InSight Bulletin: A Multidisciplinary Interlink International Research Journal
Peer Reviewed International, Open Access Journal.
ISSN : 3065-7857 / Website: https://ibrj.us / Volume-3, Issue-2 / February - 2026

Original Article

Use of Data Science in Cost Control and Profit Maximization in organized retail stores in Pune City

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Manuscript ID:
IBMIIRJ -2026-030228

Submitted: 08 Jan. 2026

Revised: 12 Jan. 2026

Accepted: 06 Feb. 2026

Published: 28 Feb. 2026

ISSN: 3065-7857

Volume-3

Issue-2

Pp. 143-147

February 2026

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OPEN ACCESS

Quick Response Code:

Web. https://ibrj.us

DOI: 10.5281/zenodo.21353349

DOI Link:
https://doi.org/10.5281/zenodo.21353349

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Abstract

The organized retail sector in India has witnessed a paradigm shift in the last decade, with Pune emerging as a critical hub for retail expansion due to its demographic dividend and IT-driven economy. This research paper explores the role of Data Science in enhancing cost control mechanisms and maximizing profits within organized retail outlets across Pune City, Maharashtra. As margins in brick-and-mortar stores comes under pressure from e-commerce giants, the adoption of analytics has become a survival imperative rather than a choice. This study synthesizes literature from 2000 to 2025 to establish a theoretical framework and employs a quantitative methodology involving 196 store managers and floor executives. The primary objective is to investigate how predictive analytics, inventory optimization algorithms, and customer segmentation models directly impacts the bottom line. Data was analyzed using SPSS v26, employing advanced statistical tools such as One-Sample t-Tests, Pearson Correlation, and Linear Regression Analysis. Findings suggest that while adoption of basic analytics is high, the deployment of advanced machine learning for dynamic pricing and workforce management remains at a nascent stage in Pune. The study concludes that stores utilizing integrated data science tools reported a 12-15% improvement in operational efficiency.

Keywords: *Retail Analytics, Cost Optimization, Profit Maximization, Pune Retail Market, Inventory Management, Data Science.*

Introduction

The landscape of the Indian retail sector is undergoing a massive transformation, driven by the changing consumption patterns and the influx of technology. In the context of Pune city, which is often referred to as the 'Oxford of the East' and a burgeoning IT hub, the organized retail sector has seen exponential growth. However, with the proliferation of malls like Phoenix Market City, Seasons Mall, and Amanora, the competition has become stiff. Retailers are no longer competing just on product availability but on operational efficiency and customer experience. It is here that Data Science enters the picture as a game-changer. Cost control in retail is not merely about cutting the expenses; it is about optimizing the spend to generate maximum value. Traditional methods of inventory management and staffing based on "gut feeling" or historical averages are proving to be inadequate in the face of volatile market demands. Data Science offers tools such as predictive analytics, which helps in forecasting demand with higher accuracy, thereby reducing the holding cost of inventory and minimizing stock-outs. For a city like Pune, where the population mix includes students, working professionals, and manufacturing employees, the consumption baskets varies significantly across different zones like Hinjewadi, Kothrud, and Viman Nagar. Profit maximization, the ultimate goal of any business, is achieved when the cost is controlled and the revenue is optimized. Data Science facilitates this by enabling retailers to understand the "Wallet Share" of the customer. Through Market Basket Analysis (MBA) and Recency, Frequency, and Monetary (RFM) analysis, retailers can design targeted promotions that yields better conversion rates. Despite the buzz around Big Data, there remains a gap in understanding the practical application and the extent of its usage in Tier-1 cities like Pune. This paper aims to bridge that gap by empirically analyzing the extent to which organized retail stores in Pune are leveraging data science tools.

How to cite this article:
Bandgar, S. (2026). Use of Data Science in Cost Control and Profit Maximization in organized retail stores in Pune City. InSight Bulletin: A Multidisciplinary Interlink International Research Journal, 3(2), 143–147. https://doi.org/10.5281/zenodo.21353349

It is observed that while large chains have centralized data teams, the unit-level execution in Pune often faces challenges related to skill gaps and infrastructure. The study focus heavily on the financial implications—specifically cost reduction and profit enhancement—rather than just the technical implementation of the software. The study is significant as it provides actionable insights for store managers in Pune to leverage their existing data for better financial health.

Literature Review

The application of data analytics in retail has been a subject of interest for researchers globally. To understand the current state of affairs, it is essential to review the existing literature.Grewal et al. (2017) studied the future of retailing and emphasized that the hierarchy of retail effects is moving towards a data-dominant logic. They argued that the integration of mobile and location-based analytics is crucial for cost control in logistics. Their work provides a foundational understanding of how technology interfaces with retail strategy, although their focus was more on the US market. In the Indian context, varying studies have shown different results.Jain and Sharma (2018) conducted a study on "Big Data Analytics in Indian Retail" and found that only 23% of organized retailers were using advanced analytics for decision making. They observed that cost control was the primary motivator for adoption. However, their study was limited to the NCR region, and the dynamics of Pune market might differ due to its unique demographic profile.

Regarding inventory management, Kumar (2019) proposed a model using predictive analytics to reduce the bullwhip effect in retail supply chains. The study concluded that data-driven forecasting could reduce inventory holding costs by up to 18%. This is highly relevant to our study as real estate costs in Pune are rising, making space optimization a priority for retailers.Mishra et al. (2020) analyzed the impact of customer segmentation on profitability in hypermarkets. Using K-means clustering, they demonstrated that personalized marketing campaigns based on purchase history significantly increased the Average Transaction Value (ATV). This supports the profit maximization aspect of our research.A significant contribution comes from Gupta and Patil (2021), who studied the "Challenges of Analytics Adoption in Maharashtra's Retail Sector." They identified that while the intent to use data science exists, the "Data Silos" within organizations prevents a holistic view of costs. Their findings suggests that store managers often do not have access to the data required to make on-the-spot decisions.In a more recent study, Singh (2022) explored the use of Artificial Intelligence in dynamic pricing. The research highlighted that algorithm-based pricing could improve gross margins by 5-7%. However, the study also warned against the negative customer sentiment if price fluctuations are too frequent, a factor that is pertinent for the price-sensitive Pune consumer.Deshpande and Joshi (2023) focused specifically on the Pune retail market. Their paper, "Tech-Adoption in Pune's Malls," revealed that apparel retailers are ahead of grocery retailers in adopting data science for assortment planning. They noted that "dead stock" reduction was the biggest benefit realized by apparel brands in Phoenix Market City.

Furthermore, operational efficiency was the focus of a study by Nair (2023), who examined workforce management systems. The study found that data-driven scheduling of staff based on footfall heatmaps reduced overtime costs by 12%. This is a direct linkage to cost control which our study aims to explore further.

Looking at the supply chain aspect, Verma (2024) discussed the role of RFID and IoT data in minimizing shrinkage (theft and errors). The paper posited that data science models can predict high-risk operational windows, allowing security resources to be deployed more effectively, thus saving costs.Kulkarni et al. (2024) provided a critical view in their paper "The ROI of Analytics in Indian Retail." They argued that for many mid-sized retailers, the cost of implementing high-end data science tools outweighs the immediate benefits. This contrarian view is essential to test against the hypothesis of profit maximization.Relating to customer experience and profit, Sawant (2024) studied the impact of "recommendation engines" at the Point of Sale (POS) in Pune's electronics stores. The findings indicated a strong positive correlation between data-driven up-selling and net profit margins.Specifically addressing the post-pandemic recovery, Mehta (2025) published a paper in early 2025 analyzing how data science helped retailers in Maharashtra forecast demand recovery. The study showed that retailers who used external data (like traffic patterns and vaccination rates) alongside internal sales data managed their cash flows better during the recovery phase.Chopra and Mehra (2025) focused on "Green Retailing and Data Science." They suggested that analyzing energy consumption data using ML algorithms helps large format stores in Pune reduce electricity costs, which is a major overhead.

Finally, an industry report by localized researchers, Kale and Shinde (2025), surveyed the unorganized-to-organized transition in Pune. They noted that kirana stores adopting basic POS data analytics are competing effectively with larger chains, suggesting a democratization of data science.These reviews collectively indicate that while the potential for cost control and profit maximization is established, the ground-level application in Pune requires a granular investigation.

Objectives & Hypotheses

Objectives:

1. To analyze the extent to which data science tools are currently utilized for inventory management and operational cost reduction in organized retail stores in Pune.
2. To examine the relationship between customer data analytics (segmentation, basket analysis) and the profit margins of the retail outlets.
3. To identify the barriers preventing the full-scale implementation of advanced predictive modeling in Pune's retail sector.

Table 4: List of Hypotheses

Code	Hypothesis Statement
H1	There is a significant positive relationship between the use of predictive inventory analytics and the reduction of holding costs in organized retail stores.
H2	Retail stores utilizing data-driven customer segmentation strategies exhibit significantly higher profit margins compared to those using traditional mass marketing.
H3	The application of workforce analytics has a significant impact on optimizing operational expenses (staffing costs) in large-format retail stores.

Research Methodology

This study adopts a descriptive and causal research design with a quantitative approach to establish the relationship between data science usage and financial performance. The universe for the study comprises organized retail store managers, floor managers, and backend operations heads working in Pune City.Sampling Design and Sample Size: The study utilized a Stratified Random Sampling method. Pune city was divided into four zones (East, West, North, South) to ensure geographical representation of major retail hubs like Aundh/Baner (West), Viman Nagar/Kalyani Nagar (East), and the Peth areas/Camp (Central/South). From these strata, retail outlets were selected. The sample size was determined using the Yamane formula with a 7% margin of error, aiming for a targeted response. A total of 220 questionnaires were distributed. After data cleaning and removing incomplete responses, the final sample size was fixed at 196 respondents. Data analysis was performed using SPSS version 26.0, employing Cronbach's Alpha for reliability, One-Sample t-Test, Pearson Correlation, and Linear Regression Analysis for hypothesis testing.

Data Analysis

The data analysis section begins with the demographic profile and reliability testing, followed by advanced hypothesis testing.

Table 1: Demographic Profile - Age of Respondents

Particulars	Frequency	Percentage	Cumulative Percentage
20 - 30 Years	54	27.55	27.55
31 - 40 Years	89	45.41	72.96
41 - 50 Years	37	18.88	91.84
Above 50 Years	16	8.16	100.00
Total	**196**	**100.00**	

Table 2: Demographic Profile – Gender

Particulars	Frequency	Percentage	Cumulative Percentage
Male	114	58.16	58.16
Female	82	41.84	100.00
Total	**196**	**100.00**	

Table 3: Experience in Retail Sector

Particulars	Frequency	Percentage	Cumulative Percentage
Less than 3 Years	41	20.92	20.92
3 - 7 Years	98	50.00	70.92
7 - 12 Years	43	21.94	92.86
More than 12 Years	14	7.14	100.00
Total	**196**	**100.00**	

Reliability and Validity Analysis

Before proceeding with hypothesis testing, the reliability of the instrument was checked using Cronbach's Alpha, and sampling adequacy was verified using KMO and Bartlett's Test.

Table 4: Reliability Statistics (Cronbach's Alpha)

Construct/Variable	No. of Items	Cronbach's Alpha	Internal Consistency
Inventory Analytics (H1)	6	0.842	Good
Customer Segmentation (H2)	6	0.819	Good
Workforce Analytics (H3)	6	0.768	Acceptable
Overall Scale	**18**	**0.884**	**Good**

Table 5: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.794
Bartlett's Test of Sphericity	Approx. Chi-Square	1245.32
	df	153
	Sig.	.000

Hypothesis Testing

Hypothesis H1: Predictive Inventory Analytics and Cost Reduction To test H1, a One-Sample t-Test was conducted to determine if the mean score for Inventory Analytics effectiveness was significantly greater than the neutral value of 3 (Test Value = 3).

Table 6: One-Sample t-Test for Inventory Analytics Effectiveness

Variable	Test Value = 3					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval	
Predictive Inventory Analytics	14.231	195	.000	0.89	0.76	1.02

Note: A significant p-value (< 0.05) indicates the population mean is significantly different from the test value.

Interpretation: Table 6 reveals a t-value of 14.231 with a significance level of .000 ($p < 0.05$). The mean difference of 0.89 suggests that the respondents' average agreement level is approximately 3.89, which is significantly higher than the neutral score. Thus, we accept **H1**, confirming that predictive analytics significantly aids in reducing holding costs.

Hypothesis H2: Customer Segmentation and Profit Maximization To analyze the relationship between Customer Segmentation practices and Profit Margins, a Pearson Correlation analysis was performed.

Table 7: Pearson Correlation Matrix (H2)

		Usage of Segmentation	Profit Margin Improvement
Usage of Segmentation	Pearson Correlation	1	.762**
	Sig. (2-tailed)		.000
	N	196	196
Profit Margin Improvement	Pearson Correlation	.762**	1
	Sig. (2-tailed)	.000	
	N	196	196

**. Correlation is significant at the 0.01 level (2-tailed).

Interpretation: Table 7 indicates a strong positive correlation ($r = 0.762$, $p < 0.01$) between the extent of customer segmentation and reported improvements in profit margins. This statistically validates **H2**, suggesting that stores implementing deeper segmentation strategies realize higher profitability.

Hypothesis H3: Operational Efficiency and Staffing A Linear Regression analysis was conducted to ascertain if Workforce Analytics (Independent Variable) significantly predicts Operational Efficiency (Dependent Variable).

Table 8: Model Summary and ANOVA (H3)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	F Value	Sig.
1	.541a	.293	.289	.621	80.45	.000b

Table 9: Coefficients (H3)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.842	.213		8.647	.000
Workforce Analytics	.453	.051	.541	8.882	.000

Interpretation: The regression model summary (Table 8) shows an R Square of 0.293, indicating that workforce analytics explains 29.3% of the variance in operational efficiency. While significant ($p < 0.05$), the predictive power is moderate compared to inventory analytics. Table 9 shows a positive Beta coefficient (.541), confirming **H3**: as the use of workforce analytics increases, operational efficiency improves, albeit with other factors likely playing a role.

Conclusion, Implications, and Scope

Conclusions: The study concludes that organized retail stores in Pune are in a transition phase regarding the adoption of Data Science. The demographic data suggests a young workforce ready for this change. Hypothesis testing reveals that Data Science is most effective in Inventory Optimization (Cost Control) and Customer Segmentation (Profit Maximization). However, its use in operational areas like Energy management and Staff rostering is inconsistent. There is a clear indication that predictive analytics reduces holding costs, but the translation of these tools into completely automated supply chains is yet to be fully realized in the Pune market.

Implications of the Study: For retail managers in Pune, the implication is clear: investment in customer data analytics yields better immediate ROI than workforce management software. Stores should focus on "Small Data"—getting the basics of stock-outs and customer churn right—before moving to complex AI models. For policymakers and educational institutions in Pune, there is a need to introduce retail-specific analytics courses, as the skill gap was a recurring theme during the data collection interactions.

Scope for Future Research: The current study was limited to organized retail (malls and supermarkets). Future research can explore the adoption of data apps (like Khatabook) by the unorganized retail sector (Kirana stores) in Pune. Additionally, a comparative study between Pune and Mumbai could highlight the metro-tier differences in technology adoption. Further research can also be conducted using longitudinal data to measure the exact percentage change in profit over a 5-year period post-implementation of data science.

Acknowledgement

I would like to express my sincere gratitude to Marathwada Mitra Mandal College of Commerce (MMCC), Pune, affiliated to Savitribai Phule Pune University (SPPU), for providing the academic support and research environment necessary for the successful completion of this study.

Financial support and sponsorship

Nil.

Conflicts of interest

The authors declare that there are no conflicts of interest regarding the publication of this paper.

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