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ABSTRACT

A majority of brick-and-mortar lifestyle retailers in India have adapted firm-level and output-driven measures to evaluate their overall retailing performance in addition to not apportioning the central office expenses incurred merely to run stores on to store's profit and loss account. This output-driven approach is distracting them from focussing on input variables and efficiency that is inevitably imperative if sustainable retail profit and returns on investment are expected. In this exhaustive empirical study, we have studied a few select organized brick-and-mortar lifestyle retailers to identify 64 variables that directly or indirectly determine the returns on investment of a lifestyle retailer, of which we have chosen 16 input-driven variables to design the LSRS-b instrument in addition to ensuring integration of variables that have a significantly positive association and determination with consumer repeat visit rate, sales personnel consumer orientation, cash flow efficiency, revenue generation, profitability, returns on investment, and consumer-level performance evaluation. Based on 24 months of data evaluated, we have found that these 16 input-driven variables have a significant determination of about 86.90 percent concerning the final output i.e., returns on investment (ROI) which is a strong indicator of the reliability of LSRS-b instrument in evaluating the overall retailing performance of organized brick-and-mortar lifestyle retailers in India.

Keywords: Indian Retail; Brick-and-Mortar Store; Lifestyle Retailer; Retail Profit; Retail Performance Evaluation; Measuring Retail Performance; Returns on Investment; Retail ROI; Input-Driven Measures; Consumer Orientation; Sales Personnel; Salesperson; Retail Productivity; Consumer-Level Retail Scale; Firm-Level Retail Scale

1. INTRODUCTION:

Despite various issues faced by existing/potential investors, senior leadership members of retail organizations and big conglomerates in measuring and evaluating the real performance of lifestyle retailing in India, many start-ups and established lifestyle brands and retailers of Indian origin have attracted investors, to name a few, Biba, W for Women, AND, Kaaryah, Faballey, Zink London, Stock Buy Love, and First Cry in addition to big conglomerates such as Reliance, Mahindra & Mahindra, Tata, Birla, and few large export houses/manufacturers such as Arvind Mills, Raymond, S Kumar's, First Steps Babywear, Relaxo, VKC, and Prateek Apparels entering into lifestyle retailing segment. Figure 1 depicts different types of organized lifestyle retailers in India which indicates that the objectives of each organized retailer in India are not the same.

Owing to the sheer market size and potential, India has attracted many Global lifestyle brands who have successfully become lifestyle retailers too. Few Global retailers have attempted to offer their product assortment as being an SIS at select large MBO stores, few have offered their product assortment through having EBOs, few have shown their presence only in online stores and few have licensed their brands to third parties or entered into a Joint Venture to offer their products in Indian retail market. To name a few Decathlon, Lifestyle, Max, Levi's, Zara, United Colors of Benetton, Marks & Spenser, H&M, Mother Care, Carter's, Puma, Nike, Adidas, Reebok, Armani Exchange, Diesel, Gas, Gap, The Children's Place, Quiksilver, Superdry, Kappa, Bossini, Calvin Klein, Hanes, Tommy Hilfiger, Ed Hardy, Izod, Nautica, Arrow, U.S. Polo Assn, Jack & Jones, Vero Moda, Tumi, Lee, Hero, Maverick, Wrangler, Fila, and Jockey. India also is a home for a vast number of lifestyle brands originated from India. One can list more than 5000 lifestyle brands in India [1], of which one could list only a few which can be tagged as well-known/familiar/reputed Indian lifestyle brands cum retailers such as, Biba, Manyavar, Soch, Gini & Jony, Blackberrys, Louis Phillipe, Peter England, Provogue, Monte Carlo, Mufti, W for Women, Oxemberg, Indian Terrain, Global Desi, Parx, S Kumar's, Vimal, Mini Klub, Aurelia, Sparx, Campus, Go Colors, Enamour, HiDesign, Lino Perros, Idee, Spykar, Killer Jeans, Flying Machine, Da Milano, Park Avenue, Ethnix, ColorPlus, Lux Cozy, WildCraft, 612 League, WLS, John Players, Fastrack, 109 F, Proline, Image, Jealous 21, Liberty, Paragon and few more. Few of these are successful in becoming organized lifestyle retailers catering to specific product categories and specific consumer groups. Few companies have been able to establish themselves as purely organized lifestyle retailers who cater to multi-category, multi-brand, multi-location, and multi-consumer groups and one can list all of them as there are only a few National level retailers such as a) Westside, b) Shoppers Stop, c) Central, d) FBB e) First Cry, f) Toons, g) Wildcraft, h) Indian Terrain, i) Pantaloons, j) Brand Factory and few REGIONAL level retailers such as, a) Kapsons, b) Ritu Wears Big Life, c) Stanmax, d) Bindals, e) Sohum Shoppe, f) City Life, g) Chunmun, h) Jade Blue, i) Neeru's, j) Mebaz, k) V-Mart, l) The Chennai Silks, m) Saravana Stores, n) M&M, o) Sirs & Hers, p) Juelle, q) G3 Fashions, r) Pothy's, s) RMKV, t) Naidu Hall, u) Chandana Brothers, v) Nalli and w) Kalyan Silks. Only a few names have appeared in the organized lifestyle retailers list which is possibly indicating that despite humongous population and the retail market size in India, a majority of Indian lifestyle brands and retailers have failed to establish themselves as organized lifestyle retailers and we would attribute a majority of this failure to their retailing performance evaluation methods and frameworks in addition to their existing Marketing Mix. Dominantly a majority of lifestyle retailers in India offer just one of the groups such as a) product-specific; b) gender-specific; c) need-specific; d) fashion-specific; e) function-specific; f) category-specific; g) life stage-specific; h) occasion-specific, and very few cater to multiple products offering to multiple consumer groups.

Each individual wants to have a unique identity that could be based on his/her, a) background such as nationality, ethnicity, culture, subculture, social class, affiliation, environment, etc; b) experiences and c) choices. Lifestyle brands attempt to evoke emotional connections between consumers and they need to have a unique identity and most importantly lifestyle brands are increasingly becoming one of the key components of consumer's self-expression [2]. To ensure the scope of this study is focussed, we define lifestyle retailers as the ones, who attempt to offer a complete solution for a specific or wider lifestyle needs of consumers through their products such as Apparel, Footwear, Accessories, and Lifestyle Essentials with an ultimate goal of their products being key contributors of an implicit or explicit statement of consumers personality and identity. Lifestyle retail market size in India is expected to reach 130 billion USD by the year 2023 which is a 77 percent growth when compared to the year 2013 [3]. Based on India's 2011 census, the United Nation's (UN) Department of Statistics and Program Implementation estimates the Indian population to reach close to 1.38 billion by the year 2020 [4]. It is estimated that more than 300 Global lifestyle brands have plans to open their stores in India this year [5]. Organized retailing in India is expected to have approximately 25 percent of the market share by the year 2021 which was at 12 percent in the year 2017 [6]. In addition to this humongous population, exponential growth in several working women, double-income families, middle-class consumer segment, increasing

disposable income, rapid adoption of fashion, urbanization, the overall size of Indian retail industry, more and more unorganized retailers becoming organized, the emergence of modern retailing formats and a most importantly enormous increase in internet penetration/usage, simply caution existing and upcoming lifestyle retailers in India to revisit their existing retailing performance evaluation methods and frameworks (Fig. 1).

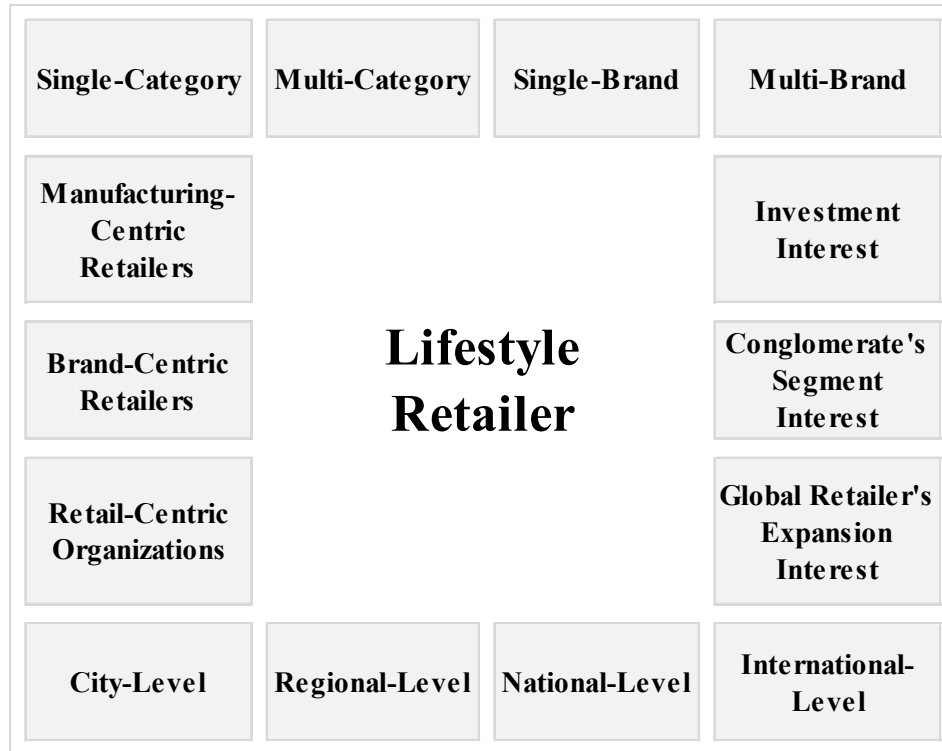


Fig. 1: Various types of organized lifestyle retailers in India.

2. LITERATURE REVIEW:

Retailing: Store image had been one of the key elements of the retailing mix studied in the past. Lindquist was the first to list the key components of store image construct in the year 1974. Based on past studies Lindquist listed eight components of store image construct viz., i) merchandise, ii) clientele, iii) physical facilities, iv) convenience, v) promotion, vi) store atmosphere, vii) institutional factors and viii) post-transactional satisfaction [7]. Later researchers have confirmed that the basic attributes of store image construct as listed by Lindquist in 1974 remain unchanged [8], and were able to add few more attributes to store image constructs such as ix) customer service, x) personal selling and xi) sales incentive programs [9]. Few studies argue that these factors together influence the overall store image in consumer's minds only when the consumers have experienced these factors through actual shopping [10]. There have been many studies confirming a positive correlation between store layout and consumer loyalty [11 to 13]. Consumer's perception of store image varies with store layout and consumers shopping at different store formats having different store layouts create their perception of store image in their mind [14]. Extending these study studies recommend bricks-and-mortar retailers to align their store layout design keeping their target consumers in mind rather adopting standard layout designs [15]. Retailers need to consider various location-specific factors while planning for expansion such as a) attractiveness of the market, b) number of stores to be opened per market, c) store locations, and d) ideal store size for each of these stores. In this study, they indicate that every store needs to have size optimal for the location and market it is present rather a standard size being adopted across all the stores of a particular retailing format. In all these studies nowhere, researchers recommend retailers to adopt

different price level of merchandise for different locations of stores [16]. A retailer having a unique store image and using this unique store image as one of the key promotional and marketing/advertising propositions can yield competitive advantage and it is important to note that copying a store image which is complex nature is a difficult task for competitors [17]. One of the most important determinants of retailer success is store image [18]. Retailers need to clearly understand various environmental factors relating to store image influencing their target consumers. It is very important to design strategies relating to store-image in a specific location concerning the retailer's target consumers in that particular environment [19]. Majority of retailers design strategies relating to specific locations based on the consumer behavior pattern and knowledge available in the general market in the specific location which is also based on the general consumer population [20]. These strategies lead retailers to align most of the store image attributes to the general consumer population and hence they might fail to maintain their principal brand/store-image standard across various locations or geographies. Retailer's store success and consumer loyalty are majorly influenced by store image along with store positioning and product-price differentiation concerning the market. Retailers could use such store image attributes to promote and advertise their positioning in the consumer's mind [21-22]. The store location is not just about the physical space which has been occupied by a store, it is a catchment area of a store that witnesses heavy commercial and economic activities [23]. Store size and location are the most important components of retailing as far as enhancing consumer experience is concerned. Few reputed retail brands like Zara have increased their store sizes exponentially along with changing the type of locations in the past, few retail brands such as Debenhams and Mother Care have downsized their existing store sizes to incorporate improved operating efficiencies, few retail brands such as Tesco entered city center locations with smaller sized stores, few continually kept rationalizing their store sizes and few still believe that larger the store size higher the consumer walk-ins [24]. One of the biggest challenges faced by brick-and-mortar retailers is the higher cost involved in expanding store sizes even though it helps them in enhancing the overall consumer shopping experience. Retailers are finding it extremely difficult to find relevant spaces in the right locations owing to higher rentals and lesser spaces available in key retail locations [25], which proposes retailers to consider mall kiosks as one possible retailing format which can be cost-effective as far as expensive rentals are concerned. Store location indeed plays an influential role in consumer store choice decisions, at the same time store location being a long-term capital lock-in decision plays an important role in the retailer's overall strategic planning. Any location which has inherent properties of attracting consumers is the best location for any retailer and having a store in such locations brings both strategic and competitive advantages to a retailer, whereas, it will take longer time and huge store losses for any retailer to come out of a bad store location. Good store location could also be analyzed by; a) the amount of relevant consumer traffic flow be it, pedestrian traffic or vehicular traffic; b) parking facilities; c) store composition; d) specific site; e) terms of occupancy, f) accessibility, g) traveling time, h) location convenience, and i) other complimentary stores present in the catchment [26].

Measuring Retailing Performance: Various studies have attempted to develop performance and evaluation tools, techniques, models, and measures both at the firm and consumer levels across many different attributes. To name a few, a) 'technical and functional quality model' [27]; b) 'GAP model' [28]; c) 'SERVQUAL' [29]; 'attribute service quality model' [30]; 'synthesis model' [31]; 'performance only model' and 'SERVPERF' [32]; 'ideal value model' [33]; 'evaluated performance and normed quality model' [34]; 'IT alignment model' [35]; 'attribute and overall affect model' [36]; 'RSQS' [37]; 'model of perceived service quality and satisfaction' [38]; 'pivotal, core and peripheral model' [39]; 'retail service quality and perceived value model' [40]; 'service quality, customer value, and customer satisfaction model' [41]; 'antecedents and mediator model' [42]; 'internal service quality model' [43]; 'internal service quality – the data envelop analysis model' [44]; internet banking model [45]; 'IT-based model' [46]; 'model of e-service quality' [47]; capital intensity, average store size, retail space saturation, labor wage rate, sales per employee, population growth, income, household size, mobility, congestion, competition (input), and monetary value of sales (output) [48]; number of employees, retail space in

square foot, equipment, computers, systems (input) cost of goods sold and other intermediary costs (output) [49]; availability of merchandise measured either in quantity or cost value (output) [50-52]; and accessibility of store location, level of product assortment, immediate product delivery assurance, appropriate information of products and promotions, and store ambience (service components of retail output) [53-54]. Retailers in India in general use various parameters to measure retail performance and productivity such as a) sales per square foot (SPF); b) margin earned per square foot (MPF); c) store level profit (store EBIDTA); d) inventory fill rate in the store to MDQ (minimum display quantity norms); e) sales by category; f) sales contribution of category; g) margin earning contribution of category; h) intake margin percentage; i) average MRP (maximum retail price); j) inventory month cover; k) annualized inventory turns; l) return on investment of capital deployed in creating a store (ROI); m) average transaction value (ATV); n) average basket size (ABS); o) annualized discount percentage; p) sales per sales personnel; q) customer retention rate; r) per store per month sales; s) store rent to revenue ratio; t) store overhead costs to revenue ratio; u) store employee cost to revenue ratio; v) overall store expenses to revenue ratio; w) marketing expenses to revenue ratio; x) new to existing customers ratio; y) consumer level performance; z) company level profit after tax (PAT), and so on. Interestingly none of the Indian retailers use one single methodology to evaluate retailing performance which could embed a majority of measures available and every retailer allocate different weightage to each of these measures.

The need for this research indeed was originated due to various gaps found in theoretical, descriptive, empirical literature available in the retailing performance measurement and evaluation domain such as a) a majority of studies have focussed on specific retailing attributes and predominantly skewed toward service quality/output-driven/perception-driven measurements; b) a majority of studies have focussed on retailing in general and not specific to lifestyle retailing; c) absence of inputs-driven retailing performance and evaluation instruments for lifestyle retailers in the Indian context; d) a majority of lifestyle retailers in India follow and practice evaluation techniques incorporated by consumer goods and other generalist retailers; and, most importantly e) senior management personnel and investors are unable to gauge the true potential of their retailing verticals due to lack of adaptation of clear measurement and evaluation tools. We believe that the basic “4P’s” Marketing Mix proposition which was originally framed by McCarthy sixty years ago is still relevant to measure the performance of Indian retailing [55], therefore we intend to give utmost priority to the basic dimensions, elements and sub-elements of original “4P’s” Marketing Mix framework to develop a retail performance evaluation scale integrating a majority of input and output based variables. Thus, we decided to carry out an exhaustive empirical study with the help of multiple experiments to design an integrated scale to measure lifestyle retailer performance in India.

3. OBJECTIVES:

Key objectives of this research were to, i) understand lifestyle retailing market in India; ii) understand evolution and performance of lifestyle brands and retailers in India; iii) understand existing measures and evaluation techniques adapted by lifestyle retailers in India; iv) analyze recommendations from previous research studies relevant in the Indian context; v) developing a comprehensive scale to evaluate overall retailing performance by integrating a majority of dimensions, elements and sub-elements of lifestyle retailing Marketing Mix; and vi) recommend appropriate methodology to use the scale.

4. METHODOLOGY:

Secondary Research: Intense and in-depth analysis of data available in the public domain was carried to collect data relating to various aspects of lifestyle retailing in India through company websites, company annual financial reports, investment patterns, investors, conglomerates, Government database, trade, and business journals. Research works relating to Indian lifestyle retailing were surveyed extensively to collect insights, recommendations, and frameworks to measure and evaluate the overall retailing performance of lifestyle retailers in India.

Qualitative Primary Research: Series of open-ended direct interviews were conducted with employees selected through convenience sampling representing different departments/functions from organized lifestyle retailers in the study viz., Human Resource Development, Training and Development, Strategy, Category, Communication, Customer Relationship, Warehousing, Finance, Information Technology, Sales, Stores Operation along with Store Sales Personnel to understand their perspective and attitude towards existing retailing performance evaluation measures, methods, and frameworks.

Quantitative Primary Research: In the first stage, few organized lifestyle retailers in India were selected who can represent, a) different product categories such as fashion, functional, life-stage specific, product-specific, gender-specific, and need specific products; b) offering single-product category and multiple-product categories; c) serving different consumer target groups at low, mid-low, mid, mid-high, high, and premium price positioning; d) having single and multiple stores; e) offering single brand and multiple brands; f) having presence across Tier-1, Tier-2, and Tier-3 cities; g) having stores across the high street, malls, institutions, and neighborhoods and h) new and established retail store image. In the second stage, 24 months' actual data was collected from these select organized lifestyle retailers to map their existing retailing performance evaluation methods and frameworks and draw inferences to identify key variables determining returns on investment. The third stage was to evaluate the association and determination of different variables in determining the returns on investment of lifestyle retailing in India in addition to borrowing insights from our previous experimental and empirical studies relevant to the context of this study [56 - 74]. The last stage was to identify the mathematical and schematic journey of different variables to returns on investment to design a comprehensive scale to measure the overall retailing performance of organized lifestyle retailers in India.

5. VARIABLES AND THEIR DYNAMICS:

To identify all the key variables and their dynamics we chose to evaluate the existing Marketing Mix of lifestyle retailers in the study. It was observed that a classical and traditional Marketing Mix was adopted wherein, standard “4P’s” have been utilized to strategically position the retail store image based on competition. It is perfectly fine not to invent new “P’s” but at the same time, the framework seriously ignores the rationalization of each of these “P’s” by consumer life-stage needs. Majority of elements and sub-elements of the framework have been derived from standard and general way of categorization which are followed by the competitor and could lead all the personnel in the organization also deliver results which are just average or below average thereby seriously failing to deliver consistent growth and sustainable profit. The majority of the employee roles were defined based on general classification and categorization of products and they were all significantly skewed in favor of supply-side attributes in addition to a majority of performance evaluation measures being output/derived numbers in nature. We have also noted some of the key observations concerning retailing performance evaluations such as a) a majority of measures being output/derived numbers; b) percentages given priority over absolute numbers; c) ATV and ABS were more important than consumer lifetime value; d) category contribution to store’s overall revenue and margin earning was considered rather category invoices penetration (CIP), consumer category penetration (CCP), and the relative area a category was allotted; e) stores were not apportioned with indirect costs incurred by the central management team on behalf of stores; f) ownership of inventory at the central or regional warehouse was not with store management team; g) consumers enquiring for high-value items were treated superior by the sales personnel; h) store employees incentives were based on the net revenue generated by them; i) product display density and MDQ were not modified regularly; j) store performance judged based on the absolute revenue it generates; k) store overhead cost rationalization was not captured in the store managers key result areas (KRA) and key performance indicators (KPI); l) store-level profitability was not captured in the central management team’s KRAs and KPIs; m) profitability and ROI related KRAs and KPIs were limited to a few leadership team members; n) product level discounts were decided and controlled by central management team; o) health of inventory was measured based on inventory month cover rather than annualized inventory turns; p) no linkage between training efforts and store employee’s performance; q)

number of bills/invoices generated by sales personnel was missing; r) repeat consumers were measured as percentage of total consumers in a given period rather in absolute numbers, and most importantly s) no consumer-level measures were adopted. Based on our observations during the qualitative primary study and quantitative secondary study of an actual database of select lifestyle retailers, we could identify key variables and their dynamics across all the basic “P’s” of Marketing-Mix in addition to categorizing them into i) Capital Investment (I); ii) Recurring Expenses (E), iii) Revenue Build-Up (R), and iv) Profitability (P). We have also identified the nature of each variable viz., i) Input, ii) Efficiency; iii) Derived, and iv) Output that would help design the scale.

Table 1: Key variables under capital investment required for lifestyle retailing in India (I)

Marketing-Mix Element	Variable Group	Variable Name	Variable Nature	Variable Code
Place (P4)	Investment (I)	Store Location (Place and City)	Input	V1
Place (P4)		Store Size in Square Foot	Input	V2
Place (P4)		Fixture Capacity/Display Density	Efficiency	V3
Product (P1)		Product Type	Efficiency	V4
Product (P1)		Minimum Display Quantity (MDQ)	Derived	V5
Product (P1)		Average Cost per Item	Efficiency	V6
Product (P1)		Inventory Holding Cost Value	Derived	V7
Place (P4)		Number of Stores	Input	V8
Place (P4)		Number of Warehouses	Efficiency	V9
Place (P4)		Warehouse Set Up Cost	Efficiency	V10

Table 2: Key variables under recurring expenses required for lifestyle retailing in India (E)

Marketing-Mix Element	Variable Group	Variable Name	Variable Nature	Variable Code
People (P0)	Expenses (E)	Salary - Store Management Personnel	Derived	V11
People (P0)		Salary - Sales Personnel	Derived	V12
People (P0)		Salary - Security Personnel	Derived	V13
People (P0)		Store Employee Uniform Expenses	Derived	V14
People (P0)		Store Employee Welfare Expenses	Derived	V15
People (P0)		Store Employee Incentive Value	Derived	V16
People (P0)		Salary of Sales Organization Apportioned to Store	Efficiency	V17
People (P0)		Central Office Employee Salary Apportioned to Store	Efficiency	V18
Promotion (P3)		Company Level Advertisement Cost Apportioned to Store	Efficiency	V19
People (P0)		Store Employee Training Cost	Input	V20
Promotion (P3)		Store Level Advertisement Cost	Efficiency	V21
Place (P4)		Central Office Expenses Apportioned to Store	Efficiency	V22
Place (P4)		Logistics Expenses	Efficiency	V23
Product (P1)		Product Alteration/Tailoring Expenses	Efficiency	V24
Place (P4)		Store Rent Cost	Derived	V25
Place (P4)		Store Common Area Maintenance Cost (CAM)	Derived	V26
Place (P4)		Power and Fuel Expenses	Derived	V27
Place (P4)		Cost of Warehousing Apportioned to Store	Efficiency	V28
Place (P4)		Store IT and Networking Expenses	Efficiency	V29
Place (P4)		Bank Charges for Transactions using Debit/Credit Cards	Derived	V30
Place (P4)		Home Delivery Expenses	Derived	V31
Place (P4)		Store Consumables Expenses	Efficiency	V32
Place (P4)		Store Equipment/Fixture Repair Charges	Efficiency	V33
Product (P1)		Store Level Inventory Carrying Cost	Efficiency	V34
Place (P4)		Warehouse Inventory Carrying Cost Apportioned to Store	Efficiency	V35
Place (P4)		Company Level Finance Interest Cost Apportioned to Store	Efficiency	V36
Place (P4)		Cost Value of Goods Sold	Derived	V37
Place (P4)		Licence Fee/Royalty Fee	Derived	V38

Table 1 indicates key variables that are identified under capital investment required for lifestyle retailing in India. Variables that play an Input role are a) store location (High Street, Mall, Institutional, Tier1

City, Tier2 City, and Tier3 City); b) store size (Small, Medium, and Large); c) the number of stores across each of these locations and sizes. 70 percent of the key variables identified are either derived or efficiency indicators in nature.

Table 2 indicates key variables that are identified under recurring expenses required for lifestyle retailing in India. Variables that play an Input role are only one i.e., store employee’s training cost and a majority of other 27 variables are dependent on three input variables identified in the capital investment element that too dominantly skewed towards the fourth ‘P’ place of the Marketing-Mix.

Table 3: Key variables under revenue build-up of lifestyle retailing in India (R)

Marketing-Mix Element	Variable Group	Variable Name	Variable Nature	Variable Code
People (P0)	Revenue (R)	Number of Consumer Walk-Ins to Store	Input	V39
Product (P1)		Grouping and Displaying of Items as Essential	Input	V40
Product (P1)		Grouping and Displaying of Items as Non-Essential	Input	V41
Product (P1)		Grouping and Displaying of Items as Occasional	Input	V42
People (P0)		Conversion Rate	Efficiency	V43
People (P0)		Number of Bills/Invoices from Existing Consumers	Efficiency	V44
People (P0)		Number of Bills/Invoices from New Consumers	Efficiency	V45
People (P0)		Total Number of Bills/Invoices	Derived	V46
People (P0)		Number of Essential Items in Each Bill	Input	V47
People (P0)		Number of Non-Essential Items in Each Bill	Efficiency	V48
People (P0)		Number of Occasional Items in Each Bill	Efficiency	V49
People (P0)		Number of Unique Consumers Purchasing Essential Items	Input	V50
People (P0)		Number of Unique Consumers Purchasing Non-Essential Items	Efficiency	V51
People (P0)		Number of Unique Consumers Purchasing Occasional Items	Efficiency	V52
Price (P2)		Original Price/Maximum Retail Price of Item (MRP)	Input	V53
Promotion (P3)		Discount Offered on MRP	Input	V54
Promotion (P3)		Discount Type Offered (Immediate/Differed)	Input	V55
Promotion (P3)		Discount Offer Decision-Making (Centralized/Decentralized)	Input	V56
Promotion (P3)		Discount Offer Customization (High/Medium/Low)	Input	V57
Product (P1)		Total Quantity Sold (Volume)	Derived	V58
Price (P2)		Point-of-Sale Taxes	Derived	V59
Price (P2)		Net Sale Value	Derived	V60

Table 3 indicates key variables that are identified under the revenue build-up process of lifestyle retailing in India. Variables that play an Input role are a) the number of shoppers walking into the store; b) grouping and displaying of products based on the explicit need and frequency of purchase (Essentials – needed by consumers at least once in a month; Non-Essentials – needed by consumers at least once in three months, and Occasional – needed by consumers once in a while); c) the number of bills containing Essential items; d) the number of consumers buying Essential items; d) original price/objective price of the product (MRP), and most importantly, owing to the significant change in consumers attitude towards discount post-emergence of online stores in India the discount offered on MRP of a product [62]. Half of the variables identified in the revenue build-up play the input role.

Table 4: Key variables under profitability measures for lifestyle retailing in India (P)

Profit (P)	Profit (P)	Margin Earning Value	Derived	V61
Profit (P)		Store Level Depreciation Cost	Derived	V62
Profit (P)		Company Level Depreciation Cost Apportioned to Store	Derived	V63
Profit (P)		Retailing Profit/Loss Generated	Derived	V64
Profit (P)		Returns on Investment	Output	V65

Table 4 indicates the key variables that are identified which help evaluate the retailing performance of lifestyle brands in India wherein the first and most important output was found across 65 variables that were identified so far i.e., returns on investment (ROI).

Finally, the Schematic representation of road to final output ROI is presented in chart 1. One can observe that every milestone in the journey to final store profit is important, but at the same time, the retailer must understand the difference among input/output variables and derived components of this mathematical journey.

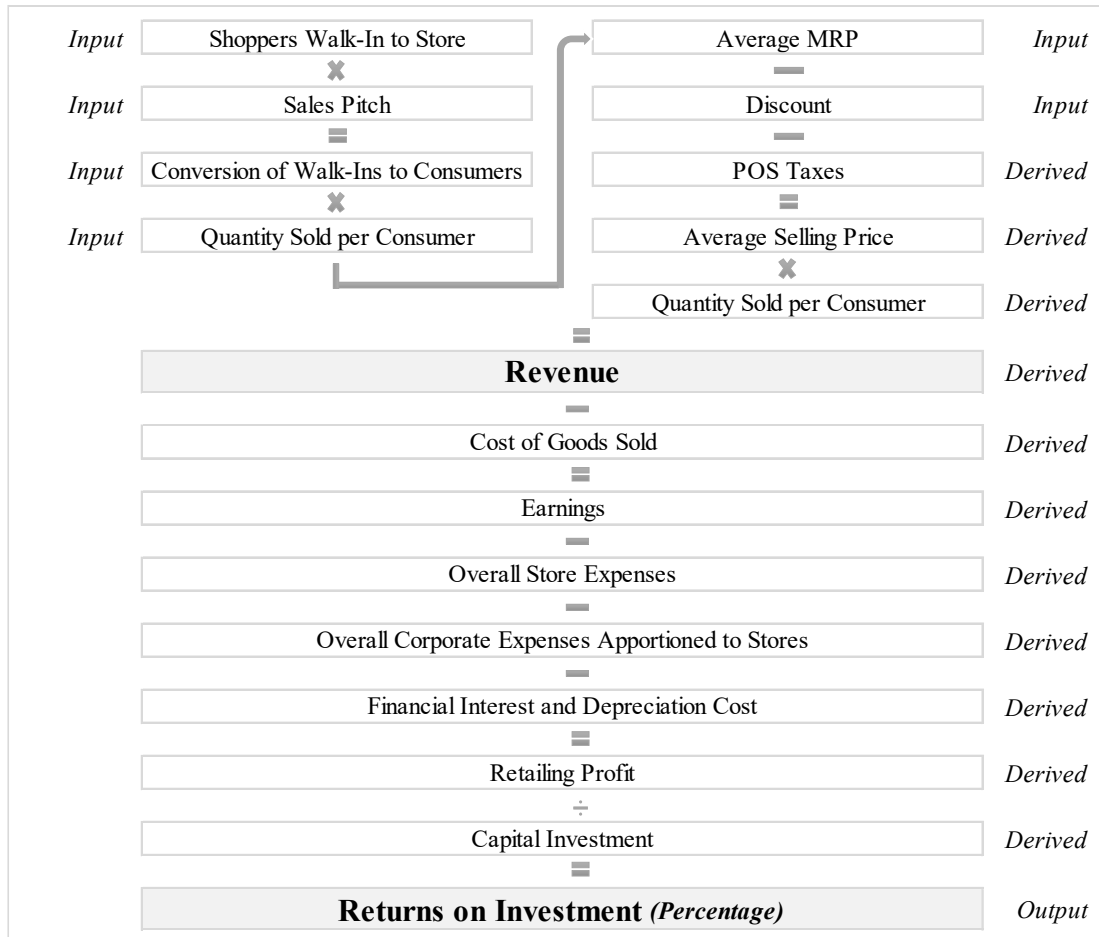


Chart 1: Mathematical journey to returns on investment (the real output)

6. ASSOCIATION AND DETERMINATION OF KEY VARIABLES:

We evaluated 24 month's data of select lifestyle retailers in India to find out association and determination of key input variables identified. All the key input variables conform to the identification methodology adopted by us in addition to indicating significant associations and determination with the main output that is ROI.

Table 5: Correlation and regression of input variables in the Capital Investment group of variables (I)

Model	Variable Code	Predictors	Dependent Variable	R	Adjusted R ²	Std. Error of the Estimate	Adjusted R ² Change	ANOVA Sig.
1	V2	Store Size	Store Capital	-0.586	0.343	37.098540	0.343	0.000
2	V1-Place	Store Location - Place	Store Capital	0.343	0.117	43.015600	0.117	0.000
3	V1-Location	Store Location - City Tier	Store Capital	-0.105	0.010	45.533660	0.011	0.000
4	V1	Overall Store Location	Store Capital	0.363	0.131	42.679760	0.132	0.000
5	V1	Minimum Inventory	Store Capital	0.985	0.970	7.932270	0.970	0.000
6	All Variables of Model 1-5	All Variables of Model 1-5	Store Capital	0.996	0.992	4.129750	0.992	0.000

Table 5 indicates the correlation and regression of key input variables under the investment group of variables (C). Larger the store size and higher the city tier higher the investment required for setting up of a store in addition to larger sized stores requiring higher inventory levels which is unavoidable due to MDQ norms of brick-and-mortar retailing model. About 99 percent of the capital investment is determined by three key input variables such as i) Store Location; b) Store Size and c) Minimum Inventory required to display.

Table 6 indicates the association and determination of key input variables under the recurring expenses group of variables (E). Larger the store size and higher the city tier higher the recurring expenses. About 81 percent of the store profit is determined by three key input variables which are negatively correlated such as i) Store Rent; b) Store Employee Cost, c) Store Overhead Expenses, and only one variable that is positively correlated under the recurring expenses group is Store Employee Training.

Table 6: Correlation and regression of input variables in the Recurring Expenses group of variables (E)

Model	Variable Code	Predictors	Dependent Variable	R	Adjusted R ²	Std. Error of the Estimate	Adjusted R ² Change	ANOVA Sig.
7	V25, 26	Store Rent	Store Profit	-0.464	0.214	1.990120	0.215	0.000
8	V11-V19	Store Employee Cost	Store Profit	-0.097	0.009	2.235440	0.009	0.000
9	V27-V36	Store Overhead Expenses	Store Profit	-0.444	0.193	2.017400	0.193	0.000
10	V20	Store Employee Training	Store Profit	0.300	0.090	1.998395	0.090	0.000
11	All Variables of Model 7-10	All Variables of Model 7-10	Store Profit	0.900	0.810	0.979570	0.810	0.000

Table 7 indicates the association and determination of key input variables under the revenue build-up group of variables (R). One of the key inputs we have identified as the sales pitch by the sales personnel, i.e. how much a salesperson can understand the implicit and explicit needs of every consumer and accordingly pitch for selling relevant products (Need-Based Sales Pitch). Revenue of a store depends on the overall quantity being sold at certain MRP which is a universal phenomenon known to every retailer, but what determines the repeat visit rate of the consumer is determined by what type of products sold. About 92 percent of the consumer repeat visit rate is determined by the number of Essential items present in each bill/invoice.

Table 7: Correlation and regression of input variables in the Revenue Build-Up group of variables (R)

Model	Variable Code	Predictors	Dependent Variable	R	Adjusted R ²	Std. Error of the Estimate	Adjusted R ² Change	ANOVA Sig.
12	V54, 55, 56, 57	Discounts	Conversion	0.519	0.269	0.011299	0.269	0.000
13	V47, 50	Bills Containing Essential Items	Consumer Repeat Rate	0.962	0.922	0.001424	0.925	0.000
14	V53	Original Price of Product (MRP)	Conversion	0.859	0.737	0.006779	0.737	0.000
15	All Variables of Model 12-14	All Variables of Model 12-14	Quantity Sold	0.984	0.968	0.005355	0.968	0.000
16	V58	Quantity Sold	Revenue Generated	0.949	0.900	3.991030	0.900	0.000

Table 8: Correlation and regression of input variables in the Profitability group of variables (P)

Model	Variable Group	Predictors	Dependent Variable	R	Adjusted R ²	Std. Error of the Estimate	Adjusted R ² Change	ANOVA Sig.
17	I	Store Capital	ROI	0.108	0.011	0.134589	0.120	0.000
18	E	Store Recurring Expenses	ROI	0.784	0.613	0.008418	0.614	0.000
19	R	Store Revenue	ROI	0.293	0.085	0.012945	0.086	0.000
20	P	Store Margin Earning	ROI	0.350	0.122	0.012684	0.122	0.000
21	P	Depreciation	ROI	0.161	0.025	0.013362	0.026	0.000
22	P	Retailing Profit/Loss	ROI	0.912	0.832	0.005546	0.832	0.000
23	I, E, R, P	I, E, R, P	ROI	0.932	0.869	0.004911	0.869	0.000

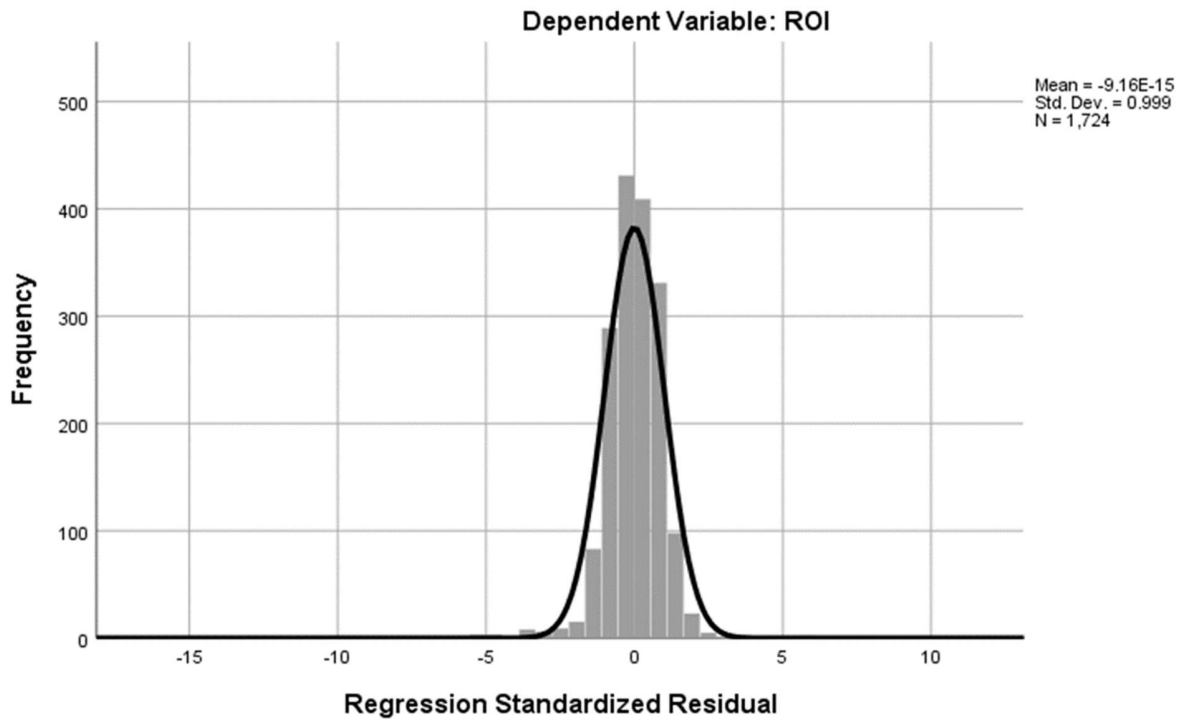


Chart 2: Histogram of a linear regression of key variables under profitability measures for lifestyle retailing in India (P)

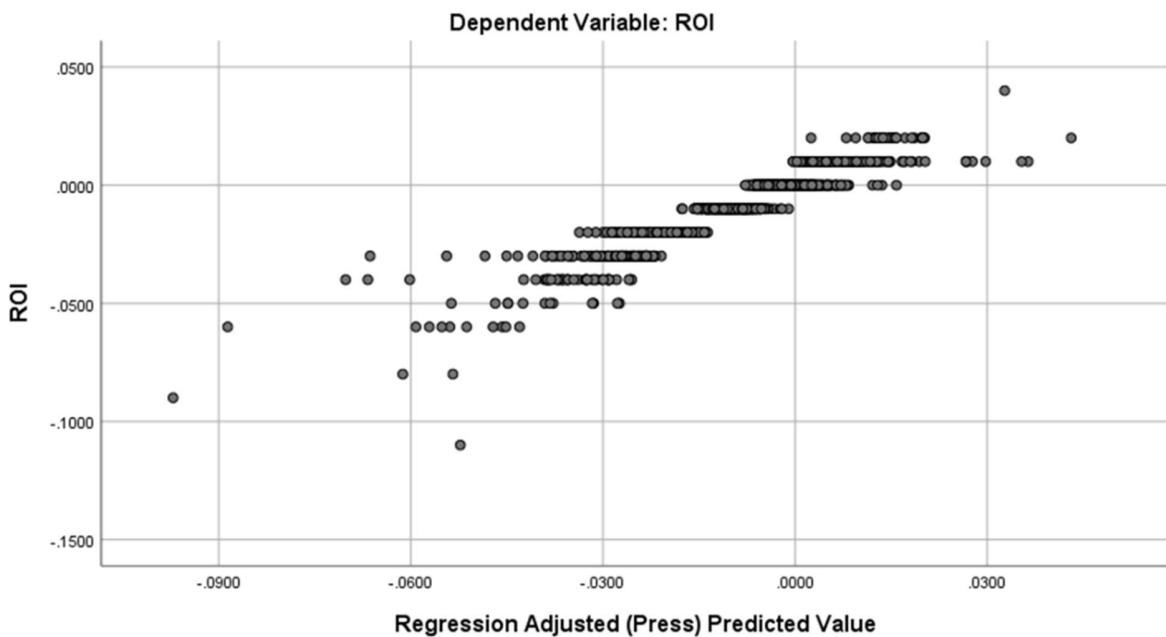


Chart 3: Scatterplot of a linear regression of key variables under profitability measures for lifestyle retailing in India (P)

Finally, table 8 indicates the association and determination of all the four groups of variables (I, E, R, and P). About 87 percent of the final and most important output of evaluating the performance of a brick-and-mortar lifestyle retailing i.e., Return on Investment (ROI) is determined by these four groups of variables. One can observe that ‘Revenue’ which is what is the most significant measure of evaluating

retailing performance by a majority of lifestyle retailers in India has shown just 8.5 percent determination with ROI. Charts 2 and 3 show the histogram and scatter plots of the findings. This once again proves the fact that the development of an unbiased scale which should integrate a majority of variables and need to be driven by input-based parameters to evaluate the overall performance of brick-and-mortar lifestyle retailing in India is necessary.

7. DEVELOPMENT OF LSRS-b INSTRUMENT:

Dimensions of LSRS-b Instrument: Before we head on to explaining the LSRS-b scale, let us first define the key dimensions of the scale. We determinedly followed the integrated Marketing-Mix framework for multi-category, multi-branded, and multi-life stage retailers in India that was developed by us in a previous study to derive key dimensions of the LSRS-b instrument [56]. Five key dimensions that are detrimental for a lifestyle retailer's sustainable success in the Indian market are, i) Product-Mix; ii) Price-Mix, iii) Promotion-Mix, iv) Place-Mix, and most importantly v) People-Mix (both internal and external). This is not in any order of preference as one has to understand that it is inevitable for a lifestyle retailer to give equal importance to all these five dimensions irrespective of the magnitude of their business and the stage of their evolution. As the LSRS-b scale is an input-driven instrument we have identified, a) key inputs across all these dimensions; b) elements and sub-elements of each of these dimensions; c) expected outcome of these elements and sub-elements; d) the single most important output; and most importantly e) the flow, dynamics, association and determination of these with the final output i.e., ROI that are illustrated in tables 1 to 4 and chart 1.

Items of LSRS-b Instrument: The LSRS-b scale has 17 key items out of which 16 are input-driven and only one is an output item.

Item No. 1: The concept of minimum display quantity (MDQ) is unavoidable in brick-and-mortar retailing format owing to which, retailers need to ensure a minimum level of inventory displayed at each store irrespective of the revenue or inventory turns generated by a particular store [57]. Thus, the first item on the scale is an inventory fill rate against the MDQ of a particular store (IFR) and the same depends on the efficiency with which optimal display density is created in a store implementing the most economical and attractive display fixtures in a store. Failing to fulfill the MDQ fill rate may create a loss of sale situation in addition to creating a negative perception about the store in consumer's minds.

Item No. 2: There is a significant and positive association with strong determination between the contribution of the Essential product category and the overall store profitability [58]. Thus, the second item on the scale is the proportion of Essential items inventory quantity in the overall inventory quantity available at the store (PEI). This measure plays an important role in creating a positive perception in consumer's minds in making the store their preferred choice of store for frequent visits and purchases.

Item No. 3: A significant and positive association with a strong determination between the number of bills/invoices generated by a sales personnel and the consumer repeat visit rate was found in one of our earlier experimental studies [59]. Thus, the third item on the scale is the number of bills/invoices generated by every sales personnel per day (BPS). This measure plays an important role in bringing a focus on walk-ins conversion in the sales personnel minds which is an important input-driven element.

Item No. 4: A significant and positive association with strong determination between the number of bills/invoices containing Essential items and the consumer repeat visit rate and overall store profitability was found in one of our earlier experimental studies [59]. Thus, the fourth item on the scale is the percentage of bills containing Essential items (CIP). This measure plays an important role in bringing a focus in the sales personnel minds to push Essential items to every consumer thereby enhancing consumer intention for frequent store visits and purchases.

Item No.	Item Code	Performance Measure	Level of Performance			Weightage
			Undesirable (U)	Acceptable (A)	Desirable (D)	
1	IFR	Inventory Fill Rate Against the MDQ of the Store	< 100.00%	>100.00%	<125.00%	5.75%
2	PEI	Proportion of Essential Items Inventory Quantity in the Overall Inventory Quantity at Store	<50.00%	>50.00%	<75.00%	5.75%
3	BPS	Number of Bills Generated by Every Sales Personnel Per Day	<12	>12	>15	12.00%
4	CIP	Percentage of Bills Containing Essential Items	<50.00%	>50.00%	>75.00%	12.00%
5	CCP	Percentage of Consumers Purchasing Essential Items	<75.00%	>75.00%	>75.00%	5.75%
6	AMRP	Percentage of Inventory Matching to the Retailer's Price-Positioning	<75.00%	>60.00%	>80.00%	5.75%
7	SGV	Percentage of Bills Carrying Sales Personnel Empowered Discounts (Capped at 10% Per Bill)	<50.00%	>50.00%	>75.00%	5.75%
8	CRR	Month-on-Month Growth in Number of Repeat Consumers	<10.00%	>10.00%	>25.00%	5.75%
9	SPT	Training of Sales Personnel by the Store Manager - Number of Days in a Month	<20.00	>20.00	>25.00	6.50%
10	SMT	Training of Store Managers by the Area Sales Manager - Number of Weeks in a Month	<2.00	>2.00	>3.00	3.00%
11	AMT	Training of Area Sales Managers by the Regional Sales Manager - Number of Months in a Year	<8.00	>8.00	>10.00	3.00%
12	RMT	Training of Regional Sales Managers by the National Sales Manager - Number of Months in a Year	<4.00	>4.00	>6.00	3.00%
13	ARS	Attrition Rate of Store Employees	>25.00%	<25.00%	<15.00%	5.75%
14	AIT	Annualized Inventory Turns	<4.00	>4.00	>6.00	5.75%
15	SPG	Month-on-Month Growth in Absolute Store Profit Value	<10.00%	>10.00%	>25.00%	5.75%
16	MAS	Mystery Audit Score	<80.00%	>80.00%	>95.00%	5.75%
17	RI	Return on Investment	<5.00%	>10.00%	>15.00%	3.00%
Total					100.00%	

Fig. 2: Proposed scale for evaluating the retailing performance of brick-and-mortar lifestyle retailers in India: LSRS-b.

Item No. 5: The experiment of applying a Need-Based sales pitch technique which is based on the real needs of consumers concerning their life-stage rather than pitching for sale which assumes that the consumer's or the sales personnel's awareness levels on the consumer needs are correct has shown significant improvement in the overall store's profitability and most importantly sales personnel attitude towards consumer orientation [60]. Thus, the fifth item on the scale is the percentage of consumers purchasing Essential items (CCP). This measure plays an important role in bringing focus in the sales personnel minds to fulfill both explicit and implicit needs of consumers thereby creating a positive

perception in consumer's minds in making the store their preferred choice of store for frequent visits and purchases.

Item No. 6: Consumers evaluate multi-location national/international lifestyle retailers on their principal price positioning and decide to walk-in to the store belonging to such retailers in their city irrespective of city type in which they live only if the price positioning of retail store matches with their affordability [61]. Thus, the sixth item on the scale is the percentage of inventory matching to the retailer's price-positioning (AMRP). This measure plays an important role in creating a positive perception in consumer's minds in making the store as their preferred choice of a store that is aligned to their affordability every time they visit the store.

Item No. 7: Among various experimental studies carried by us concerning discount offers to consumers, the experiment of decentralizing the discount offers along with empowering the sales personnel who are the closest link between the retailer and the consumers have shown significant improvement in overall store profitability [63-66]. Thus, the seventh item on the scale is the percentage of bills/invoices carrying sales personnel empowered discounts which must be capped at 10 percent per bill/invoice (SGV). This measure plays an important role in customizing a discount offer based on real-time expectations of consumers thereby creating a positive perception about the store in consumer's minds.

Item No. 8: The eighth item is the month-on-month growth in the number of repeat consumers (CRR). This measure plays an important role in shifting the store employee's focus from the percentage of repeat consumers to the absolute number of repeat consumers.

Item No. 9, 10, 11, 12 and 13: Training of sales personnel by the Store Manager (SPT); training of Store Managers by the Area Sales Manager (SMT); training of Area Sales Managers by the Regional Sales Manager (AMT); training of Regional Sale Managers by the National Sales Manager (RMT), and attrition rate of store employees are the items under training which is the only one input-driven measure among Recurring Expenses (E) group of variables. Results of one of our previous experimental studies have demonstrated that more than 35 percent of the consumers repeat store visit rate could be determined by a) store profitability that is a positive motivator to sales personnel to perform better; b) walk-in conversion rate that is directly affected by the sales pitch of sales personnel which is directly affected by the continuous training efforts; c) sales personnel monetary incentive earnings that are directly affected by their performance through improved learnings, and d) sales personnel attrition rate that is a result of overall satisfaction of sales personnel [67].

Item No. 14: The fourteenth item is the annualized inventory turns (AIT). This measure plays an important role in shifting the retailer's focus from inventory cover (derived number) to the efficiency of inventory rotation by a store and thus enhances the cash flow management efficiency.

Item No. 15: The fifteenth item is the month-on-month growth in absolute store profit value (SPG). This measure plays an important role in shifting the retailer's focus from percentage lead performance measures to absolute profit values.

Item No. 16: Retailers can hire mystery shoppers who fall under the target consumer definition of the lifestyle retailer who shall audit the stores across parameters viz., a) retailer's store name awareness created by the retailer through consumer's family and friends, social activities, and digital activities; b) retailer's store name familiarity created through consumer's family and friends, social activities, and digital activities; c) ensuring digitally-enabled maps can trace the exact location of retailer's store in the catchment; d) clean and clear store name signages/façade and the store window which indicates the product assortment available in the store; e) store interiors with clear path-ways, adequate lighting, hygienic washrooms, hygienic trial rooms, pleasant ambiance, neatly displayed merchandise, and clear

indication regarding product and offer information; f) sales personnel who acknowledge every consumer walking into the store, well-groomed/presentable, empathetic, serve both extrinsic and intrinsic needs of consumers, uses need-based sales pitch, honestly convey the available offers, empowered to take decisions on real-time basis, assists the consumer till the end of transaction, shares relevant contact details for any post-sale service requirements, thank the consumer for making an effort to visit the store and shop, and makes an attempt to request the consumer to refer the store to others; g) transactions which ensure a clear explanation of the bill, shares a digital copy of the bill with consumer, and h) grievance redressal system which has empowered help desk team and attempts to resolve all the grievances of consumers on-time. All these aspects must be audited by a mystery shopper. In India, one mystery shopping audit would cost approximately INR 2,500 (Rupees two thousand five hundred only) per mystery shopper and there are many organized agencies to conduct such mystery shopping audits [68]. Thus, the sixteenth item is the mystery audit score (MAS). This measure plays an important role in measuring retailer's performance from the consumer point-of-view and the same is expected to be unbiased.

Item No. 17: In one of our previous studies and during the exploratory part of this study has indicated that a majority of organized lifestyle retailers in India do not track ROI [69]. Finally, the only output measure of the scale that is the most important deliverable of a brick-and-mortar lifestyle retailer is the returns on investment (RI). Though it is an output-driven measure, it keeps the retailer track the real performance of the retailing in addition to bringing focus on to ROI by every employee in the retailing organization.

8. HOW TO USE LSRS-b INSTRUMENT:

Acceptability		LSRS-b Total Score			
		60 to 69%	70 to 79%	80 to 89%	90% & Above
S t o r e A g e	0 to 1 Year	A	A	A	A
	1 to 3 Years	U	A	A	A
	3 to 5 Years	U	U	A	A
	Above 5 Years	U	U	U	A

Framework 1: Recommended acceptability level based on the retailer's overall LSRS-b score and store's age in a particular catchment

We were cognizant about the fact that every store needs a certain time to reach a sustainable stage in a particular catchment and the same vary by store location (place and city). The recommended methodology of interpretation and decision-making is illustrated in the form of a simple framework (Framework 1). We strongly recommend the use of this framework by the brick-and-mortar lifestyle retailers in India to decide on any investments concerning retail expansion in addition to adding this score as one of the KPIs with relevant weightage being allocated based on the role played by each

employee. For instance, weightage given for this score in the overall KPI of i) Sales Organization employees must be at least 70 percent; ii) Category management, Supply Chain Management, Marketing Management employees must be at least 50 percent; iii) Support function employees such as Information Technology, Human Resource Development, Finance, and Accounts must be at least 30 percent, and most importantly for all the Leadership members of the organization irrespective of their function the weightage given to this score in their overall KPIs must be minimum 80 percent.

9. CONCLUSION:

Only a few organized lifestyle retailers in India despite the humongous retail market size indicates that a majority of brick-and-mortar lifestyle retailers are not rationally measured by the senior management personnel and leadership team of the retail organization due to absence of an inputs-driven performance evaluation technique/scale/instrument in addition to the over usage of output-driven measures to evaluate the retailing performance. Association and determination of all the key input variables in the study indicate that it is not about how much revenue is generated by a store, it is all about how the revenue was generated with the help of all the “4P’s” of the Marketing Mix in addition to sales personnel’s quality of interaction with consumers and their consumer orientation level. It is difficult to spend money on acquiring new consumers every time a store is struggling to make a profit, what is easier is to retain existing consumers and align all the “4P’s” in addition to sales personnel to focus on actions which enhance the repeat visit rate of consumers. Thus, it is inevitable for lifestyle retailers to evaluate the performance at a micro-level and not just based on the revenue a store has generated and the growth it has recorded. For long-term sustainable profitable lifestyle retailing, one has to focus on the 16 measurable input-driven variables identified in this study which are a subset of the Marketing Mix at the very beginning stage of the store being launched in a particular catchment. LSRS-b instrument has been designed considering the majority of variables that are inputs-driven and have significant determination with the returns on investment output, hence the instrument is a reliable scale to evaluate overall retailing performance of a brick-and-mortar lifestyle retailer in India.

10. SUGGESTIONS TO INDIAN BRICK-AND-MORTAR LIFESTYLE RETAILERS:

The sustainable success of a lifestyle retailer in India significantly depends on the trueness level of a lifestyle retailer’s image that is carried in consumers’ minds and not the revenue or profit a brand generates. To ensure a retail store gets a true lifestyle store image in consumers’ minds, retailers need to think beyond revenue and profit which is what has to be the main criteria while deciding on the performance of a lifestyle retailer in India. Be cognizant of the fact that, few retailers may be trying to capture the bigger market share by just focussing on increasing the revenue; few retailers may be trying to show exponential growth in their revenue to attract more investors; few retailers may be assuming that consumers acquired by the retailer that were based on advertising tactics as their key components of selling proposition are going to be loyal to their store forever; few retailers may be trying to create short-term positive perceptions in consumers’ mind to impress existing and potential investors, few retailers may be opening many stores in premium locations with larger size to tag them as experiential, anchor or destination stores assuming that this effort would lead them to create a premium retailer image; few retailers may be expanding their presence in catchment areas irrespective of their target consumer groups to promote their retail brand to attract new investors and franchisees; few conglomerates may be trying to show their presence in the lifestyle retailing segment to enhance their overall group portfolio and hence investing in lifestyle retailing; few may be selling premium priced products or categories to position themselves as premium lifestyle retailers, and most importantly few may be avoiding the Essential range of items in their store as they pull down many output-driven measures such as average MRP, average transaction value, revenue generated per sales personnel and so on. What is very important is the understanding of Indian retailing dynamics, location and city tier wise capital investment requirements, the retailer’s short-term and long-term plans, overall shopping experience they intend to provide to their consumers, and economical ways in which such experiences can be provided which must be aligned to the final goal of attaining a sustained profitable stage in addition to gaining true lifestyle

retailer image in existing and potential employees, investors, competitors, and consumers' mind. Finally, we would like to suggest leadership members of lifestyle retailing in India to apply an unbiased empirical approach while making decisions related to retail expansion and we believe that the LSRS-b instrument would help them adopt the suggested approach. In addition to using the LSRS-b instrument to make performance evaluation, we recommend they also insist on their senior management teams in the organization to use the scale to regularly monitor performance.

11. LIMITATIONS OF RESEARCH:

The main limitation of this research work is the coverage of various stakeholders viz., number and type of lifestyle retailers, product categories, consumer groups, employees, price positioning, and different types of Marketing Mix in designing the LSRS-b instrument. This might limit the generalizability of the research findings to other sets of lifestyle retailers. The second limitation would be the empirical validation is restricted to a few organized brick-and-mortar lifestyle retailers in India selected for the study and hence the generalizability of the findings and suggestions to other lifestyle retailers in India. The third limitation would be our ability to identify inputs based on variables while designing the instrument, we could have missed a few. However, as the proposed scale has been based on, i) proven theories in the field of marketing; ii) exhaustive empirical research findings of this study; iii) inputs-driven measures, and iv) based on recommendations from our previous experimental and empirical research studies which are relevant in this context [56-74], it would be instrumental in accurately evaluating the overall retailing performance of a brick-and-mortar lifestyle retailer in India.

12. SCOPE FOR FURTHER RESEARCH:

We strongly recommend that the LSRS-b instrument is used by researchers to further test its validity and reliability in addition to finetuning it further if required for Indian lifestyle or non-lifestyle retailers. Based on the key business objectives of the lifestyle retailers, the LSRS-b instrument can be used as a basic tool to measure their performance in addition to adding few other items which are crucial for them and are not part of the scale proposed.

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