store is small and they can handle it all alone. Some retailers have been running their stores since the last 20 years or more. These retailers do not want their children to manage their stores in the future as they believe they should do a better business and move to city areas. Even the next generation of retailers feels that if they get a better job opportunity, they will leave this profession.

"I want to renovate this store and make it similar to ones in the big cities. I have been to various other cities; the stores there are well organized."

The next generations of the retailers, who want to run the store in future, want to renovate the store and make healthy changes to it. The level of exposure among the new generation is

high. So they want to make changes in the store in terms of assortment and variety they keep at the store. They are also fascinated with the organization of the products at the organized stores.

Shelf Space: *"I have very low shelf space and the number of products to be kept is large. So I have divided each shelf into sub- shelves. Organization of the products on the shelves is not possible as I am alone at the store managing everything. I cannot waste time in organizing products. Instead I can cater customers in that time.*

The small retailers have a very small store area and thus small number of shelves. So shelf space management is a difficult task for them. Moreover, the retailers feel organization of the products is a difficult and time consuming task. The front shelves are organized and high selling products are displayed on them to attract more customers. Some retailers are of the view that the customers don't enter the store premises rather they ask for products from outside the store. Since they know the location of each product, the need for organized shelf placement is low.

Retail Profitability: The retail margin, in this study, is defined as the difference between cost price and retail price, an important determinant of a retailer's expected profit (Corstjens & Corstjens, 1995). Retail profitability has been derived as a determinant of selection of product for the store by many researchers. There have been a few studies, which did not find a significant positive effect (Montgomery, 1975; White et al., 2000), while Rao and McLaughlin (1989) reported a significant negative impact of gross margin on retail product adoption. So the context of retail profitability was important to be checked from small retailer's perspective. New product entry in the assortment may result in dropping an underperforming product from the assortment due to shelf space limitations. Therefore retailers would be more likely to consider a new product for adoption if the gross margin of this product is higher than the average gross margin for comparable products in the product category. As the budgetary constraints always possess small businesses, the adoption of any new product will affect the overall budget of the retailer. Thus he might delete some low performing products from the assortment.

Total Budget: *"My budget is limited, so I have to think over the addition of any new variety of products at my store. Sometimes I delete those products which don't sell at all, but even if the sale is less, I do retain the product."*

The retailers have less amount of money which they keep exclusively for the business. So the scope of adding new products becomes less. Although when any product or a brand is in demand from the customers, the retailers have to add that in the store in order to fulfill the needs of the customers. With the addition of any new varieties of the product, the retailers need to provide space to that product of the shelf. For that, they often reduce the number of front display SKUs of the less selling products or sometimes totally delete the product from the assortments.

Retail Margin: *"Although I have to keep all the products which are demanded by the customers, the products that give high retail margin to me are preferred by me."*
"When customer asks me for a product and doesn't have a specific choice, I usually offer them those products that give me high margins."

High retail margin is the basic and the most important factor for any retailer to accept a brand or product variety for the store. The customers who have low brand knowledge usually purchase products based on retailer's knowledge. Here the retailers often offer to the customers those products that have high margin and are more profitable to the retailers. Retail margin of product also is an important factor in deciding the location of the product of the shelves. High margin products get the front shelf space in the store. One of the key findings of the study is that the retailers select products for the store on the basis of the profit they attain from the product. The higher the retailers' profitability, the better is the chance of the product to be selected for the store.

Discussion

The current research work is an initiative to understand the drivers of merchandise selection by small retailers. The factors considered by the retailers in selecting merchandise for their store can be seen in Fig 1. The figure explains a three order construct which leads to small retailers' merchandise decision. The approach of merchandise selection for small retailers is multi-dimensional. The retailers need to consider customer, supplier, environmental as well the profit oriented factors when deciding the merchandise for the store. These small retailers need to manage their merchandise keeping in view the customer demands and preferences. The most basic and important strategy of retailers is to decide the appropriate product assortments for the store. The diversity of the customers is heterogeneous with some belonging to high economic groups and some belong to low economic groups. Each of the categories the retailers possess in the store is selected on different bases. The products with a higher demand and longer shelf life are stocked more as compared to less-preferred products. But retailers have to keep certain SKUs of products which have a low demand so that they are able to provide them to the customers if the demand arises. The stocking criteria of the retailers are also affected by the supply from the suppliers. As these retail stores are in the rural areas, they have to maintain a substantial stock of the goods. Their suppliers are located far in the city areas, so they have to travel distances to visit them. Another very important reason behind not keeping huge merchandise is that these stores are small in size and have started their business with low capital investment. This is similar to the research by Dholakia, Dholakia and Chattopadhyay (2012).

These retailers deal with various socio-economic groups and people of different religions. So they have to cater the needs of all the people living in the locality and thus manage the merchandise they carry. The people have a poor background so their preferences are very rigid. Brand awareness is low among the people, so the retailer has to study the brands that the customers know, and thus keep the same. The retailers maintain a healthy customer relationship and supplier relationship. Facilities like credit, buy back and replacement are being offered by the retailers to the customers and the suppliers to the retailers. Their relationship is paramount.

Small retailers shape their business transactions by their social relations as they serve a small catchment area. Such informal relationships between the retailer and the customer are used to assess demand for new products. Recommendations of product by the suppliers are also a vital input for the retailers. For maintaining a healthy relationship, retailers keep the supplier preferred products but with certain clauses like buy back facility or credit facility.

The current research shows that small retailers adopt traditional assortment strategies, which primarily seek to attain profitability. The main focus of the retailers in terms of profitability is to maximize the variety of products in the store to attract more customers by eliminating the low selling products. Some of the earlier studies have focused on the importance of profit related variables on retail product adoption and shelf allocation of the products (Chaing & Wilcox, 1997).The construct of store attributes was an important aspect to study as the store features are important in the Indian retail scenario. For small retail stores, space is very limited and it is difficult for the retailers to expand the physical dimensions of the stores. So the total area of the stores remains fixed. Hence, the retailers need to manage their assortments in the given limited dimensions. One of the findings of the study emphasizes that small retailers plan the space requirements for their stores by first choosing the number of categories (variety or breadth), then the space each category requires based on the number of SKUs within the category (depth), and finally the number of units within each SKU (desired service level). It was observed that the small retailers arrange products of similar category together in order to let the customers shopping experience be more comfortable. In some settings complementary products are kept together in order to attract customers for unplanned purchases. Similar results were given by Mantrala et al. (2009) in their study of assortment planning by small retailers where they mentioned that the physical space of the store is directly related to the number of products a retailer will carry.

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Table 1: List of Areas Covered in the Study:

S.No	Sub District	Village Code	Name Of village	No. Of retailers catered
1	Akhnoor	0135	Pallan Wala	2
2	Akhnoor	0158	Muthi	6
3	Akhnoor	0178	Chak Dhlan	3
4	Jammu	0148	Jaswan	2
5	Jammu	0154	Phalora Nagbani	3
6	Jammu	0156	Gura Brahmana	3
7	R.S Pora	020	Kadyal	2
8	R.S Pora	024	Nari	4

Table 2: Themes Deduced from Interviews:

S. No	First Order	Second Order	Third Order
	I observe other retailers in the locality and add products accordingly	Competition	TRADING AREA
	New products for my store are selected when other retailers also add it to their store.		
3	No competition from big stores.		
4	Competition is just within the locality retailers which sell similar products.		
5.	Competitions from other nearby retailers which also sell the same product affect my overall sales.		
6.	Number of customers coming to my store has reduced due to increase in stores nearby.		
7	The demand from the customers is never fixed.	Market Uncertainty	
8	High demand products are being stocked more.		
9	Products from the suppliers are bought on weekly basis.		
10	Products are sometimes bought from the supplier on odd days when uncertain demand arises.		
11	New products are not added unless I feel there is demand for them		
12	Products are added on the basis of customer recommendations.		
13	Customers visiting are rich as well as poor, so brands are to be managed accordingly.		
17	Store is located in rural area so the awareness of new products is not much.	Store Location	
15	Customers are not much aware here, so they listen to my recommendations.		
16	Some of the customers who buy from this store come by cars, so products of their status are also to be kept.		
17	Store is in the center of locality, so I get customers from all of the area.		
18	Each customer has a different demand of brands, so I have manage accordingly.	Market Diversity	CUSTOMER PROFILE
19	Upper as well as lower class people come to my store.		
20	The buying pattern of each stratum of customers is different in terms of the quantity they buy.		
21	I have to add certain high price brands recommended by certain fixed customers even though the demand of		

	such product is low in the locality.		
22	I carry products for both male and female.		
23	I keep products of children's attraction near the counter area.		
24	Uneducated customers recognize products through packaging of the product.		
25	Due to variation of customer choices, products of national as well as local brands are to be kept in shop.		
26	Customer preferences are more important for product selection than the margin I gain from products.		
27	For customer attraction, I keep as many brands as possible in my shop.		
28	I usually add only those new products that are preferred by customers in my locality.		
29	Customer recommendations for new product introduction are most important.		
30	I keep local and national brands as I cater both kinds of demands from the customers.		
31	Product deletion is not done until and unless the product is totally not demand by customers.		
32	In each product category, all possible packaging are kept at the store as different customer prefers different priced products.		
33	Sometimes products of low demand are to be included in the store just because a few customers prefer it.		
34	Through TV advertisements, customers keep themselves updated and demand products of new brands, so I also have to keep myself updated.		
35	Poor, middle class as well as upper middle class people come to my shop.	Social Strata	
36	As my store is in rural area, I have to keep local brands based on the monetary worth of people.		
37	Even if I keep high priced branded products, no one will buy them as people in the locality cannot spend so much on basic utilities.		
38	People of many religions reside in the locality and I have to keep products for all.		
39	Labor class people usually buy a lot of products from my shop.		
40	I have kept some products that are of exclusive use to Kashmiri people.		
41	I buy goods from my supplier on weekly basis.	Supplier	RELATIONSHIP MANAGEMENT
42	The amount of products to be bought within a product		

	category varies with the demand of the product.		
43	I have a single supplier since opening this shop.		
44	I trust my supplier to have low defection rate of his products.		
45	In case of uncertain demand, my supplier takes my order on phone and delivers it to my shop.		
46	I travel to the city area for buying goods.		
47	I offer credit facilities to my customers.	Credit Facility	
48	Whenever I introduce new products to my shop, I take them on credit basis from my supplier.		
49	Credit facility is my priority.		
50	Merchandise should be available from a new supplier on credit such that payment will be done only after goods are sold.		
51	Even known new brands have to be initially stocked on credit basis.		
52	Products offering buy-back facility are preferred.	Buy Back Facility	
53	If the product is defective, I replace the product for customer.	Replacement Facility	
54	Suppliers provide replacement facility for defective products.		
55	Retailers are not ready to take the risk of unsold stock. This stock should be replaced.		
56	Average size of the store is 100 square feet.	Store Size	STORE ATTRIBUTES
57	Due to small store size, less number of products can be accommodated.		
58	No extra stocking area. All the stock and the goods are placed in the shop.		
59	Small store size leads to less number of shelves in the store.		
60	OTC system in the store.		
60	Product categories related to food and grocery, FMCG, cosmetics and some supplementary products.	Product Categories	
61	Only those variants within each product category that have high demand are kept in store.		
62	Demand of small packaged products is more in comparison to big packaged products.		
63	I carry merchandise of general usage.		
64	On an average nearly 5-6 yrs have passed since the shop began operating.	Ownership	
65	No salesman to take care of shop. In case of emergency, family members take care of the shop.		

66	All the three walls of the stores have shelves on it.	Shelf Space	
67	I have segmented the size of shelves based on the category of products I carry.		
68	Based on the availability of the shelf space, I decide which varieties to be selected within each product category.		
69	I have increased the number of shelves at my store.		
70	Margin I get from each product affects the placement of the product.	Retail Margin	RETAIL PROFITABILITY
71	When supplier offers high margin products, I often add them at my store.		
72	When I select my supplier, I keep in mind the profit margin he will give me from each product category.		
73	My only profit is generated through the margin I earn from non-branded products, so I prefer keeping them at my store.		
74	Overall business profit should be large enough to accommodate at least my daily expenses.		
75	Profitability is an important criterion for selecting a product for the store.		
76	I purchase small stocks of goods due to budget constraint.	Total Budget	
77	A small amount of risk with the purchase is addressable but not huge risks are taken.		
78	When I started with this shop, I kept few product categories.		
79	Store size cannot be increased as I require huge money to build a big store and then maintain it.		

Figure 1: Theoretical Framework for Small Retailers Merchandise Decision