MODULE – 1

INTRODUCTION TO RETAILING

Meaning of Retailing :

Retailing encompasses those business activities involved with the sale of goods and services to the final consumer for personal, family, or household use.

Retailing is the final stage in a channel of distribution. Retailing functions are performed by any firm selling merchandise or providing services to the final consumer.

According to **Philip Kotler :**

"Retailing includes al the activities involved in selling goods or services to the final customers for personal, non – business use."

Functions of Retailing - :

1. Understanding the Needs of Consumers –

Knowing and understanding customer needs is at the centre of every successful business. Therefore, a retailer should clearly understand needs of his target customers. Every retailer should know the reason for their customers to buy from them and not from their competitors. This is called **U**nique **S**elling **P**roposition {USP}. USP can change as the business or market changes. A retailer can have different USPs for different types of customer.

2. Buying and Assembling –

A retailer deals in different variety of goods which he purchases from different wholesalers for selling to the consumers. He tries to locate best and economical source of the supply of goods.

3. Breaking the Bulk –

Manufacturers normally send their products in bulk (whole cases or cartons) to retailers to minimize transportation cost. As the retailers sell goods in smaller quantities, they should break large quantities into convenient smaller quantities. This process is called breaking the bulk.

4. Warehousing or Storing –

After assembly of goods from different suppliers, the retailers preserve them in store and supply these goods to the consumers as and when required by them. The goods are kept as reserve stocks in order to ensure uninterrupted supply to the consumers.

5. Selling –

The end objective of the retailer is to sell the goods to consumers. He undertakes various methods to sell goods to the ultimate consumers.

6. Credit Facilities –

He caters to the needs of the customers even by supplying them goods on credit. He bears the risk of bad debts on account of non – payment of amount by the customers.

7. Risk Bearing –

A retailer has to bear different type of risks in relation to goods. While in stores, goods are exposed to various risks like deterioration in quality, spoilage and perishability etc.

The products are confronted to natural risks viz., fire, flood, earthquake and other natural calamities. Other type of risks like change in customers tastes also adversely affects the sales.

8. Grading and Packing –

The retailer grades the goods which are left ungraded by the manufacturers and the wholesalers. He packs the goods in small packages and containers for the convenience of the customers.

9. Collection and Supply of Market Information –

The retailers are in direct touch with the consumers. They gather invaluable information with regard to likes dislikes tastes and demands of the consumers and pass on this information to the wholesales and the producers which are very helpful to them.

10. Helps in Introducing New Products –

Without the services of retailers, new products cannot be introduced properly in the market. This is so because a retailer has a direct link with consumer. He can explain nicely about the utility and the characteristics of a new product to the customer.

11. Window Display and Advertising –

The retailer displays the products in show windows in order to attract the customers. This leads to immense publicity for the product.

<u>Types of Retailing - :</u>

- **I. Store Based Retailing**
- **II. Non – Store based Retailing**

I. Store Based Retailing

- **1. Form of ownership**
- **2. Merchandise Offered**

1. Form of ownership –

i. Independent (Mom-and-pop stores) Stores –

There are generally family – owned businesses catering to small sections of society. They are small, individually run and handled retail outlets. The "shop" could be any type of business, such as an auto repair garage, bookstore or restaurant. These stores operate in the local locality. Therefore, there are in the near vicinity of a particular locality.

ii. Chain Stores

A chain store or retail chain is a retail outlet in which several locations share a brand, central management, and standardized business practices. They have come to dominate the retail and dining markets, and many service categories, in many parts of the world.

iii. Franchise stores

A franchise store is a deal in which an entrepreneur buys a license to use another business' products, brand, proprietary knowledge, and trade secrets.

iv. Leased Departments

Leased departments are broadly defined as operations of one company conducted within the establishment of another company. Typical examples may include jewelry counters or optical centers within department stores.

v. Consumer Co-operative

A consumer cooperative is a cooperative business owned by its customers for their mutual benefit. It is a form of free enterprise that is oriented toward service rather than pecuniary profit.

2. Merchandise Offered - :

i} Convenience Stores -

Convenience store is a small store that stocks a range of everydate items such as groceries, snack foods, candy, milk, eggs, toiletries, soft drinks, tobacco products and newspapers.

They are comparatively smaller stores located near residential areas. They are opened for long hours for the convenience of customers, and have a limited variety of stock and convenience products.

Prices are slightly higher due to the convenience given to the customers. These shops are open seven days a week and offer a limited line of convenience products.

ii} Super Market –

The super market is a large – scale retail institution specializing in necessaries and convenience goods. They have huge premises and generally deal in food and non – food articles.

Super markets are large, low cost, low margin, high volume, self service operations designed to meet the needs for food groceries and other non food items like health and beauty care products.

Thus, the super markets are also known as self – service stores since the customers are to do all the purchasing by themselves without the aid of salesmen or selling assistants.

Advantages –

- Large turnover because of the large variety of merchandise which is offered to the customers.
- Low prices and high profits because of quick turnover.
- Situated at convenient places and within reach of buyers.
- The buyer is perfectly free as to what he should buy.

iii} Hypermarket –

Hypermarket is very large store that carries products found in a supermarket as well as merchandise commonly found in departmental stores.

Hypermarket is a superstore combining a supermarket and a department store. The result is an expensive retail facility carrying a wide range of products under one roof, including full groceries lines and general merchandise. In theory, hypermarkets allow customers to satisfy all their routine shopping needs in one trip.

Advantages –

- Customers can get everything at one place. Hence saving time, energy and money in searching.
- Cost reductions from bulk buying in hypermarket are transferred to customers.

iv} Speciality Stores –

Specialty store is a small retail outlet that focuses on selling a particular product range and associated items. Most specialty store business operators will maintain considerable depth in the type of product that they specialize in selling, usually at premium prices, in addition to providing higher service quality and expert guidance to shoppers.

The specialty stores specialize in a particular category or sub – category of goods such as footwear, sarees, dress material and jewellery. These are smaller size compared to bigger formats and focus on quality and variety of the chose category.

v} Category Killers –

A category killer is a product, service, brand, or company that has such a distinct sustainable competitive advantage that competing firms find it almost impossible to operate profitably in that industry (or in the same local area).

The existence of a category killer eliminates almost all market entities. Example, as one of the most famous search engine, Google does not have real competitors.

vi} Departmental Stores –

A departmental store is a large retail trading organization. It has several departments, which are classified and organized accordingly. Departments are made as per different types of goods to be sold.

For example, individual departments are established for selling packed food goods, groceries, garments, stationery, cutlery, cosmetics, medicines, computers, sports, furniture etc., so that consumers can purchase all basic household requirements under one roof. It provides them maximum shopping convenience and therefore, also called as **"Universal Providers"** or **"One Spot Shopping".**

Characteristics –

- Departmental stores are large – scale retail establishments.
- They have a number of departments organized under one roof.
- Each department specializes in a particular kind of trade.
- They are located in the important central places of the big cities.
- A huge amount of capital is required to establish a departmental store.
- Their control and management are centralized.

vii} Off Price Retailer –

Off – price retailers are retailers who provide high quality goods at cheap prices. They usually sell second – hand goods, off – the – season items etc., these retailers offer inconsistent assortment of brand name and fashion – oriented soft goods at low prices. They buy manufacturer irregulars, seconds, closeouts, canceled orders, overruns, goods returned by other retailers and end – of – season closeout merchandise.

viii} Factory Outlet –

A factory outlet is a manufacturer – owned store selling that firm's stock directly to the public. The stock can either be first – quality merchandise or discontinued, irregulars, canceled orders at a very low price.

ix} Catalogue Showrooms –

Catalogue retailers usually specialize in hard goods such as house ware, jewellery, and consumer electronics. There are retailers whose showrooms are adjacent to the warehouse. These showrooms have a low price, as they minimize the cost of displaying merchandise, focus on a narrow range of goods and are located in low cost areas.

x} Full Line Discount Stores –

A discount store is a retail store which sells products at prices lower than the typical market value. A "full – line discount store" or "mass merchandiser" may offer a wide assortment of goods with a focus on price rather than service, display, or wide choice. Discount store may specialize in specific merchandise such as jewelry, electronic equipment, or electrical appliances, relying on bulk purchase and efficient distribution to keep down cost.

xi} Warehouse Store –

It is a mass retailing of merchandise such as groceries, hardware, home furnishing, over the counter drugs, toiletries, etc., through a super store that offers very low prices and little or not customer service.

xii} Variety Store –

A variety store is a retail store that sells a wide range of inexpensive household goods. Variety stores often have product lines including food and drink, personal hygiene products, small home and garden tools, office supplies, decorations, electronics, garden plants, toys, pet supplies, remaindered books, recorded media and motor and bike consumables.

xiii} Membership Club –

This format is also known as cash and carry and is open to members only and not the general public. The current definition of a warehouse club is that it is a no frill, no – thrill, large – format store selling only to its members at wholesale rate.

Xiv} Flea Market-

A flea market is a type of street market that provides space for vendors to sell previously-owned merchandise. This type of market is often seasonal.

II. Non – Store based Retailing

i} Direct Selling –

Direct selling is the marketing & selling of products directly to consumers away from a fixed retail location. Peddling is the oldest form of direct selling.

Modern direct selling includes sales made through the party plan, one-on-one demonstrations, and other personal contract arrangements as well internet sales. Directing selling is a dynamic, vibrant, rapidly expanding channel of distribution for the marketing of products and services directly to consumers.

ii} Mail Order –

Mail order is the buying of goods or services by mail delivery. The buyer places an order for the desired products with the merchant through some remote method such as telephone call or web site.

Then, the products are delivered to the customers. The goods are supplied on the system of P.O.D (i.e., payment on delivery) or V.P.P. (i.e., value payable through the post).

iii} Telemarketing

Telemarketing is a form of direct marketing. Here, marketer goes direct to the customer using telecom / IT facilities.

How does Telemarketing work?

Telemarketing is usually done through specific campaigns. Contract is established with hundreds of prospects in a campaign that normally runs through a few days. Several tele-callers are hired for the tele-call operation.

Advantages of Telemarketing –

- Telemarketing facilitates personalized contact though not fact-to-face contact with prospective customers.
- Compared to mass marketing programmes, it gives the marker a better change to influence the prospects.

- It enhances marketing productivity by providing a screening and selection facility through preparatory conversations with prospects.
- Telemarketing is less expensive compared to most other forms of selling.
- It can be used in respect of different types of products. It is suitable for both industrial goods and consumer durables.

iv} The Call Centre –

The call centre is the real operation theatre in telemarketing. The call centre usually has a manager in overall charge, a few supervisors and the required number of tele-callers.

The tele-caller opens the call by greeting the prospect appropriately. Then she politely seeks the customer's permission to have brief conversation. She generates adequate interest in the product on the part of the consumer and tries to clinch an order.

v} Automated Vending –

A vending machine is a machine that dispenses product when a customer deposits a sufficient amount of money into a money slot. The money is accepted by a current validator. It is a machine that provides various snacks, drinks and other products to customers. The idea of having vending machine is to vend product without a cashier.

vi} World Wide Web –

Internet marketing, or online marketing, refers to advertising and marketing efforts that use the Web and e-mail to drive direct sales via electronic commerce, in addition to sales leads from web sites or e-mails.

Forms of Retail Business Ownership

On the basis of ownership pattern, retail format can be classified as –

1. Sole Proprietary Concern –

A sole proprietorship, also known as the sole trader or simply a proprietorship, is a type of business entity that is owned and run by one individual or one legal person and in which there is no legal distinction between the owner and the business. The owner is in direct control of all elements and is legally accountable for the finances of such business and this may include debts, loans, loss etc.

They sell only limited variety of goods. Sole traders will be unable to take advantage of economies of scale in the same way as limited companies and larger corporations, who can afford to buy in bulk. This might mean that they have to charge higher prices for their products or services in order to cover the costs.

At the same time, all decision must be made by the sole trader. Therefore, the success or failure of the business rests on one person.

2. Partnership Firm –

Partnership is a combination of two or more persons, some having capital, other having skill and experience to conduct any lawful business, forming a business firm and sharing the profits of such a business. Hence the persons who form the partnership are called 'partners' individually and a "Firm" collectively.

These types of retail organizations can little more varieties compared to sole proprietary format of retail organizations. This is mainly because of the availability of decent amount of capital and improved managerial abilities.

3. Limited Company –

A limited company is a company in which the liability of members or subscribers of the company is limited to what they have invested or guaranteed to the company. Limited companies may be limited by shares or guarantee. Examples for limited company format of retailing are Aditya Birla Retail Limited, Pantaloon Retail India Ltd., Future Group etc.,

These form retail organizations can offer vide range of quality products to large group of consumers at an affordable price. They can afford to operate in large buildings, keeping in mind the consumer convenience.

Theories of Retailing - :

The theories developed to explain the process of retail development. It revolves around the importance of competitive pressures. It is the investments in organizational capabilities.

I. Environmental Theory –

According to environmental theory there is a change in retail. It is attributed to the change in the environment in which the retailers operate. The environmental theory explains how retail business evolved from the specialized stores into department, discount, chain, mail order and online stores.

Retail environment is made up of customers, competitors and changing technology. The changes in the external environment can alter the profitability of retail organizations. If an organization is not able to cope with its external environment, it will soon vanish from the market. Thus, the birth, success or decline of different forms of retail enterprises many a times is attributed to the business environment.

Therefore, Darwin's statement of "Survival is the Fittest" is very well applicable in this context. For this reason, it is important for retailers to be aware of and adjust to changing environments.

II. Cyclical Theory –

Cyclical theory basically explains the different phases in a company. According to this theory, change follows a pattern and all phases have identifiable attributes associated with them. There are three primary components associated with the theory : Wheel of retailing, retail cycle and retail accordion.

- Wheel of retailing refers to a company entering the market with low prices and affordable service in order to challenge competitors.
- Retail life cycle addresses the four stages that a company goes through when entering the buyer's market.
- The retail accordion aspect of cyclical theory suggests that some businesses go from outlets that offer an array of products to establishments providing a narrow selection of goods and services.

III. Conflict Theory –

According to this theory the competition or conflict between two opposite types of retailers, leads to a new format being developed. It says that retailers change in response to competition. It explains how some department stores transitioned into discount stores. The conflict always exists conflict always exists between operators of similar formats or within broad retail categories.

This theory proposes that new forms of retail institutions emerge due to "inter – institutional conflict." When an innovative retailer (antithesis), challenges an established retailer (thesis), a new form of retailer (synthesis) results. The synthesis later becomes a thesis, triggering a new turn for a new turn for assimilation.

For example, when a thesis and antithesis are taken as department stores and discount stores respectively, the synthesis may emerge as discount department stores.

- **Thesis –** Individual retails as corner shops all across the country.
- **Antithesis –** It is a position opposed to the thesis develops over a period of time. These are the department stores. The antithesis is a "challenge" to the thesis.
- **Synthesis –** There is a blending of the thesis and antithesis. The result is position between the "thesis" and "antithesis". This "synthesis" becomes the "thesis" for the next round of evolution.

Wheel of Retailing - :

The Wheel of Retailing is a theory to explain the institutional changes that take place when innovators, including large business houses, enter the retail arena.

The Wheel of Retailing is a hypothesis that describes how retailers approach to capture market share and create brand value. It explains how retailers usually begin at the bottom of the wheel with low prices, profits and prestige and then gradually work their way up to increased prices, profits and prestige.

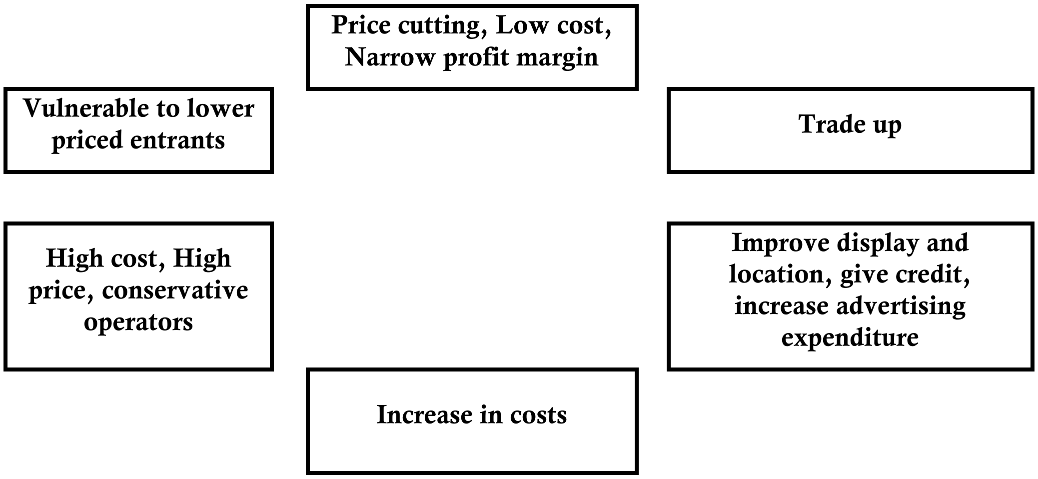
- This theory states that in a retail institution changes takes place in cyclical manner. As it cycles through the wheel of retailing, a discount retail business might develop into a higher end department store, leaving its former niche to be filled by newer discount businesses.

- The theory suggests that new forms of retailing appear as price cutting, low cost and narrow profit margin operations. Eventually the retailer trades up by improving displays and location, providing credit, delivery and by raising advertising expenditure.

- Thus, retailers mature as high cost, high price, conservative operators, making themselves vulnerable to new, lower priced entrants.

- A low price retailer should avoid incurring extra costs on the existing format and instead should open another store with better service levels and premium brands catering to the upmarket segment. These two stores should be distinct in their brand name, offerings and operations.

Fig : Wheel of Retailing



Wheel of Retailing an example –

Most of the retail businesses start on low cost, low price and low margins but as their sales start increasing, they quickly shift to a high cost, high revenue model.

Example –

A restaurant started in a temporary location would be offering a limited number of items at low price. It looks to develop its client base but as soon as the construction is completed or final, it starts providing a lot more variety and introduces a number of new services (free home delivery, boarding, and lodging) it also starts increasing its prices on its earlier items. This is done to recover its fixed cost quickly and have an early breakeven so that it can start generating some profit since it is operating in a virgin market it will look to increase its market share.

However with passage of time when a new restaurant comes up in its vicinity and starts offering the same items at a lower price in order to retain its customers it will bring down its prices back to where its earlier ones.

<u>The cycle can be broadly classified into three phases –</u>

I. **Entry Phase**
II. **Trading up Phase**
III. **Vulnerability Phase**

I. Entry Phase –

- The new, innovative retailer enter the market with a low status and low price store format.
- Starts with a small store that offers goods at low prices or goods of high demand.
- This would attract the customers from more established competitors.
- Tries to keep the costs at minimum by offering only minimal service to customers, maintaining a modes shopping atmosphere, locating the store in a low rent area and offering a limited product mix.
- Success and market acceptance of the new retailer will force the established to imitate the changes in retailing made by the new entrant.
- This would force the new entrant to differentiate its products through the process of trading up.

II. Trading Up Phase –

- New retailer tries to make elaborate changes in the external structure of the store through up gradation.
- Retailer will now reposition itself by offering maximum customer service, a posh shopping atmosphere, and relocating to high cost area (as per the convenience of the customers)
- Thus in this process the new entrant will mature to a higher status and higher price operation. This will increase the cost of the retailer.
- The innovative institution will metamorphose into a traditional retail institution. This will lead to vulnerability phase.

III. Vulnerability Phase –

- The innovative store will have to deal with high costs, conservatism and a fall on ROI.
- Thus, the innovative store matures into an established firm and becomes vulnerable to the new innovator who enters the market.

- Entry of the new innovator marks the end of the cycle and beginning of the new cycle into the industry.
- Example of this theory – kirana stores were replaced by the chain stores like Apna Bazar and FoodWorld (new entrant) which in turn faced severe competition from supermarkets and hypermarkets like Big Bazar and Giant.

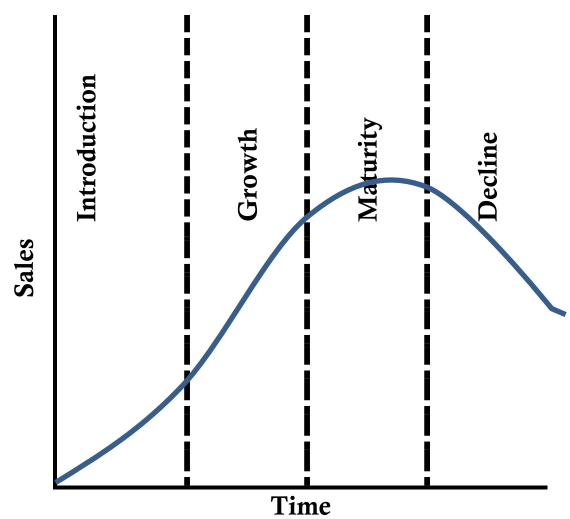
Retail Life Cycle –

Meaning –

The retail life cycle is the process of growth and decline that retail outlets, like products, experience, which consists of the early growth, accelerated development, maturity, and decline stages.

The concept of product life cycle is also applicable to retail organizations. This is because retail organizations pass through identifiable stages of innovation, development, maturity and decline. This is what is commonly termed as the retail life cycle.

- : Fig : Retail Life Cycle : -



Retail Life Cycle is classified into Four Main Phases –

Phase – 1 : Introduction / Innovation –

A new organization is born; it improves the convenience or creates other advantages to the final customers that differ sharply from those offered by other retailers. This is stage of innovation, where the organization has a few competitors. Since it is a new concept, the rate of growth is fairly rapid and the management fine tunes its strategy through experimentation. In this stage the levels of profitability are moderate. Entrepreneurs in this phase of development either introduce a new retail store model.

The features of this phase –

- Lack of availability of retail space at reasonable cost.
- High degree of competition from unorganized players.
- Investment stage with high incremental investment.
- High bargaining power of vendors.
- Lower market share per market.

Phase – 2 : Growth –

The retail organization faces rapid increases in sales. As the organization moves to stage two of growth, which is the stage of development, a few competitors emerge. Since the company has been in the market for a while, it is now in a position to pre-empt the market by establishing a position of leadership.

Since growth is imperative, the investment level is also high, as is the profitability. Investment is largely in systems and processes. This stage can last from five to eight years. However, towards the end of this phase, cost pressures tend to appear.

The features of this phase –

- Rapid expansion phase.
- High cost of financing.

- Consumers start accepting new formats.
- Availability of retail space at reasonable costs.
- Private equity, Venture capital, debt and equity market financing accessible.

Phase – 3 : Maturity –

In this stage, lot of competition and store defines the industry instead of feeling new and different. Competition increases the point where industry over expands. It is leading to decline profits and reduced customer loyalty. Thus, the growth rate tends to decrease.

Gradually as markets become more competitive and direct competition increases, the rate of growth slows down and profits also start declining. This is the time when the retail organization needs to rethink its strategy and reposition itself in the market. A change may occur not only in the format but also in the merchandise mix offered.

<u>The features of this phase –</u>

- Market share stagnate.
- New store expansion taper.
- Oversupply of retail space.
- Cost of financing declines.
- Customer acquisition cost increases.
- Enhanced specialization in formats.
- National & International presence.

Phase – 4 : Decline –

The retail organization looses its competitive edge and there is a decline. In this stage, the organization needs to decide if it is still going to continue in the market or not. The rate of growth is negative, profitability declines further and overheads are high.

The retail business in India has only recently seen the emergence of organized, corporate activity. Traditionally, most of the retail business in India has been small owner managed business. It is difficult to put down a retail organization, which has passed through all the four stages of the retail life cycle.

Retail Accordion Theory

A theory of retail institutional change that suggests that retail institutions go from outlets with wide assortments to specialized narrow line store merchants and then back again to the more general wide assortment institution. It is also referred to as the general-specific-general theory.

<u>Factors Affecting / Influencing Indian Retail Industry - :</u>

1. Increase in per capita Income –

Per Capita Income means how much an individual earns, of the yearly income that is generated in the country through productive activities. India has marked growth in per capita income by 10.5% which shows tremendous increase in GNP (Gross National Product) of the country.

Increase in per capita income reflects hike in income of Households which in turn will consume more, thus leading to growth of retail sector. Household prefer to shop from big giants as compare to their Kirana Store.

2. Demographical Changes –

India is having huge young age working population which is generating huge income and high savings. For any developing country young age group, income, savings are key factors for its growth. Presence of these key factors has helped in attracting big retail giants to India.

3. High Standard of Living –

Standard of living in India has improved. Earlier Shopping in India always had an emotional tag attached to it, along with that people use to have myth that shopping from shopping complexes or Malls is costlier and it suits only to rich class. But now things have changed people have changed their misconception and have adopted Mall culture. This shows that standard of living has increased.

4. Change in Consumption Pattern –

Consumption patterns among various classes have changed over the years. Earlier customers were brand loyal due to which they were allowing new brands to enter the market. But now customers are showing good response to new product entering the market because they have realized that they are paying for quality. This drastic change in customer's perception has opened ways for many new entrants.

5. Availability of Low – Cost Consumer Credit –

It is rightly said that sales generated on credit are more as compare to cash sales. With the change in credit policies, many new customers have entered the market. Purchasing on credit basis with good credit worthiness gives both seller and buyer flexibility to transact. Earlier due to lack of cash many buyers use to postpone their purchases, but now with modernization they are carrying it on credit basis as it is cheaper to repay.

6. Improvements in Infrastructure –

With many infrastructural changes taking place right from metro rails to road connectivity in the country, retail is also expanding its wings. With huge infrastructure spending which has entered the country in form of FDI (Foreign Direct Investment), more retail giants have proposed to enter Indian Market.

7. Corporate Sector Entry –

Large business tycoon such as Tata's, Birla's, & Reliance etc., have entered the retail sector. They are in a position to provide quality products and entertainment.

8. Entry to various sources of Financing –

An economy gets finance from two routes either in form of FDI or as FII (Foreign Institutional Investment). Now both the ways are opened up for retail sector. Now both the ways are opened up for retail sector. Previously so as to protect small kirana stores route for FDI in retail was difficult but later on when it was found that retailing is generating employment of around 8% in economy FDI route was also simplified.

<u>Present Indian Retail Scenario - :</u>

01. Rapid Growth –

The retail movement in India has acquired the critical mass that is required for rapid acceleration in terms of industry growth as well as geographical spread. The Indian retail industry can no longer be called nascent. The spread of super stores to the northern cities such as Delhi, Chandigarh, Jaipur and Kolkata is evidence of the fact that organized retailing in India has emerged from its southern bastion.

The retailing boom is being driven by increased expectations as well as changing shopping behavior of the urban Indian consumer. With the increasing number of nuclear families, working women, greater work pressure and increased commuting time, consumers are looking for convenience.

02. Emergence of Region – Specific Formats –

For the first time in 10 years, the industry is witnessing the development of region – specific formats. With organized retail penetrating in B class towns, retailers have started differentiating in the sizes and formats of stores.

For example, in departmental store format, while most **A class cities** and metros have larger stores of 50,000 plus sq. ft. sizes, stores in **B class town** have stabilized in the 25,000 – 35,000 sq. ft. range. Most players have started operating these two formats across various cities, which has helped them to standardize the merchandise offering across the chain.

03. Emergence of Discount Formats –

Larger discount formats, popularly known as hypermarkets, are now emerging as major competitors to both unorganized and organized retailers. Penetration of organized retail into the lower strata of income groups and consumer demand for increased value–for–money has improved the prospects of these formats. These formats span across the entire range of merchandise categories for example – Big Bazaar.

04. Unorganized Retail –

Indian retail is dominated by a larger number of small retailers consisting of the local kirana shops, owner – manned general stores, chemists, footwear shops, apparel shops, paan and beedi shops, hand – cart hawkers, pavement vendors, etc., which together make up the so called unorganized retail or traditional retail. The last 4 – 5 years have witnessed the entry of a number of organized retailers opening stores in various modern formats in metros and other important cities. Still, the overall share of organized retailing in total retail business has remained low.

The major factors responsible for the growth of organized retailing in India are as follows –

1. Enhanced Working Women –

Today the urban women are literate and qualified. They have to maintain a balance between home and work. The purchasing habit of the working women is different from the home maker. They do not have sufficient time for leisure and they expect everything under one roof. They prefer one – stop shopping. Modern retail outlets therefore offer one store retailing.

2. Value for Money –

Organized retail deals in high volume and are able to enjoy economies of large scale production and distribution. They eliminate intermediaries in distribution channel. Organised retailers offer quality products at reasonable prices. Example : big bazaar and Subhiksha. Opportunity for profit attracts more and more new business groups for entering into this sector.

3. Rural Market –

Today the rural market in India is facing stiff competition in retail sector also. The rural market in India is fast emerging as the rural consumers are becoming quality conscious. Huge potential in rural retailing organized retailers are developing new products and strategies to satisfy and serve rural customers. In India, Retail industry is proving the country's largest source of employment after agriculture, which has the deepest penetration into rural India.

4. Enhanced Middle Class Consumers –

In India the number of middle class consumer is growing rapidly. With rising consumer demand and greater disposable income has given opportunity of retail industry to grow and prosper. They expect quality products at decent prices. Modern retailers offer a wide range of products and value added services to the customers.

5. Growth of Consumerism –

With the emergence of consumerism, the retailer faces a more knowledgeable and demanding consumer. As the business exist to satisfy consumer needs, the growing consumer expectation has forced the retail organizations to change their format of retail trade.

6. Technological Impact –

Technology is one of the dynamic factors responsible for the growth of organized retailing. Introduction of computerization, electronic media and marketing information system have changed the face of retailing. Organized retailing in India has a huge scope because of the vast market and the growing consciousness of the consumer about product quality and services.

One of the major technological innovations in organized retailing has been the introduction of Bar Codes. With the increasing use of technology and innovation retailers are selling their products online with the help of Internet.

7. Enhanced Income –

Increase in the literacy level has resulted into growth of income among the population. Such growth has taken place not only in the cities but also in towns and remote areas. As a result the increase in income has led to increase in demand for better quality consumer goods. Rising income levels and education have contributed to the evolution of new retail structure.

Today people are willing to try new things and look different, which has increased spending habits among consumer.

8. Media Explosion –

There has been an explosion in media due to satellite television and internet. Indian consumers are exposed to the lifestyle of countries. Their expectations for quality products have risen and they are demanding more choice and money value services and conveniences.

Current Indian Retail Statistics

- Retailing in India is one of the pillars of its economy and accounts for about 10 percent of its GDP.
- The Indian retail market is estimated to be US$ 600 billion and one of the top five retail markets in the world by economic value. India is one of the fastest growing retail markets in the world, with 1.2 billion people.
- India's retailing industry was essentially owner manned small shops.
- In 2010, larger format convenience stores and supermarkets accounted for about 4 percent of the industry, and these were present only in large urban centers.
- India's retail and logistics industry employs about 40 million Indians (3.3% of Indian population).
- India has highest number of outlets per person (7 per thousand) which is mostly unorganized.

- India has topped the A.T. Kearney's annual Global Retail Development Index (GRDI) for the third consecutive year, maintaining its position as the most attractive market for retail investment.
- On 7 December 2012, the Federal Until 2011, Indian central government denied foreign direct investment (FDI) in multi-brand retail, forbidding foreign groups from any ownership in supermarkets, convenience stores or any retail outlets. Even single-brand retail was limited to 51% ownership and a bureaucratic process.
- In January 2012, India approved reforms for single-brand stores welcoming anyone in the world to innovate in Indian retail market with 100% ownership, but imposed the requirement that the single brand retailer source 30 percent of its goods from India.
- Government of India allowed 51% FDI in multi-brand retail in India. All multi-brand and single brand stores in India must confine their operations to 53-odd cities with a population over one million, out of some 7935 towns and cities in India. It is expected that these stores will now have full access to over 200 million urban consumers in India.

MODULE – 2

CONSUMER BEHAVIOUR IN RETAIL BUSINESS

Introduction to Consumer Behaviour :

Customers are the most important people for any organization. The success of any organization is dependent on its satisfied customers. Consumers can be made happy only if their needs are met. Therefore, one of the primary goals of any marketing strategy should be to identify and meet the needs of the consumers. When consumers disappear, the organization should also disappear from the market. Hence, every organization should treat consumer with respect and dignity. In this direction, the organizations should treat customer service as an investment and not a cost.

The expectations of modern consumers are changing dramatically. Consumers are becoming more informed. Social networks and information technology have made them acquire information more quickly than before. They can get the feedback of various products through social networks. Consumers do not buy products or services, they buy benefits. It means, consumers purchase products to solve problems or to increase the opportunities.

Modern consumers demand total benefits from a product. Total benefit includes tangible as well as intangible benefits. Tangible benefits are measurable whereas intangible benefits are associated with feelings that a consumer experiences when owning and using product or a service. For example, a watch keeps accurate time (tangible) its brand name speaks about the reputation of the manufacturer (intangible).

Therefore, every marketer is competing to serve customers in a better way to establish long – term relationship with them.

Meaning of Consumer Behaviour – :

The consumer behaviour is a decision – making process. It includes the behaviour that the consumers display in searching, collecting the information, evaluating, purchasing, using, post purchase evaluation and disposing of products and services. They put their efforts in order to satisfy their needs, wants and desire.

In focuses on how individuals make decisions to spend their available resources (time, money, effort) on consumption – related items that includes what they buy, why they buy, when they buy it, where they buy it, how often they buy it, how often they use it, how they evaluate it after the purchase, and the impact of such evaluations on future purchases, and how do they dispose it.

Definitions of Consumer Behaviour – :

According to **Kotler –**

“Consumer behaviour is the study of how people buy, what they buy, when they buy and why they buy.”

According to **Solomon –**

Consumer behaviour is the study “of the processes involved when individuals or groups select, purchase, use, or dispose of products, services, ideas, or experiences to satisfy needs and desires.”

According to **Schiffman –**

“The behaviour that consumers display in searching for, purchasing, using, evaluating, and disposing of products and services that they expect will satisfy their needs.”

According to **Engel –**

Consumer behaviour involves “Those acts of individuals directly involved in obtaining, using, and disposing of economic goods and services, including the decision processes that precede and determine these acts.”

<u>Black Box model</u>

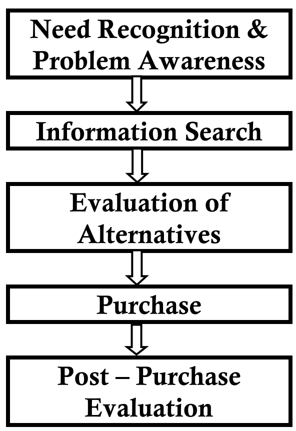
ENVIRONMENTAL FACTORS		BUYER'S BLACK BOX		BUYER'S RESPONSE
Marketing Stimuli	Environmental Stimuli	Buyer Characteristics	Decision Process	
Product Price Place Promotion	Economic Technological Political Cultural Demographic Natural	Attitudes Motivation Perceptions Personality Lifestyle Knowledge	Problem recognition Information search Alternative evaluation Purchase decision Post-purchase behaviour	Product choice Brand choice Dealer choice Purchase timing Purchase amount

<u>Buying Decision Process - :</u>

Meaning –

The decision making process undertaken by consumers in regard to a potential market transaction before, during and after the purchase of a product or service is called buyer decision processes.

<u>Stages of Buying Decision Process –</u>



Step – 01 : Problem Recognition

It is also called need recognition. It is the first and most important step in the buying process. If there is no need, there is no purchase. It happens when there is a lag between the consumer's actual situation and the ideal and desired one. However, not all the needs end up buying behaviour. The recognition of a need by a consumer can be caused in different ways. It includes :

- **Internal Stimuli –** It is physiological need felt by the individual. For example : Hunger or thirst. It opposes the external stimuli such as exposure to an advertisement.

- **Functional Need :** The need is related to a feature or specific functions of the product or happens to be the answer to a functional problem. For example : computer with a more powerful video card to be able to play the latest video games.

- **Social Need :** The need comes from a desire for integration and belongingness in the social environment or for social recognition. For example : buying a new fashionable bag to look good at school.

- **Need for Change :** The need has its origin in desire from the consumer to change. This may result in the purchase of new or new furniture to change the decoration of your apartment.

Step – 02 : Information Search –

The next step is information search. Once the need is identified the consumers seek information about possible solutions to the problem. They will search more or less information depending on a complexity of the choices to be made but also level of involvement. For example : buying pencil requires little information. Buying a car requires more information search. Then the consumers will seek to make his opinion to guide their choice and decision – making process with :

- **Internal Information :** It is the information already present in the consumer's memory. It comes from previous experiences they had with a product or brand. Internal information is sufficient for the purchasing of everyday products that the consumer knows.

- **External Information :** It is the information on a product or brand received from and obtained by friends or family, by reviews from other consumers, from the press, official business sources such as an advertising or a seller's speech.

Step – 03 : Evaluation of Alternative –

The third stage of the decision making process, is the evaluation of expected outcome. The consumers will evaluate on the basis of the most suitable to their needs. They choose the one they think is best for them. In order to do so, they will evaluate their attributes on two aspects.

- **Objective Characteristics :** It includes features and functionality of the product.
- **Subjective Characteristics :** It includes perception and perceived value of the brand by the consumer or its reputation.

This stage of the decision making process is critical, because many consumers are not able to make a rational decision by weighing alternatives. Consumers evaluate alternatives based on price, design, quality, features, performance, popularity etc.

Step – 04 : Purchase Decision –

The next step in the decision making process is to purchase the product. The consumer has decided which product to buy, or not to buy anything at all. If he decides to make a purchase, he makes all necessary arrangements to acquire the product. He chooses the brand shop and time of purchase.

For example : A consumer committed to the idea of buying a washing machine of a well known brand could change his decision if he has an unpleasant experience with sellers in the store.

Step – 05 : Post Purchase Behaviour –

The next step in the process is an evaluation of the product after the purchase. Now that the consumer has made the purchase. He expects certain outcomes from his decision. The level of satisfaction that the consumer will experience will depend largely on how many of his expectations were met. Based on the level of satisfaction or dissatisfaction, he will decide whether or not to buy the same product next time. Greater amount of satisfaction brings repeated purchase, and dissatisfaction may lead to brand switching.

Implication of Consumer Buying Process on Retailing

The retailer must focus on the customer's buying experience. To manage a customer's experience, retailers should understand what "customer experience" actually means. Customer Experience Management is a strategy that focuses the operations and processes of a business around he needs of the individual customer. It represents a strategy that results in a win – win value exchange between the retailer and its customers. The goal of customer experience management is to move customers from satisfied to loyal and then from loyal to advocate. This paper focuses on the role of macro factors in the retail environment and how they can shape customer experience and behaviors.

The major factors influencing consumer buying decision process are as follows :

01. Brand Experience –

The customer comes to a retailing environment with perceptions about two types of brands : the retail brand and the manufacturer or service brand that is sold in the retail stores. Here, the discussion is about the retail brand customer experience, although the ideas put forth below could be investigated in relation to the manufacturer or service brand as well. The customer brand perceptions of the retailer, when primed prior to shopping experience, might significantly influence the customer's experience. It is also important to consider the reinforcing effects of the customer's experience and the brand over time.

02. Price Experience –

A lot rides on how a retailer sets its prices. The three other P's create value for the seller the fourth P of price captures value. In addition, this is the only P that earns revenue for the retailer. When retailers price a product or service too high, consumers view it as a poor value and will not buy. A price set too low may signal low quality, poor performance or other negative attributes about the product or service.

The consumer's store price image likely results from a greater the number of low priced products at a store, the lower price image among knowledgeable consumers. Research suggests that retailers therefore should carry some high – priced merchandise to extract rents from loyal customers and some low – priced merchandise to attract new ones, but more work is need in this area.

03. Promotion Experience –

Consumer promotions also take several forms, including price promotions, loss leaders, and in –store displays. Meta analyses show that the immediate increase in sales of a promoted item is substantial. The accounting records pertaining to trade promotions remain inadequate for deriving a definite answer.

04. Supply Chain Management Experience –

Most of the researchers' centers on what happen at the front – end of the retail store, supply chain management occurs at the back end. For decades, retail supply chain and logistics issues seemed somehow less important than other activities such as promotion, pricing or customer service. But this erroneous perception no long exists. Supply chain issues, from both the more managerial partnering side and technical operations side, have proven important sources of competitive advantage for any retailers.

05. Location Experience –

Retailing academics and practitioners seem always to emphasize "location, location, location" as the key to success. An important research advance considers the role of travel time on consumers' choice of retail formats and the related retailing implications because consumers value their time. The location decision likely has major ramification for price, promotion and merchandising decisions.

06. Advertising Experience –

During the growth process, marketers recognized that the internet was a medium for reaching millions of potential customers. Since then, marketers have adapted value based advertising strategies to the internet. Traditional consumers behaviour literature would suggests that intense product information is vital for high involvement product web sites, while entertainment content may be fit for low involvement product sites. There are various types of online advertising, including "emails, newsletters, screensavers, e-sponsoring, asynchronous and synchronous chat groups, infomercials, online games and web sites."

07. Packaging and Labeling Experience –

Packaging plays a major role when products are purchased. As a fifth 'P' of marketing, packaging refers to the activities of designing and producing the container or wrapper for a product. It may be primary, secondary and shipping to perform the objectives as containment, protection, identification, communication, promotion and product differentiation.

Good packaging also provides information based on truth, it must be economical, attractive, convenient, protective and transparent. Packaging is integral to boosting perceptions of safety and will therefore be an important part of more concerted efforts to regain consumer trust going forward.

08. Service Mix Experience –

Customer service is the ability of an organization to constantly and consistently give the customer what they want and need. Customer satisfaction is a key consequence of service quality and can determine the long – term success of a service organization. When translated to services, a distinction between service quality and customer satisfaction needs to be made.

Furthermore, one must differentiate between service expectations and service perceptions. While service expectations are a combination of customer's predictions about what is likely to happen during a service transaction as well as the wants and desires of that customer, service perceptions can be defined as a customer's global judgments or attitudes, which relate to the superiority of a service.

In general, customer satisfaction is affected by customer expectation or anticipation prior to receiving a service and can be approximated by the following equation.

Customer Satisfaction = Perception of Performance – Expectations

09. Atmosphere Experience –

Consumer spending behaviour can be significantly influenced by the store atmosphere and the customer mood. Customers require a store layout that maximizes the number of products seen within the context of a customers' need for the product. Customers who experience a form of personal control, whether in orienting themselves to the store section they need to go to or in finding the products they want, generally feel good about the store. Good feelings lead to more purchases, especially if products are presented within a display that shows the potential usefulness of the product for them.

Influence of Group and Individual Factors on Customer are - :

I. **Cultural Factors**
II. **Psychological Factors**
III. **Social Factors**
IV. **Situational Factors**
V. **Personal Factors**

I. Cultural Factors –

Cultural factors comprise of set of values and ideologies of a particular community or group of individuals. It is the culture of an individual which decides the way he / she behaves. Culture factors have a significant effect on an individual's buying decision. Every individual has different sets of habits, beliefs and principles which he / she develop from his family status and background. What they see from their childhood becomes their culture.

II. Psychological Factors –

Although marketers can influence purchase decisions, a host of psychological factors affect the way people receive marketer's message. Among them are attitudes, perception, learning and lifestyle.

1. **Attitude :** An attitudes is a person's enduring evaluation of his or her feelings about and behavioral tendencies toward an object or idea. Attitudes are learned and long lasting, and they might develop over a long period of time, though they can also abruptly change. For instance, we like this class, but we don't like the instructor. We like where we live, but we don't like the weather.
2. **Perception :** Perception is the process by which we select, organize, and interpret information to form a meaningful picture of the world. Perception in marketing influences our acquisition and consumption of goods and services through our tendency to assign meaning to such things as color, symbols, taste and packaging.
3. **Learning :** Learning refers to a change in a person's thought process or behaviour that arises from experience and takes place throughout the consumer decision process.
4. **Lifestyle :** Lifestyle refers to the way consumers spend their time and money to live. For many consumers, the question of whether the product or service fits with their actual lifestyle, which may be fairly sedentary or their perceived lifestyle, which might be outdoorsy, is an important one.

III. Social Factors –

The consumer decision process is influenced from within by psychological factors, but also by the external, social environment, which consists of the customer's family, reference groups and culture.

1. **Family :** Many purchase decisions are made about products or services that the entire family will consume or use. When families make purchase decisions, they often consider the needs of all the family members. In choosing a restaurant, for example, all the family members may participate in the decision making.

2. **Reference Groups :** A reference group is one or more persons whom an individual uses as a basis for comparison regarding beliefs, feelings, and behaviors. A consumer might have various reference groups, including family, friends, co-workers or famous people the consumer would like to emulate. Reference groups provide information to consumer's directly through conversation or indirectly through observation. These reference groups affect buying decisions by

   a. Offering information.
   b. Providing rewards for specific purchasing behaviors.
   c. Enhancing a consumer's self-image.

IV. Situational Factors –

Psychological and social factors typically influence the consumer decision process the same way each time. For example, your motivation to quench your thirst usually drives you to drink a Coke or a Pepsi and your reference group at the workplace coerce you to wear appropriate attire. But sometimes, situational factors or factors specific to the situation, override, or at least influence, psychological and social issues. These situational factors are :

1. **Purchase Situation :** Customers may be predisposed to purchase certain products or services because of some underlying psychological trait or social factor, but these factors may change in certain purchase situations.

2. **Shopping Situation :** Consumers might be ready to purchase a product or service but be completely derailed once they arrive in the store. Marketers use several techniques to influence consumers at this choice stage of the decision process.

3. **Store Atmosphere :** Some retailers and service providers have developed unique images that are based at least in part on their internal environment, also known as their atmospherics. Research has show that, if used in concert with other aspects of a retailer's strategy, music, scent, lighting and even color can positively influence the decision process.

4. **Sales People :** Well – trained sales personnel can influence the sale at the point of purchase by education consumers about product attributes, pointing out the advantages of one item over another and encouraging multiple purchases.

5. **Crowding :** Customers can feel crowded because there are too many people, too much merchandise, or lines that are too long. If there are too many people become distracted and may even leave. Others have difficulty purchasing if the merchandise is packed too closely together.

6. **Promotion :** Retailers employ various promotional vehicles to influence customers once they have arrived in the store. An unadvertised promotion can alter a person's preconceived buying plan.

7. **Packaging :** It is difficult to make a product stand out in the crowd when it competes for shelf space with several other brands. This problem is particularly difficult for consumer packaged goods, such as groceries and health and beauty products. Marketers therefore spend millions of dollars designing and updating their packages to be more appealing and eye catching.

V. **Personal Factors –** Decisions and buying behaviour are obviously also influenced by the characteristics of each consumer.

1. **Age :** A consumer does not buy the same products or services at 20 or 70 years. His lifestyle, values, environment, activities, hobbies and consumer habits evolve throughout his life. For example : during his life, a consumer could change his diet from unhealthy products (fast food, ready meals etc.) to a healthier diet, during mid-life with family before needing to follow a little later a low cholesterol diet to avoid health problems.

2. **Purchasing Power :** The purchasing power of an individual will have, of course, a decisive influence on his behaviour and purchasing decisions based on his income and his capital. This obviously affects what he can afford, his perspective on money and the level of importance of price in his purchasing decisions.

3. **Lifestyle :** The lifestyle of an individual includes all of its activities, interests, values and opinions. The lifestyle of a consumer will influence on his behaviour and purchasing decisions. For example, a consumer who does jogging regularly will buy shoes, clothes and specific products etc.

4. **Personality and Self – Concept :** Personality is the set of traits and specific characteristics of each individual. It is the product of the interaction of psychological and physiological characteristics of the individual and results in constant behaviors. It materializes into some traits such as confidence, sociability, autonomy, charisma, ambition, shyness, curiosity, adaptability etc.

Customer Shopping Behaviour - :

Store attributes are important to consumers when they make the decision where to shop. Store attributes are presented by retailers according to their specific functional strategies. Store attributes must be offered that are desired by the targeted consumer. The challenge to retailers is to determine which store attributes are relatively more important to the targeted consumer. Providing appropriate store attributes is not enough to satisfy consumers and guarantee store loyalty.

Maintaining the quality of these attributes is the hardest task and critical to survival in the competitive nature of fashion retailing. The present study is identifying the store attributes which influence the customers for shopping behaviour. The retail segments selected for this study were food and grocery, apparels, jewelry and consumer durables and home appliances.

Types of Shoppers -:

01. **The Mall Linger –**

These shoppers take their time going through a store before purchasing goods. Some of the studies conducted in America have shown that shoppers who spend 30 to 60 minutes in a mall spend an average of $72.70. If they linger three or more hours, the figure jumps to $200.40. There floor plans are designed to keep customers in the shop for hours, so that he will buy more.

02. Guerrilla Shopper –

It is the opposite of the mall lingerer. These shoppers' waits until the last minute, especially around the holiday season and then runs around desperately, trying to get all the shopping done in one shot.

03. The Touchy – Feely Shopper –

He is a type of shoppers who would like to touch, pick and feel the product before he buys it. Research shows that if a customer touches or picks up merchandise he is more likely to buy it.

04. The Sales Junkie –

These shoppers are subjected to a spillover effect. If they see one bargain, they think everything in the store is a bargain, making them appropriate to spend more money.

05. The Social Shopper –

This type of shopper enjoys shopping with friends and almost never shops alone, they tend to make a lot of impulsive purchases.

Factors Influence of Customer Shopping Behaviour - :

01. Retailer Product Mix Design -

Many retailers are looking for ways to "fine-tune" their product mix while maintaining variety and differentiation. Understanding which types of products have a higher likelihood of being bought on impulse can aid retailers in making strategic decisions about which products to add to or remove from store shelves in order to increase sales.

02. Retailer Promotion Design –

Retailers must decide whether and what type of promotions to run. Are consumers more likely to spontaneously add a product to their carts if the price has been cut or if the product is on special display? Our study provides information on the responsiveness of consumers to specific types of retail promotions within an impulse buying context.

03. Overall Retail Performance –

Consumers make in-store purchase decisions in a complex environment where a multiplicity of interrelated elements may impel in impulse. Our findings inform retailers as to the relative contribution of product – related factors versus of the store related factors to an impulse purchase decision, providing them with a better understanding.

04. Manufacturer Product Development –

Retail space is limited and manufacturers introduce hundreds of new products each year. A growing number of retailers are taking steps to better optimize their product portfolios by weed out redundant or laggard SKUs (Stock-keeping units).

05. Understanding Consumer Buying Behaviour –

Both practitioners and academics are interested in learning more about impulsive buying behaviour. While the literature is rich with studies examining individual factors that lead to impulsive buying behaviour, few studies attempt a comprehensive approach to understanding the concurrent influences on a consumer's impulse buying decision as it occurs during a shopping experience.

06. Impulse Buying Behaviour –

Impulsive purchase decision as a purchase decision made in the store for which there is no prior recognition of need. Impulse purchases occur when a consumer sees a product in the store and due to a strong urge to possess the item purchases it with little or no deliberation. This type of buying behaviour consists of "relatively rapid decision – making and a subjective bias in favor of immediate possession". It occurs without a lot of reflection.

<u>Customer Service and Customer Satisfaction - :</u>

Customer Service –

Customer service is a key competitive differentiator and should be seen as a long-term commitment and will not succeed if it is viewed only as a short term tactic. Ownership of the customer service offer and the need for continuous improvement has to be driven from the top of the organization whether the owner – manager or the board.

Customer knowledge has to be updated constantly as their view and behaviors change and that knowledge should be used to drive retail customer service levels.

Determinants of Successful Customer Service : –

01. Define Service –

After you have determined that there are solid reasons to be in field, the next step is to define the elements of great service. This requires responses to the questions :

- What do your customers think is great service?
- What do your customers want?
- What creates loyalty?

02. Recognize Customers Want –

Pleasing customers, in whatever terminology you choose to use, has been and continuous to be the overall goal of great service. Delight is achieved when :

- Customers receive service beyond their normal expectations.
- Customers are "surprised" with pleasurable experience leading to positive word of mouth.

03. Create Customer Loyalty –

Actions that produce customer loyalty are :

- Proactively providing information.
- Notifying the customer of new opportunities.
- Avoiding unpleasant surprises.
- Providing consistently good service.
- Creating person relationships.

04. Staples –

Staples are focal points for service. While they may be simple and often overlooked, applying these staples regularly and consistently will make the difference between mediocre and excellent service. It includes :

- Be friendly.
- Establish rapport.
- Listen to what a customer wants to tell you.
- Be especially kind when someone has experienced a loss.
- Provide information.
- Continually provide good service even in the tough times.
- Ignore customer mistakes.
- Bend the rules if you can.
- Tell the customer about a sale coming up or a new product or service.

05. Demonstrate Personal Effectiveness –

Personal effectiveness creates a foundation for building customer loyalty. The forum corporation, another top-notch research firm, identifies the following areas for personal effectiveness :

- Effective communication,
- Service attitude.
- Problem solving.
- Continuous learning.
- Integrity

06. Understand Customer Expectations – *It includes,*

- Reliability : It means delivering what is promised.
- Responsiveness : Doing it promptly.
- Assurance : Knowing how to do it.
- Empathy : Doing it with respect and understanding.

- Tangibles : Ensuring that buildings, surroundings and materials are attractive.

07. Good First Impression –

The retailers must ensure that every frontline associates is capable of making a good first impression. First opinions are formed within the first 10 seconds. You never have a second opportunity to make a warm and welcoming first impression.

08. Appreciate Customers –

Show appreciation to customers. Thanking customers in a meaningful and thoughtful manner on every encounter. Make customers feel important and appreciated.

09. Create a Working Culture –

Create a working culture whereby your associates are treated as family and neighbors and they will, in turn, treat your customers the same way. Customers notice and appreciate when a company appreciates their associates.

10. Respond to Customers –

Answer questions from customers by direct inquiry and providing them with additional useful information. Customers often enjoy learning more about a potential purchase than what's written on a tag or in a brochure.

11. Help Customers –

Understand that the underlying ingredient of customer service is helping people. Make sure that every frontline associate has a history of helping people. It will almost guarantee a great customer service experience.

12. Leverage the Return Counter –

Leverage the return counter in a retail store environment to make customers feel comfortable about returning an item and offering special attention to help them find what they need. Customers don't like making returns. Make the return process an enjoyable and non – defensive process. Customers will really appreciate it.

Customer Satisfaction : -

Customer satisfaction is a marketing term that measures how products or services supplied by a company meet or exceeds a customer's expectation.

According to **Philip Kotler –** **"**If the product matches expectations, the consumer is satisfied; if it exceeds them, the consumer is highly satisfied, if it falls short, the consumer is dissatisfied**".** Therefore, satisfaction is measured based on two key variables viz., (i) Customer expectation & (ii) Product performance.

Customer satisfaction, or dissatisfaction, is the feeling a customer has about the extent to which their experiences with the product have met their needs. It is anticipated that higher satisfaction levels increase customer loyalty, reduce price elasticity, protect existing market share from competitors, lower transaction costs, reduce failure costs and the costs of attracting new customers and improve the firm's reputation.

Ways of Customer Satisfaction in Retail - :

As Mahatma Gandhi said, customers are the reason for every business. Without them, there is no meaning in continuing the business and customer satisfaction is what keeps them coming back. It takes a tremendous effort to gain a new customer and only seconds to lose one.

01. Segmentation –

Divide the market into suitable segments on which organization will focus. It is necessary to develop different strategy for each market segment. Company should use different marketing approach, advertising and promotions for each customer segment.

02. Treat every customer as a valuable asset –

Every customer is important for the company. Whether a customer buys goods worth Rs. 100 or Rs. 10,000, he is still a customer to the organization. Never the less, company should provide benefits, bonuses and extra service for the most valuable customers.

03. Locate distribution centre's near customers –

Company should ensure that the distribution centre's are easily approachable by good number of customers. Location should have facilities like parking for vehicles, nearness to public transport facility etc.

04. Enhance Customer Satisfaction –

Product quality alone will not help an organization to satisfy its customers. Companies should also pay attention to service quality also. This helps customer in enjoying total purchase experience.

05. Product Design –

Companies should design the product with multiple functions. Provide user related information like user guide, warranty, complaint card, satisfaction feedback, etc.

06. Constant Market Research –

Company should conduct preliminary market research, before the product or service is designed. This will help company to understand exact customer requirement.

07. Build entry barriers –

Company should build entrance barriers for competitors by enhancement of product or service advantages. In this direction, company should be watching the market continuously to know the changing need of the customer.

08. Avoid unnecessary promises –

Companies should not overstate the performance of the product. This creates dissatisfaction in the minds of customers.

09. Apply integrated approach –

Company should be aware that satisfaction of customer wants, needs and expectations is a never ending challenge. They should strive to establish long – term business alliances with customers. Company should create organization trademark and preserve brand image.

10. Encourage Customer Feedback –

Company should encourage customers to offer feedback about the product and service quality. Each feedback should be viewed as an opportunity for improvement.

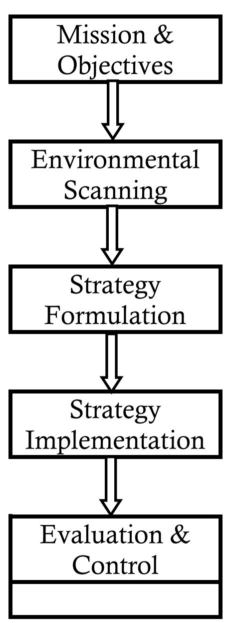
11. Customer Relationship Management –

Companies should treat each customer as a valuable asset. Companies should maintain constant touch with these customers. Companies should develop a habit of sending communication frequently to these customers, so that customers will remember the company.

<u>Retail Planning Process - :</u>

In today's highly competitive business environment, budget – oriented planning or forecast – based planning methods are insufficient for a large corporation to survive and prosper. The firm must engage in strategic planning that clearly defined objectives and assesses both the internal and external situation to formulate strategy, implement the strategy, evaluate the progress, and make adjustment to necessary to stay on track.

A simplified view of the strategic planning process is show in the following diagram.



Step – 1 : Mission and Objectives –

The mission statement describes the company's business vision, including the unchanging values and purpose of the firm and forward–looking visionary goals that guide the pursuit of future opportunities.

Guided by the business vision, the firm's leaders can define measurable financial and strategic objectives. Financial objectives involve measures such as sales targets and earnings growth. Strategic objectives are related to the firm's business position, and may include measures such as market share and reputation. The vital questions to be answered in this stage are –

- What business are we in?
- What should be our business in the future?
- Who are our customers?
- What are our capabilities?
- What do we want to accomplish?

Step – 2 : Environmental Scanning – The environmental scan includes the following components :

- Internal analysis of the firm
- External macro – environment
- Analysis of the firm's industry

The Internal analysis can identify the firm's strengths and weaknesses and the external analysis reveals opportunities and threats. A profile of the strengths, weaknesses, opportunities, and threats is generated by means of a SWOT analysis.

An industry analysis can be performed using framework developed by Michel Porter known as Porter's five forces. This frame work evaluate –

i. Threat of Substitute Products –

Threat of substitute products means how easily the customers of the company can switch to its competitors product. Threat of Substitute is high when :

- Substitute product is offered by a company which earning high profits, so that it can reduce prices to the lowest level.
- There are many substitute products available.
- Quality of the competitors product is better.

ii. Threat of new entrants –

When new firms with better performance enter into industry, low performing companies leave the market easily. Threat of new entry depends upon entry and exit barriers. Threat of new entry is high when:

- Capital requirements to start the business are less.
- Few economies of scale in place

iii. Industry Rivalry –

Industry rivalry means the intensity of competition among the existing competitors in the market. Intensity of rivalry depends on the number of competitors and their capabilities. Industry rivalry is high when –

- There are number of small or equal competitors
- Industry is growing
- Fixed cost are high resulting huge production and reduction in prices.

These situations make the reasons for advertising wars, price wars, modifications, ultimately costs increase and it is difficult to compete.

iv. Bargaining power of suppliers –

Bargaining power of suppliers means how strong is the position of a seller. Bargaining power of the supplier is determined by the intensity of the power of the suppliers in increasing the price of products offered by them.

v. Bargaining Power of Buyers –

Bargaining power of buyers mean, how much control the buyers have to drive down the prices of the product offered by the firm. Buyers have more bargaining power when :

- Few buyers chasing too many goods.
- Buyer purchases in bulk quantities
- Shopping cost is low
- Buyers are price sensitive

Step – 3 : Strategy Formulation –

Given the information from the environmental scan, the firm should match its strengths to the opportunities that it has identified, while addressing its weaknesses and external threats.

To attain superior profitability, the firm seeks to develop a competitive advantage over its rivals. A competitive advantage can be based on cost of differentiation. Michael Porter identified generic strategies.

- A cost leadership strategy : is a strategy focused on producing the products at a lower – cost in the industry.
- A cost focus strategy : focuses on a narrow market segment and involves developing lower – cost products or services for that target segment.
- A differentiation strategy : is strategy that involves making the products or services different from, and more attractive than the competitors.
- A differentiations focus strategy : is a strategy of developing unique products or services for a smaller market segment.

Step – 4 : Strategy Implementation –

The selected strategy is implemented by means of programs, budgets, and procedures. Implementation involves organization of the firm's resources and motivation of the staff to achieve objectives.

Step – 5 : Evaluation and Control –

The implementation of the strategy must be monitored and adjustments made as need. Evaluation and control consists of the following steps :

- Define parameters to be measured
- Define target values for those parameters
- Perform measurements
- Compare measured results to the pre – defined standard
- Make necessary changes

Business Plan - :

Meaning -

Business plan is a written document that describes in detail how a new business is going to achieve its goals. A business plan will lay out a written plan from a marketing, financial and operational viewpoint.

Factors to Consider in Preparing a Business Plan

01. Sound Business Concept –

The common mistake made by entrepreneurs is not selecting the right business initially. The best way to learn about your prospective business is to work for someone else in that business before beginning your own. There can be a huge gap between your concept of a fine business and reality.

02. Market Understanding –

A good way to test understanding is to test market the product or service before start.

03. Industry Growth and Stability –

Ensure the industry growth and stability before starting any business.

04. Management Ability –

Look for people who have good ethical values, have complementary skills and smarter. Plan to hire people who have the required skills. Define your unique ability and seek out others who turn your weakness into strengths.

05. Financial Control Ability –

They need to learn accounting, computer softer and cash flow management techniques. They need to develop financial control ability.

06. Skills of Financial Management –

Build a qualified team to evaluate the best options for utilizing retained earnings.

07. Business Focus –

People who specialize in a product or service will do better than people who do not specialize. Focus your efforts on something that you can do so well that you will not be competing solely on the basis of price.

08. A Mind set to Anticipate Change –

Don't commit yourself too early. Your first plan should be written in pencil, not in ink. Keep a fluid mind set and be aggressive in making revisions as warranted by changing circumstances and expanding knowledge.

Implementation - :

Implementation is an essential part of the planning process. The best policies and plans do not produce results until they are translated into action. Many strategies fail to produce desired results because of the failure in proper implementation of the selected strategy. The management should have the **"will"** to adapt itself to changes.

All the designed policies and strategies should be effectively communicated in measurable terms. Mere designing a strategy is not enough. It is to be effectively communicated to the lower levels. Necessary resources, monetary and non – monetary, are to be provided to the concerned departments for implementation.

Steps in Implementation of a Strategy –

01. Resource Allocation –

After designing strategies to be adopted in plans and finalizing them, the top management should take necessary steps for implementing the designed strategy. All the designed policies and strategies should be effectively communicated in measurable terms. Mere designing a strategy is not enough. It is to be effectively communicated to the lower levels. Necessary resources, monetary and non – monetary, are to be provided to the concerned departments for implementation.

02. Fixing Key Tasks and Priorities –

The top management, when finalize the operational plan should incorporate in each operational plan the tasks to be performed by the manager and the work to be carried out according to priority.

03. Assigning the Tasks –

As per the operational plan, the tasks have to be assigned to concerned managers and their work force for successful implementation.

04. Authority Delegation –

For the smooth running of each strategic operational plan, the concerned managers and the key workforce like Foreman, marketing executive etc., have to be delegated with certain authority and power.

05. Formulating Methods –

Every operation should be cohesive and work flow from one operation to another should be smooth. There should not be zig–zag or back tracking. The task should be completed within the time period. The co – ordination takes place through the scientific operation methods to be formulated. Each operation should have uninterrupted system, methods and procedure.

06. Policies, Goals, MIS and Feedback –

After designing the methods and procedure for implementing the strategic plan, what task the concerned manager has to perform, what goal he has to achieve etc., have to be informed to him for successful implementation of the plan.

Each manager assigned with the task of implementing a strategic task should get relevant information to take decisions. "The better the information system, the better the resulting decision". This happens because the information system minimizes risk and uncertainty in decision making. Thus Management Information System {MIS}provides a base for decision – making.

MIS should be a two way system. This means that while top management provides information to the strategist, another system should provide feedback to the top management regarding operations.

07. Rewards and Incentives –

This is a motivational factor. To motivate the people at work, certain incentives and rewards are to be instituted. It should be a part of the strategic plan and should be awarded as and when particular task are fully performed. This reinforces the behaviour of workers to new systems.

08. Training the Trainers –

The work knowledge has to be updated and maintained through workshops, seminars, inbuilt continuing training programmes. This is another vital aspect to be looked after, while implementing the strategic plan. Thus, managerial talents are developed and managers are educated in values and styles of the organization.

09. Implementation –

Every operation will be monitored. Results are analyzed and compared with strategies formulated for the success of the operation. It is not sure that strategies and plans do match with the actual results. There will be little difference between the actual and planned programmes. This has to be closely observed and the deviations have to inform to the top management through a sound feedback system.

10. Restructuring the Strategy –

In this process action is taken for removing the defects in the strategy formulation noticed at the time of implementation, changing the workforce who implements the strategy, re-allocation of resources etc., are to be carefully done.

Risk Analysis - :

Meaning of Risk -

A risk is an uncertainty that is affiliated with a particular circumstance that could render a business inoperable or cause financial insecurities for the company.

It is the process of determining whether a particular uncertain circumstance has to the potential to threaten your business operations.

Meaning of Risk Analysis –

Risk analysis is the process of defining and analyzing the dangers to individuals, businesses and government agencies posed by potential natural and human – caused adverse events.

A risk analysis report can be either quantitative or qualitative. In quantitative risk analysis, an attempt is made to numerically determine the probabilities of various adverse events and the likely extent of the losses if a particular event takes place. Qualitative risk analysis, which is used more often, does not involve numerical probabilities or predictions of loss. There are four types of risks involved in strategy implementation. They are –

01. Strategy Risk –

Bad strategy is the first risk. Many companies will fail miserably because of their poorly developed strategy.

02. Governance Risk –

Weak Corporate Governance is the second risk. Weak Corporate Governance means that the organisation's system and processes for promoting its strategy, including the relationship between management and the board of directors, needs fine tuning for better implementation. Good corporate governance requires that the board play a central role in strategy.

03. Organisational Risk –

Misaligned organizational structure and / or organizational culture are the third risk. Organizational structure means how decision making authority is allocated through the company and how the firm's units relate to and work with each other. Lack of fit between organizational structure and strategy impede implementation.

04. People Risk –

Wrong people and resistance to change constitute two large pieces of the fourth risk. Wrong people mean that the company is selecting and keeping people who do not fit its strategy. If the company would like to compete on producing innovating products, company should hire people who embrace change and disruption.

Resistance to change is one of the biggest obstacles to successful implementation. Therefore, the company must clearly explain the 'why and what' behind a new strategy.

Module – 3

RETAIL OPERATIONS

Choice of Store location – Influencing Factors, Market area analysis
Introduction:

Store Location:-

Retail stores should be located where market opportunities are best. After a country, region city or trade area, and neighborhood have been identified as satisfactory, a specific site must be chosen that will best serve the desired target market. Site selection can be the difference between success and failure. A through study of customers and their shopping behavior should be made before a location is chosen. The finest store in the world will not live up to it potential if it is located where customers cannot or will not travel to shop. The primary role of the retail store or center is to attract the shopper to the location. Alternatively, retailers must take the store to where the people are, either at home or in crowds. Examples of taking the store to where the crowds are include airport location, theme parks and vending machines.

Every retail store strives for its competitive advantage. For some stores, it is price. For others, it is promotional expertise of the special services that are offered. Despite any differences among the various stores that may competing for the shopper's penny location offers a unique asset for all stores because once a site is selected, it cannot be occupied by another store. This advantage, however, points to the importance of **location analysis** and site selection. Once a facility is built, purchased, or leased, the ability to relocate may be restricted for a number of years. In short, location and site selection is one of the most important decisions made by a retail owner.

Factors affecting the establishment of a retail outlet

Proper establishment of shop is very important for success in retail trade. While deciding the location of a retail outlet the following factors should be taken into consideration:

1. Selection of the area:

Before commencing his business, a retailer should decide about the area which he would like to serve.

While deciding the area of operations, he should examine the population of the area, its nature (permanent or shifting), income level of the people, nearness to big markets, transport and communication facilities, etc. All these factors will reveal the demand potential of the area.

2. Choice of the site: Once the area is decided, a specific site is selected for location of the retail shop. A retailer may open his shop in special markets or in residential areas.

The shop should be near the consumers in a congested locality or at a place frequently visited by the consumers. The place of location should be easily accessible to consumers.

3. Scale of operation:

A retailer should decide the size of his business. Size will depend upon his financial and managerial resources, capacity to bear risks and demand potential of the area.

4. Amount of capital:

Then the retailer has to decide the amount and sources of capital. The amount of capital required depends on the size of business, terms of trade, availability of credit, cost of decoration of shop and display of goods. Adequate finance is necessary for success in any business.

5. Decoration of shop:

The layout and decoration of shop are decided so that customers find the place attractive and comfortable for shopping. The retailer should arrange and display the goods in an attractive manner to attract more and more customers.

6. Selection of goods:

The goods to be sold are selected on the basis of the nature, status and needs of the customers. Changes in incomes, habits and fashions of customers must be considered in the choice of goods.

7. Source of supply:

The wholesalers and manufacturers from whom goods are to be purchased must be selected carefully. Availability of supplies, reputation of the brand, price range, and distance from the shop, means of transport, etc. should be considered.

8. Sales policy:

The retailer should adopt a suitable sales policy to increase sales and profits. Sales policy and prices should be decided keeping in mind competition and customers.

MARKET AREA ANALYSIS

A key part of any business plan is the market analysis. This section needs to demonstrate both your expertise in your particular market and the attractiveness of the market from a financial standpoint.

This article first look at what we mean exactly by market analysis before looking at how to make a good one for your business plan.

What is a market analysis?

A market analysis is a quantitative and qualitative assessment of a market. It looks into the size of the market both in volume and in value, the various customer segments and buying patterns, the competition, and the economic environment in terms of barriers to entry and regulation.

How to do a market analysis?

The objectives of the market analysis section of a business plan are to show to investors that:

you know your market the market is large enough to build a sustainable business

In order to do that I recommend the following plan:
Demographics and Segmentation

Target Market

Market Need

Competition

Barriers to Entry

Regulation

The first step of the analysis consists in assessing the size of the market.

Demographics and Segmentation

When assessing the size of the market, your approach will depend on the type of business you are selling to investors. If your business plan is for a small shop or a restaurant then you need to take a local approach and try to assess the market around your shop. If you are writing a business plan for a restaurant chain then you need to assess the market a national level.

Depending on your market you might also want to slice it into different segments. This is especially relevant if you or your competitors focus only on certain segments.

Volume & Value

There are two factors you need to look at when assessing the size of a market: the number of potential customers and the value of the market. It is very important to look at both numbers separately, let's take an example to understand why.

Once you have estimated the market size you need to explain to your reader which segment(s) of the market you view as your target market.

Target Market

The target market is the type of customers you target within the market. For example if you are selling jewellery you can either be a generalist or decide to focus on the high end or the lower end of the market. This section is relevant when your market has clear segments with different drivers of demand. In my example of jewels, value for money would be one of the drivers of the lower end market whereas exclusivity and prestige would drive the high end.

Now it is time to focus on the more qualitative side of the market analysis by looking at what drives the demand.

Market Need

This section is very important as it is where you show your potential investor that you have an intimate knowledge of your market. You know why they buy!

Here you need to get into the details of the drivers of demand for your product or services. One way to look at what a driver is, is to look at takeaway coffee. One of the drivers for coffee is consistency. The coffee one buys in a chain is not necessarily better than the one from the independent coffee shop next door. But if you are not from the area then you don't know what the independent coffee shop's coffee is worth. Whereas you know that the coffee from the chain will taste just like in every other shop of this chain. Hence most people on the move buy coffee from chains rather than independent coffee shops.

From a tactical point of view, this section is also where you need to place your competitive edge without mentioning it explicitly. In the following sections of your business plan you are going to talk about your competition and their strengths, weaknesses and market positioning before reaching the Strategy section in which you'll explain your own market positioning. What you want to do is prepare the reader to embrace your positioning and invest in your company.

To do so you need to highlight in this section some of the drivers that your competition has not been focussing on. A quick example for an independent coffee shop surrounded by coffee chains would be to say that on top of consistency, which is relevant for people on the move, another driver for coffee shop demand is the place itself as what coffee shops sell before most is a place for people to meet. You would then present your competition. And in the Strategy section explain that you will focus on locals looking for a place to meet rather than takeaway coffee and that your differentiating factor will be the authenticity and atmosphere of your local shop.

Competition

The aim of this section is to give a fair view of who you are competing against. You need to explain your competitors' positioning and describe their strengths and weaknesses. You should write this part in parallel with the Competitive Edge part of the Strategy section.

The idea here is to analyse your competitors angle to the market in order to find a weakness that your company will be able to use in its own market positioning.

One way to carry the analysis is to benchmark your competitor against each of the key drivers of demand for your market (price, quality, add-on services, etc.) and present the results in a table.

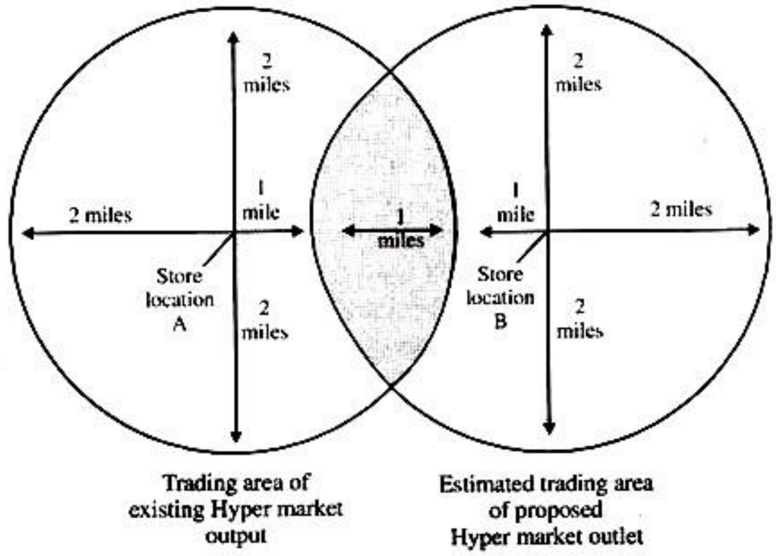
Trade Area Analysis

Essentially, trade area analysis is a methodology, process or technique that provides a basis for understanding, visualizing and quantifying the extent and characteristics of known or approximated trade areas.

A trading area is a contiguous area from which a retailer gets customers for the merchandise he is selling. A trade area may be a town, city, district, state, and country or even beyond the country’s boundaries. The trade area may be divided into few layers (zones) depending upon the size and operations of the store, its location, merchandise offered and services offered.

Since most of the retail sales especially in big cities take place at stores, the selection of the store location and analyzing trade area becomes essential.

Figure 4.3
Trade Area Analysis



Retailers emphasize on trade area analysis because of the following reasons:

(i) A detailed analysis of trade area provides the retailer a picture about demographic and socio- cultural aspects of consumers. For a new store, the analysis of trade area becomes necessary to understand the prevailing opportunities and threats (if any) that may be a success path for new entrant.

(ii) It helps in identifying the consumer demographics and socio-economic characteristics. (iii) It helps in assessing in advance the effects of trade area overlapping.

(iv) It helps in highlighting geographic weaknesses. For example, trading area analysis reveals that people from trans-river hesitate to come to city shopping areas due to pickpockets and thieves in evening. Further, comprehensive study reveals the fact that this is because of improper lighting arrangements and absence of police personnel. Therefore, shopping center could exert political pressure to make the area well lit and crossing safer.

(v) It provides opportunity to understand and review the media coverage patterns.

(vi) It helps in locating better site location by understanding the existing trade areas around the potential locations.

(vii) It helps in understanding customers profile in terms of gender, age, income level, consumption pattern, standard of living, local requirements etc.

Issues Covered Under Trade Area Analysis:

Trade area analysis is known as one of the most critical elements in retail strategic planning process.

Selecting store location is a long term and non-repetitive decision that involves following issues: (i) Mapping of existing customers with regard to the present stores.

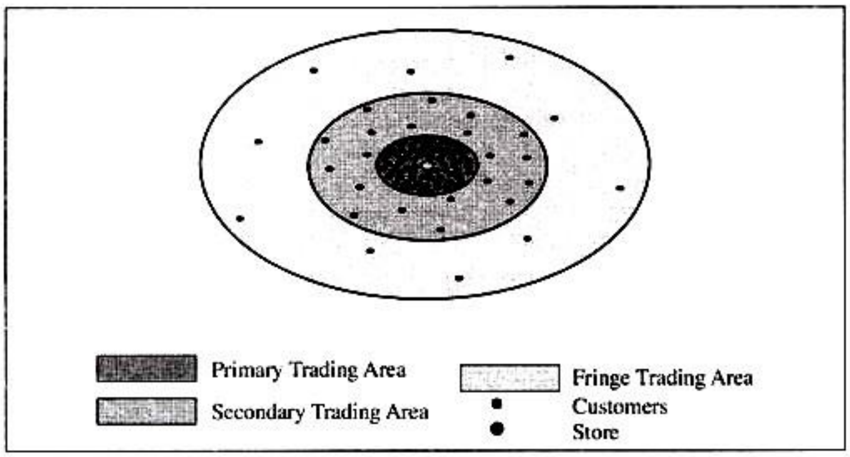
(ii) It covers calculating the estimate time taken by nearby customers to various existing stores. (iii) Determination of all possible variables that may have impact on your store and trading areas. (iv) To develop strategies to forecast trade areas around all possible available sites.

(v) To use the collected data to analyze market potential, developing customer service levels and ultimately making decisions about site location.

The Size and Shape of Trading Areas:

Generally, a trading area may be divided into primary, secondary and tertiary zones. The primary zone is the first layer of any trading area that provides 60-65% of its customers. It is close to the store and includes nearby colonies and residential areas. The secondary zone comes after primary zone but before the tertiary zone. It is the geographical area that contains around 20% of the total customers of the respective store in terms of customer sales and merchandise demanded.

Figure 4.4
The Layers of Trading Area



The tertiary zone commonly known as outermost circle contains the remaining 10- 15% customers, who occasionally visit the store and shop. These are the customers who travel a long way to reach the store because their nearby stores are not able to fulfill the local demand. Further, there are some forces of attraction that lure the customers from tertiary zone such as wide merchandise assortment, lower pricing policy, payment options and high-level customer service.

Whatever the continent, country may be, each trading area may be studied under three zones:

	AREA		CUSTOMERS' DENSITY
(i)	Primary trading area	:	50-80% of store's customers
(ii)	Secondary trading area	:	15-25% of store's customers
(iii)	Tertiary (Fringe) trading area	:	Remaining customers

Factors to be considered while analyzing trade area:

1. Total size and density (demand and supply) of the population.

2. Per capita disposable income.

3. Education level.

4. Family system (joint / nuclear).

5. Occupation (job / professional / own business).

6. Standard of living.

7. Age group distribution.

8. Number of residents owning homes.

9. Number of manufactures, suppliers, wholesalers available.

10. Size of competition.

Rating Plan Method

Location often plays a significant role in a company's profit and overall success. A location strategy is a plan for obtaining the optimal location for a company by identifying company needs and objectives, and searching for locations with offerings that are compatible with these needs and objectives.

A company's location strategy should conform with, and be part of, its overall corporate strategy.

Formulating a location strategy typically involves the following factors:

Facilities : facilities planning involves determining what kind of space a company will need given its short-term and long-term goals.

Feasibility : Feasibility analysis is an assessment of the different operating costs and others factors associated with different locations.

Logistics: Logistics evaluation is the appraisal of the transportation options and cost for the prospective manufacturing and warehouse facilities.

Labour: Labour analysis determines whether prospective locations can meet a company's labour needs given its short -term and long-term goals.

Community and site: Community and site evaluation involves examining whether a company and a prospective community and site will be compatible in the long -term.

Trade zones: Companies may want to consider the benefits offered by free-trade zones, which are closed facilities monitored by customer services where goods can be brought without the usual customer requirements. The united states has about 170 free-trade zones and others countries have them as well.

Political risk: Companies considering expanding into others countries must take political risk into considering when developing a location strategy .since some countries have unstable political environments, companies must be prepared for upheaval and turmoil if they plan long- term operations in such countries.

Governmental regulation : Companies also may face government barriers and heavy restrictions if they intend to expand into others countries .Therefore, companies must examine government – as well as cultural – obstacles in others countries when developing location strategies.

Environmental regulation : Companies should consider the various environmental regulations that might affect their operations in different locations. Environmental regulation also may have an impact on the relationship between a company and the community around a prospective location.

Incentives: Incentives negotiation is the process by which a company and a community negotiate property and any benefits the company will receive, such as tax breaks. Incentives may place a significant role in a company's selection of a site.

<u>Site evaluation</u>

Retail site selection is not simply a question of what real estate is available. It is an analytic challenge that requires an understanding of the customer and the market potential for retailer at a location. Choosing a location in retail is a strategic decision which is difficult to return. Enterprise have to be sensitive while choosing location, especially features like population, economic and competition difficulties must be considered.

While evaluation the site, following are the prime considerations

- Size and characteristics of population.
- Level of competition.
- Access to transportation.
- Availability of parking.
- Attributes of nearby stores.

- Property costs.
- Length of agreement (if lease).
- Population trends.
- Legal restrictions.

While evaluating a retail site, following factors should be considered:

- Accessibility.
- Locational advantages.
- Terms of occupancy.
- Legal considerations (e.g. environmental considerations, zoning restrictions, building codes, signs, licensing requirements).

Retail operations

The field of retail operations concerns the work that individuals do to keep a retail store functioning. This includes both retail salespeople and managers in all types of retail stores, including small stores with only a handful of workers and large chain stores with hundreds of employees. Retail operations include the following activities.

Store Layout, Design and Visual Merchandising :

Store layout and visual merchandising are factors that contribute to the uniqueness of a store. The exterior and interior of a store convey several messages about the store to the consumers. The building that houses retail store, (whether new or old) and the exterior design of the store are important aspects of the design of the store. Marquees, walkways, entrances, doors, display windows, the height and size of the building, colors and materials used, and theft prevention are some of the key factors to be kept in mind while developing a store's exterior.

Managing space is the first and foremost concern of almost every retailer, when it comes to designing the store's interior. Space is always an expensive and scarce resource. Retailers always try to maximize the return on sales per square foot. Planning a layout for the store's interior is the first step in designing the store's interior.

There are three kinds of layouts – Grid
Layout,

Race Track Layout

Freeform Layout.

Allocating space to various merchandise categories in a store is very important. Allocation of space can be based on many factors, like historical sales, gross margins, industry averages and strategic objectives. Apart from allocating space to various merchandise categories, space has to be allocated for carrying out some essential functions. Such space includes the back room for receiving the inventories and sorting them out, office and other functional spaces, aisles and customer service desks, floor space and wall space. The interior of a store influences the purchasing behavior of the customers to a great extent. Designing the interior of a store in such a way as to influence customer behavior is referred to as visual merchandising. It includes optimum and appropriate use of fixtures, displays, color, lighting, music, scent, ceilings and floor, and designing all of these properly. Merchandise presentation is the most significant aspect of store design, because it helps attract customers' attention. A retailer can resort to many forms of presentation such as idea-oriented presentation, item-oriented presentation, price lining, color presentation, vertical merchandising, tonnage merchandising and frontal presentation.

A well-planned retail store layout allows a retailer to maximize the sales for each square foot of the allocated selling space within the store.

Store layouts generally show the size and location of each department, any permanent structures, fixture locations and customer traffic patterns.

Each floor plan and store layout will depend on the type of products sold, the building location and how much the business can afford to put into the overall store design.

A solid floor plan is the perfect balance of ultimate customer experience and maximized revenue per square foot. Many retailers are missing this point. They simply focus on revenue and forget customer experience. Statistics today have proven that retailers who deliver on experience have higher revenues than those that don't - even if the square footage is smaller.

For example, some retailers "crowd" the sales floor with lots of merchandise. While this increases selection, it also decreases customer traffic flow space. Many customers are turned off by crowded stores. They prefer cleaner, wider aisles that make them feel less stress. Which means that the experience for this customer is poor. Customers would prefer an edited merchandising approach in a department store. Examples of these stores would be Macy's or Belk.

However, some customers prefer to "bargain hunt" in off-price stores. In these stores, the clutter actually adds to the "deal" atmosphere for the customer. Examples of these stores would be TJ Maxx or Ross.

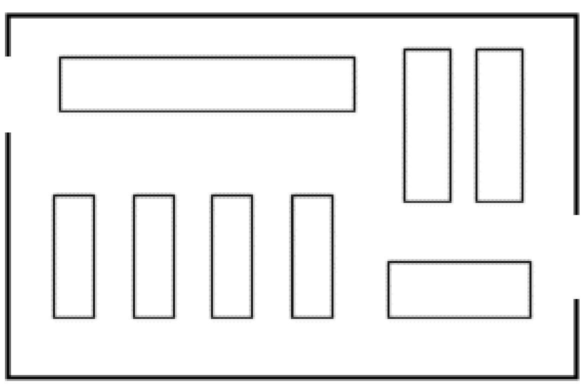
Whatever your store type, make sure you are considering customer experience in the floor plan. What may make for the most efficient space planning, might make for the worst customer experience. For example, I worked with a home improvement store to redesign their space. They had terrific merchandise, but terrible merchandising. The tile section was on the left side of the store, but the tools and supplies needed for the tile installation were on the right side of the store.

This posed two problems. First, impulse buys were reduced. If you are installing new tile, that is what is on your mind. Anything that looks like it might help you with your endeavor will catch your eye and be a possible add-on sale. But if you put spray paint next to the tile, it's not likely you will get it in the customer's basket.

Second, because the customer had to walk from one side of the store to the other, they were frustrated. Sometimes they didn't even make the walk and then got home and realized they were missing something and had to go back - and none of us like that hassle.

Below are a few basic store layouts.

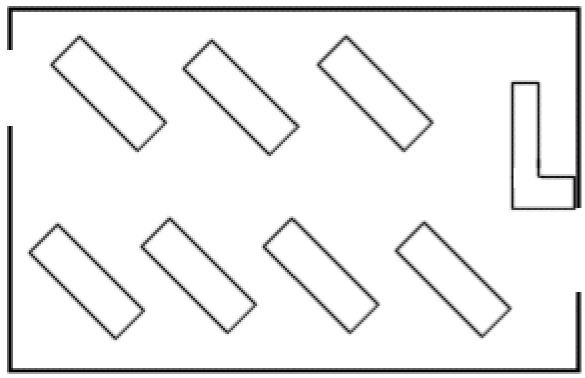
1. Straight Floor Plan



The straight floor plan is an excellent store layout for most any type of retail store. It makes use of the walls and fixtures to create small spaces within the retail store. The straight floor plan is one of the most economical store designs.

The downside to this plan is the sight lines in the store. Depending on the front entrance, it may be difficult for a customer to see the variety of merchandise you have or find a location quickly.

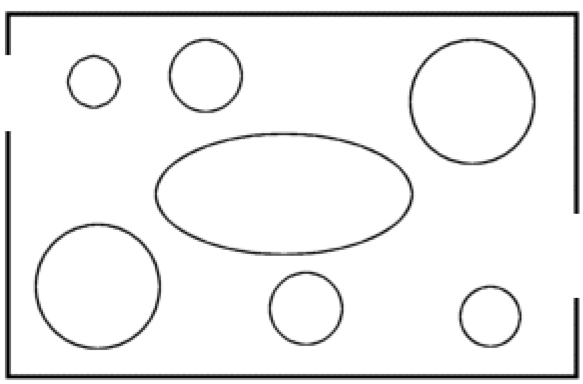
2. Diagonal Floor Plan



The diagonal floor plan is a good store layout for self-service types of retail stores. It offers excellent visibility for cashiers and customers. The diagonal floor plan invites movement and traffic flow to the retail store.

This plan is more "customer friendly." With a straight plan, the customer can feel like they are in a maze. With this floor plan, the customer has a more open traffic pattern.

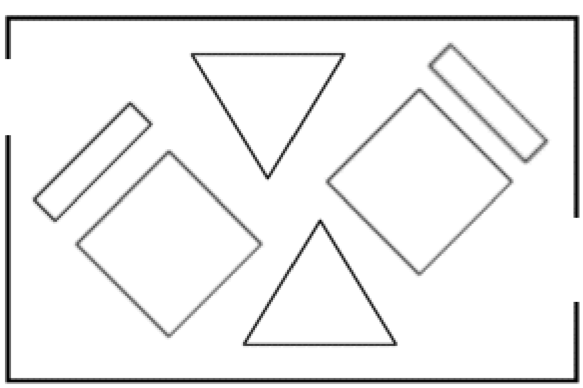
4. Angular Floor Plan



The angular floor plan is best used for high-end specialty stores. The curves and angles of fixtures and walls makes for a more expensive store design. However, the soft angles create better traffic flow throughout the retail store.

This design has the lowest amount of available display space, so it is best for specialty stores who display edited inventories versus large selections.

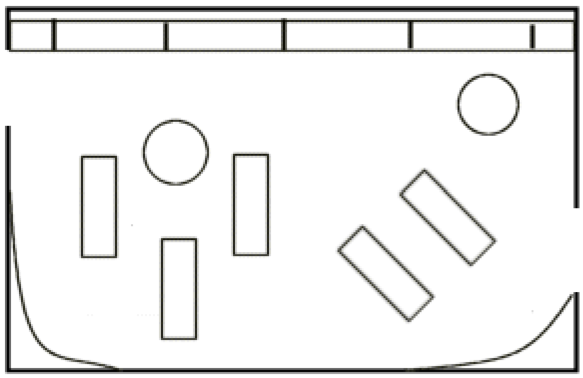
5. Geometric Floor Plan



The geometric floor plan is a suitable store design for clothing and apparel shops. It uses racks and fixtures to create an interesting and out-of-the-ordinary type of store design without a high cost.

This plan makes a statement. So make sure it is the statement you are wanting to make with your brand.

6. Mixed Floor Plan



As you might have guessed, the mixed floor plan incorporates the straight, diagonal and angular floor plans to create the most functional store design. The layout moves traffic towards the walls and back of the store.

It is a solid layout for most any type of retailer. And truthfully, the best experience stores have multiple shapes, elevations and designs. This appeals to a larger array of customers.

5 Most Important Elements of Visual Merchandising:

When people hear visual merchandising the typically get nervous and uneasy. They know its an important retail term, but not sure exactly what i is or how to do it well. It can create uncertainty about where to start. If you're artistically challenged and financially deprived, creating visual displays can be especially difficult. But here are my five most important elements of visual merchandising.

They are easy to implement and won't break the bank and, most importantly, they will increase your sales. Strong visual merchandising has a huge impact on customer experience in your store.

Whether you're revamping your retail displays or creating new ones, use these five strategies to help you achieve more impactful and memorable visual merchandising. And put more money in your pocket this year.

1. Remember that color is king.

Color is powerful, and it can make or break your visual displays. A retailer might create an erratic display, but if the colors coordinate well, the display can still be a success. Consider using contrasting colors, like black and white, and monochromatic colors--both create intriguing, eye- catching displays.

Too many times we lose sight of the power of color and its ability to attract the eye. Consider your home. You probably have a solid grey or brown couch, but there is a "pop" of color from the throw pillows you place on the edges.

This is the same principle. **Remember: wherever the eyes go, the feet will follow.** So use color to catch the eyes of your customers and draw them to your displays.

2. Create a focal point.

Where does the viewer's eye focus on your display? Do their eyes move toward a specific location on the display?

Or are they confused about where to look? Create a hotspot--or focal point. Why? Because hotspots can increase sales by 229 percent.

Examine your display from the customer's point of view: the top, the floor, both sides. Often the focal point is positioned too high for the customer to see. Always check your displays to ensure customers can easily view the hotspots and merchandise. **Remember, the hotspot is the product, not a visual element you use to add to the story.** By this I mean, if you put sand and seashells on the table as part of your sandal collection, make sure the sandals are the focal point and not the sand.

3. Tell a story.

What's in it for customers? Tell them. Use powerful, sales-enabling signage to display the advantages of buying the product. Present three bullet points that tell customers why they need the product or how their life will become easier because of the product. Remember, you're not writing an essay but rather a headline, powerful bullet points,and possibly a price proposition. By telling a story, you help the customer better understand the product and enable the buying decision.

A display may lack a worded sign or an educational sign. That's perfectly fine; as long as there's still a story, the sign can speak for itself.

For example, lifestyle graphics are very popular in telling the story. No words, but the image speaks volumes.

4. Expose customers to the maximum amount of merchandise.

A well-designed, impactful display exposes the customer to as much merchandise as possible while avoiding a sloppy mess. The more products customers see, the more they buy.

Consider using a circular store layout, which many retailers use. It's powerful because it exposes customers to more merchandise than traditional aisles. Where your store *does* use aisles, place a display in dead center so customers are forced to stop and look at the products. Have as many displays as possible, and present as much merchandise as possible. But keep displays clean and sharp, and ensure aisles are spacious and barrier-free to prevent deterring customers from products.

In my stores, I used dining tables from World Market to create a visual impact. Displaying our shoes on these tables was kitschy and bold. It caught a customer's eye for sure. And we got many compliments on the display tables since the tables were unique and a story in themselves as opposed to the traditional display pieces stores use.

5. Use empty space wisely.

There's a space in all retail stores that is the most underutilized. It's the section between the displayed merchandise and the ceiling. If this space in your store is empty, you need to start using it.

You can use this space for many different things, like signage providing information about products or brands. You could display customer testimonials with the customer's name and picture. You could profile a designer or supplier.

You could also display lifestyle graphics that help customers make associations with your products. For example, a furniture store could display an image of a family cozied up on a couch, emitting those warm, fuzzy feelings that put shoppers in a good mood. A jewelry store could display a woman at a fine dining restaurant wearing a bracelet, creating an association between the store's jewelry and a luxurious lifestyle.

Visual merchandising is multifaceted, and retailers can choose from hundreds of ideas when designing displays. But these tips return the biggest bang for your buck. Use them to make your store as memorable as possible.

Store Design :-

Retail store design is a well-thought-out strategy to set up a store in a certain way to optimize space and sales. The way a store is set up can help establish brand identity as well as serve a practical purpose, such as protecting against shoplifting.

Retail store design is a branch of marketing and considered part of the overall brand of the store. Retail store design factors into window displays, furnishings, lighting, flooring, music and store layout to create a brand or specific appeal.

5 Essential Principles for Retail Store Design

Online shopping is increasingly big business, which means it's increasingly difficult for smaller retailers—especially those that don't have an online presence—to get their share. The physical shopping experience starts with good design, so take a good, hard look at your retail space, and perhaps with the help of a retail design agency, determine if there's more that you could be offering your customers.

1) Define your Space

First things first, defining your space is all about your brand and image, how it gets people into your store, and what they do once they're there. This is the big picture—what are you selling, and who are you selling to?

There needs to be a consistency of style and function in your store that reflect all of these different factors, to tie the whole shopping experience together.

A good example of this is Starbucks, a brand that has built its empire by focusing not so much on coffee, but on the experience of drinking it, by providing customers with cosy, comfortable chairs and free wifi, to encourage them to linger for long periods of time, and potentially make multiple purchases in a single visit.

2) Organizing the Space

When a customer shops online, they have an entire store at their fingertips, with the ability to look at multiple different types of products at essentially the same time. This isn't the case for the in-store shopping experience, so it's important that the space is well-organized, and as intuitive and easy to use, as possible. A customer who enters a store should have a clear path to follow, with different categories of products clearly sign-posted, logical and clear product groupings, and a means of quickly finding help if they need it. A well-organized store is one that makes customers feel safe and comfortable, and is structured so that they can get what they need without wasting time.

3) Offer a Sequential Experience

Successful stores deliberately plan the customer experience, both figuratively and literally. Literally, it's about planning the store's layout for the optimal customer experience; figuratively, it's more about the chronological path a customer takes to get there—awareness through advertising that encourages them to stop by (whether print, online or a store-front window), the visit to the store itself, exploring the store and browsing products, and finally, making a purchase.

4) Provide Visual Communication

Visual information includes signage, branding, and other written and graphical information that communicates essential information to customers. It should be clearly legible, and provide only important information that will actually enhance the customer's experience, and ideally, each element should conform with the store's visual branding design.

This is a good place to take inspiration from the world of **exhibition design**, where the focus is on providing information quickly and succinctly, to people whose attention is typically divided between multiple different brands at once. Visual communication needs to be immediately recognizable, and provide information that can be interpreted and used quickly.

5) Invite Customer Participation

Good visual communication invites customers to participate actively in their shopping experience—for example, by ensuring that staff members are available and clearly visible as such, and providing the opportunity for the customer to have different types of experiences within the store. With the massive shift that online shopping has brought, this part of the store design process is also about offering experiences that the customer can't get online, whether it's one-on-one help and advice from staff, or the opportunity to try products out before purchasing.

Space planning:

Space planning is a fundamental element of the **interior design** process. It starts with an in- depth **analysis** of how the space is to be used. The **designer** then draws up a plan that **defines the zones** of the space and the **activities that will take place** in those zones. The space plan will also **define the circulation patterns** that show how people will **move through the space**. The plan is finished by adding details of all the furniture, equipment and hardware placement.

5 Space Planning Techniques

1. Enter the Decompression Zone

The first space you step into when you enter the store is designed to open your mind to the shopping experience, inviting you to browse and explore. A place designed to make you feel safe and secure. The decompression zone prepares you for what lies ahead, helping you focus. A good decompression zone:

Provides a wide, open space, that's free from clutter.

Allows easy entrance into the store with an overview of the merchandise. Has no distracting marketing or advertising gimmicks.

Welcomes you by giving you a little space.

Flower displays at the entrance usually entice customers to come inside

Nordstrom, an upscale fashion retailer, rolls out a long red carpet from their decompression zone, guiding customers to their merchandise.

2. Clockwise vs Counter-clockwise

It's critical for retailers to make it easy for shoppers to find the products they're looking for. Retail stores opt for space planning that goes counter-clockwise, from right to left, because most of the population is right-handed and will instinctively turn to the right.

However, recently many stores have opted for the more unfamiliar clockwise layout, left to right, hoping it may arouse shoppers' attention and stimulate them more than the familiar counter- clockwise layout.

3. Slow Down

Many retailers create little visual breaks, known as speed bumps, to give shoppers the opportunity to make seasonal or impulse buys. Speed Bumps are created using signage, specials or placing popular items halfway along a section, so people have to walk all along the aisle looking for them.

Retailers stock the items shoppers buy most frequently (staple items) at the back of the store, to maximize the amount time you spend inside the store, increasing basket size and impulse buying opportunities. This makes it difficult for shoppers to resist grabbing other items when making a quick trip to the grocery store.

Another space planning technique used to slow customers down, is by removing windows. Disconnecting you from the outside world, so you forget that time is passing, essentially keeping you in the store longer.

4. Visual Appeal by Blocking

Retailers create a triangular composition, otherwise known as tiered formation, using style or color, blocking certain products together – high at the back, tumbling to low in the front. They start with a center feature and merchandise out symmetrically, placing best seller items in a prominent visual location, enticing you to buy through visual appeal.

5. Shelf Spacing

Shelf space is positioned to manipulate shoppers into buying more. This is a highly debatable space planning technique amongst retailers, with some believing eye-level to be the top spot for a product while others reckon higher is better. Some retailers prefer the 'end caps' – where products are displayed at the end of an aisle, believing those products receive the best visibility.

Benefits of Space Planning

By implementing above space planning techniques, retail stores create an aesthetically pleasing layout, allowing shoppers to find the products they're looking for while eliminating out of stock items. Products sell at a more even speed, creating less need for product ordering and shelf restocking.

A retail store might opt to first test these techniques by doing realograms beforehand and then once planograms have been implemented, evaluated the two against one another to determine technique effectiveness. Of course, an increase in sales would also be an indicator of space planning success.

Retail Operation

Retail operations is a field that studies all mechanisms to keep the store functioning well. It includes a broad spectrum of activities, from people management to the supply chain, store layout, cash operations, physical inventory, master data management, offers and pricing etc.

Most of these operations are basically executed using the Commerce system that retailers use in the stores and back office. Therefore, achieving excellence in daily store operations will thus be directly proportional to the system that the business relies on.

If we dive a bit further into store operations and try to extract the main priorities of each of them, we will see that we need to divide these priorities by the different retail profiles we may find; the perspective of retail owners, store managers orsales associates. We may find others, depending on the nature and size of the business, but we will focus on these three profiles in this blog post. In any case, you can still deeply explore this term and how to achieve operational excellence by attending this week's webinar.

1. Retail Operations from the perspective of retail business owners

What do retailers, understood as the business owners, care about? Strategy is the first pillar that comes to mind. Not just the execution of today's priorities, but the vision of how the future will be for the business, to ensure we are prepared for all the changes they may imply. For example, the commerce platform that retailers use need to support the business growth retailers expect for the mid to long term. Tools that will help them grow fast, at the same pace as their strategy plan.

Tools that enable fast and riskless rollouts will be crucial to success in the plan execution, like the Copy Store/Terminal functionality of Open bravo.

When it comes to deployment or hardware compatibility, the commerce solution becomes equally important, as hardware is an important part of the budget in retail implementation projects. Hence, many of our clients require a solutions that fit their current hardware requirements, as they don't plant to invest in a hardware solution replacement in the short-term.

In terms of execution, I remember a concern that is common to many retailers I have interviewed in the requirements gathering stage, when the project starts, or just in the prospecting stage; that is, fraud detection and prevention. It is a concern that I have seen present in all retail projects. So we need to review all retail functionalities, decide which should be allowed by which profile and which will need a supervisor's approval to proceed with it. To give you a few examples: delete ticket is often a sensitive operation that should not be permitted unless approved, or re-printing a ticket, approving cash differences when cashing up, allowing a return, etc. There are many, and that's why Open bravo offers Approvals in almost all features in Web POS, so retailers decide which are allowed and when approval will be required in an attempt to prevent fraud.

The other classic method of detecting fraud is "surprise" physical inventory. So by procedure, everyday at the store closure, staff need to count the stock of certain products, and they can change day after day. Here, it has been very helpful to empower the store crew with the mobile physical inventory functionality, so they can execute this task fast and efficiently.

Then, retailers can view the results in a centralized way from the backoffice, where they will see all the indicators together in the same place, and most importantly, in real time. This is especially interesting when having several stores. If you need to handle daily synchronizations to upload sales, or products, promotions etc. you need to seriously think about investing in a new platform to get rid of those troubles that are due to an old architecture. Openbravo can help you with that, with a cloud single repository, where a change in price will be delivered to all stores in seconds.

2. Achieving excellence from store managers

Store managers are the ones on the shop floor day after day, and their priorities or needs can be slightly different from the ones above. We can say they are much more operational, for example, they need to efficiently handle people management or daily store operations like opening, closure or cash management. In big stores, where there is a high number of terminals and sessions by terminal, it can be difficult to manage unless the commerce solution offers a unified view to accurately control who opened a terminal or the cash position at its closure. Openbravo's module of Terminal Sessions Management can be a good tool in these scenarios, where all terminals and sessions in each terminal are monitored in real time.

Another frequent demand from store managers is to have certain autonomy from headquarters. I must say that I have seen retailers that do not want to allow this in their stores, sometimes abusing of their excess power. My personal opinion is that I have seen stores performing better with a bit of autonomy in certain business processes, otherwise, headquarters approval can be a bottleneck and a clear negative point for achieving excellence in the stores, where changes need to be done rapidly to respond to demanding customers. I'm thinking of being able to correct a price that is incorrect, block a user that we have seen doing something fraudulent, or updating the stock of products that are not accurate in the system. Openbravo offers a great solution for these retailers, allowing them to access the back office where all the data is centralized and can be restricted by users or roles, giving them access and rights to exactly what we want. And enabling auditory to be able to track down any changes made.

3. Priorities for sales associates

Sales associates are the last profile we are analysing today. We consider them an important part of the purchase decision making process, as customers let associates influence them while deciding which product to buy. Empower then your sales associates with tools that will help them provide a rich customer experience, like rich product engines by product characteristics or stock visibility to offer flexible options to save-the-sale when there is no stock in the store. Moreover, as associates normally work by commission, it will be important that the commerce solution allows them to annotate their sales to differentiate them from cashiers or other associates.

Inventory Management

Inventory management is the management of inventory and stock. As an element of supply chain management, inventory management includes aspects such as controlling and overseeing ordering inventory, storage of inventory, and controlling the amount of product for sale.

The definition of Inventory Management is easy to understand. Simply put, inventory management is all about having the right inventory at the right quantity, in the right place, at the right time, and at the right cost. But how do you implement the best inventory management techniques to ensure the best results? Read on to find out our insights for inventory management best practices.

Inventory management techniques

Inventory management uses several methodologies to keep the right amount of goods on hand to fulfill customer demand and operate profitably. This task is particularly complex when organizations need to deal with thousands of stockkeeping units (SKUs) that can span multiple warehouses. The methodologies include:

- **Stock review**, which is the simplest inventory management methodology and is generally more appealing to smaller businesses. Stock review involves a regular analysis of stock on hand versus projected future needs. It primarily uses manual effort, although there can be automated stock review to define a minimum stock level that then enables regular inventory inspections and reordering of supplies to meet the minimum levels. Stock review can provide a measure of control over the inventory management process, but it can be labor-intensive and prone to errors.

- **Just-in-time (JIT) methodology,** in which products arrive as they are ordered by customers, and which is based on analyzing customer behavior. This approach involves researching buying patterns, seasonal demand and location-based factors that present an accurate picture of what goods are needed at certain times and places. The advantage of JIT is that customer demand can be met without needing to keep quantities of products on hand, but the risks include misreading the market demand or having distribution problems with suppliers, which can lead to out-of-stock issues.

- **ABC analysis methodology,** which classifies inventory into three categories that represent the inventory values and cost significance of the goods. Category A represents high-value and low-quantity goods, category B represents moderate-value and moderate-quantity goods, and category C represents low-value and high-quantity goods. Each category can be managed separately by an inventory management system, and it's important to know which items are the best sellers in order to keep quantities of buffer stock on hand. For example, more expensive category A items may take longer to sell, but they may not need to be kept in large quantities. One of the advantages of ABC analysis is that it provides better control over high- value goods, but a disadvantage is that it can require a considerable amount of resources to continually analyze the inventory levels of all the categories.

Inventory control is the area of inventory management that is concerned with minimizing the total cost of inventory, while maximizing the ability to provide customers with products in a timely manner. In some countries, the two terms are used as synonyms.

The following eight techniques to will help you improve your inventory management—and cash flow.

- Set Par Levels. ...
- First-In First-Out (FIFO) ...
- Manage Relationships. ...
- Contingency Planning. ...
- Regular Auditing. ...
- Prioritize With ABC. ...
- Accurate Forecasting. ...
- Consider Dropshipping.

Merchandise Management

Meaning:

Merchandising is the sequence of various activities performed by the retailer such as planning, buying, and selling of products to the customers for their use. It is an integral part of handling store operations and e-commerce of retailing.

Merchandising presents the products in retail environment to influence the customer's buying decision.

Types of Merchandise

There are two basic types of merchandise –

Staple Merchandise	Fashion Merchandise
It has predictable demand	It has unpredictable demand
History of past sales is available	Limited past sales history is available
It provides relatively accurate forecasts	It is difficult to forecast sales

Factors Influencing Merchandising

The following factors influence retail merchandising:

Size of the Retail Operations

This includes issues such as how large is the retail business? What is the demographic scope of business: local, national, or international? What is the scope of operations: direct, online with multilingual option, television, telephonic? How large is the storage space? What is the daily number of customers the business is required to serve?

Shopping Options

Today's customers have various shopping channels such as in-store, via electronic media such as Internet, television, or telephone, catalogue reference, to name a few. Every option demands different sets of merchandising tasks and experts.

Separation of Portfolios

Depending on the size of retail business, there are workforces for handling each stage of merchandising from planning, buying, and selling the product or service. The small retailers might employ a couple of persons to execute all duties of merchandising.

Functions of a Merchandising Manager

A merchandising manager is typically responsible to −

- Lead the merchandising team.
- Ensure the merchandising process is smooth and timely.
- Coordinate and communicate with suppliers.
- Participate in budgeting, setting and meeting sales goals.
- Train the employees in the team.

Merchandise Planning

Merchandise planning is a strategic process in order to increase profits. This includes long-term planning of setting sales goals, margin goals, and stocks.

Step 1 - Define merchandise policy. Get a bird's eye view of existing and potential customers, retail store image, merchandise quality and customer service levels, marketing approach, and finally desired sales and profits.

Step 2 – Collect historical information. Gather data about any carry-forward inventory, total merchandise purchases and sales figures.

Step 3 – Identify Components of Planning.

- **Customers** − Loyal customers, their buying behavior and spending power.
- **Departments** − What departments are there in the retail business, their subclasses?
- **Vendors** − Who delivered the right product on time? Who gave discounts? Vendor's overall performance with the business.
- **Current Trends** − Finding trend information from sources including trade publications, merchandise suppliers, competition, other stores located in foreign lands, and from own experience.
- **Advertising** − Pairing buying and advertising activities together, idea about last successful promotions, budget allocation for Ads.

Step 4 – Create a long-term plan. Analyze historical information, predict forecast of sales, and create a long-term plan, say for six months.

Merchandise Buying

This activity includes the following −

- **Step 1 - Collect Information** − Gather information on consumer demand, current trends, and market requirements. It can be received internally from employees, feedback/complaint boxes, demand slips, or externally by vendors, suppliers, competitors, or via the Internet.
- **Step 2 - Determine Merchandise Sources** − Know who all can satisfy the demand:

  vendors, suppliers, and producers. Compare them on the basis of prices, timeliness, guarantee/warranty offerings, payment terms, and performance and selecting the best feasible resource(s).
- **Step 3 - Evaluate the Merchandise Items** − By going through sample products, or the complete lot of products, assess the products for quality.

- **Step 4 - Negotiate the Prices** − Realize a good deal of purchase by negotiating prices for bulk purchase.
- **Step 5 - Finalize the Purchase** − Finalizing the product prices and buying the merchandise by executing buying transaction.
- **Step 6 - Handle and Store the Merchandise** − Deciding on how the vendor will deliver the products, examining product packing, acquiring the product, and stocking a part of products in the storehouse.
- **Step 7 - Record the Buying Figures** − Recording details of transactions, number of unit pieces of products according to product categories and sub-classes, and respective unit prices in the inventory management system of the retail business.

Vendor Relations

Cordial relationship with the vendor can be a great asset for the business. A strong rapport with

vendors can lead to −

- Purchasing products when required and paying the vendor for it later according to credit terms.
- Getting the latest new products in the market at discount prices or before other retailers can sell them.
- Having a great service of delivery, timeliness of delivery, returning faulty products with exchange, etc.

Merchandise Performance

The following methods are commonly practiced to analyze merchandise performance −

ABC Analysis

It is a process of inventory classification in which the total inventory is classified into three categories −

- **A – Extremely Important Items** − Very crucial inventory control on order scheduling,

  safety, prompt inspection, consumption pattern, stock balance, refill demands.
- **B – Moderately Important Items** − Average attention is paid to them.
- **C – Less important Items** − Inventory control is completely stress free.

This approach of segregation gives importance to each item in the inventory. For example, the telescope retailing company might be having small market share but each telescope is an expensive item in its inventory. This way, a company can decide its investment policy in particular items.

Sell-Through Analysis

In this method, the actual sales and forecast sales are compared and the difference is analyzed to determine whether to apply markdown or to place a fresh request for additional merchandise to satisfy current demand.

This method is very helpful in evaluating fashion merchandise performance.

Multi-Attribute Method

This method is based on the concept that the customers consider a retailer or a product as a set of features and attributes. It is used to analyze various alternatives available with regard to vendors and select the best one, which satisfies the store requirements.

RETAIL MERCHANDISING MANAGEMENT PROCESS

1. RETAIL MERCHANDISING MANAGEMENT PROCESS

2. MERCHANDISE & MERCHANDISING The various types of goods that can be bought and sold for profit or The wholesale purchase & retail sale of goods for profit or The stock of goods in a store The activity of promoting the sale of goods & services at retail. Merchandising means "planning involved in marketing the right merch andise or service at the right place, at the right time, in the right quantities, and at the right price."

3. WHO IS A MERCHANT ? A wholesaler or retailer who buy goods from various sources for resale to anyone and everyone for profit. A Merchant is held to a higher standard of duty of care than a non- merchant because he is deemed to have expert knowledge about the goods he deals in.

4. MERCHANDISING MANAGEMENT Merchandising management is the science of evaluating human behavior and buying habits in order to determine the best way to stock, display, and sell goods at retail stores. It is a process where in you arrange a group of products that highlights those that you want to sell fast or those that you want people to get noticed.

5. MERCHANDISING MANAGEMENT Therefore the increased visibility and appeal of products leads to increase in sale ability . It includes product packaging, placement, promotion etc. Example : The ice-filled tubs of soda, next to the cash register at the convenience store on a hot summer's day -- a merchandise manager determined that more product would be sold by doing it.

6. BASIS OF RETAIL MERCHANDISING

7. RETAIL MERCHANDISING MGMT PROCESS Retail merchandising management process involves analysis, planning, acquisition, handling and control of merchandise investments of a retail operation.

8. RETAIL MERCHANDISING MGMT PROCESS ANALYSIS : The retailers must be able to correctly identify their customers before they can ascertain consumer desires & requirements for making a good buying decision

9. RETAIL MERCHANDISING MGMT PROCESS PLANNING : It is more important because merchandise to be sold in future must be bought now. It involves marketing the right merchandise at right place at right price in right quantities at right time.

10. RETAIL MERCHANDISING MGMT PROCESS ACQUISITION : It is because the merchandise needs to be procured from others, either distributors or manufacturers.

11. RETAIL MERCHANDISING MGMT PROCESS HANDLING : It involves to see where merchandise is needed and to be sold in a proper condition.

12. RETAIL MERCHANDISING MGMT PROCESS CONTROLLING : It is required since the function of merchandising involves spending money. So it is necessary to control the amount spent in this process.

Category Management

A category is an assortment of items that a consumer finds as reasonable substitutes for each other. Goods are categorized on the basis of similarities in consumer tastes, preferences, liking and disliking such as Junk food, Bar-be-Que, Razors, burgers, baked confectionary, sweets, etc.

The goods are priced, promoted and targeted to same customer base (target market). For instance Vishal Mega Mart, Gokul Mega Mart and few other domestic and global brands have the practice of dividing their apparel on the basis of Gents' Apparel, Ladies' Apparel and Kids Apparel.

Two retailers selling similar merchandise may have different definitions and thus different categories of the same product range. For instance, one retailer divides its 'apparel' under gents, ladies, kids and infants category, while another (for say) may define categories in terms of brands like Polo figer be one category and Rivalry be the other. Why it is so? Because a 'Polo' customer will buy only polo figer not the Rivalry.

In short, whatever may be the base of defining a 'Category', one thing must be remembered that it should suit to customers who ultimately will be affected in terms of time and money spent. Further, supply chain members and suppliers may find it convenient and hassle free.

Category Management is the process of managing retail business that merchandise category outputs rather than the contribution of individual brands or models. Under category management retailer's efforts (promotional, pricing and display) are grouped into categories with the objectives of measuring their financial and marketing performance separately.

Consequently, it arranges grouping of products in to strategic business units (SBU) in order to better serve the needs and demands of consumers. Most of the emerging retail outlets are managing their merchandise on the same pattern.

While on the other side, unorganized Indian retail sector has developed their merchandise items in the categories that serve their customers requirement and are cost effective and time saving for them. Therefore, these categories differ from region to region and outlet to outlet.

1. Definitions:

According to Institute of Grocery Distribution, "Category Management is the strategic management of various merchandise groups through trade tie ups and partnerships which aims to maximize turnover and profit by satisfying consumer needs and want."

According to Nielsen (1992), Category Management is a process of managing product categories as separate business units and customizing them to satisfying consumer needs.

Why Category Management?

1. One foremost reason for the introduction of 'category management' is that all the items of merchandise are not equally important for a retailer from cost revenue generation point of view. Some items are very small but of high value, some items are most popular but of low profit margin. Therefore need was point to categorized the items in to different sub groups.

2. One reason for introduction of 'category management' was the fact that only a definite amount of profit could be obtained from price negotiations and that there was more profit to be made in for the purpose of increasing the total sales.

3. One reason for introduction of 'category management' was that the collaboration with supplier will be helpful in development of categories under three ways:

The ways are:

(i) Part of the work load like development of categories would be assign to the concerned supplier.

(ii) Supplier's expertise will be utilized.

(iii) Supplier will take the venture seriously.

2. Significance of Category Management:

1. Increased sales, goodwill and market share

2. Proper care and devotion to each item of merchandise

3. Increased sales further lead to increased turnover

4. Maximize shelf efficiencies

5. Less inventory shrinkage

6. Recognizes procurement opportunities

7. Enhances customer knowledge level

8. Improves return on investment (ROI)

9. Decreases chances of out-of-stock positions

10. Enhances return on money invested in marketing efforts

11. Classifies the performance of brands as doing well, not doing well, problem brands, etc.

12. Purchasing merchandise exercise becomes easy and cost effective.

Essentials / Prerequisite of Category Management:

1. Category should be divided and arranged as per consumers' ease not because of retailer's convenience.

2. CM should be based on differentiation and uniqueness.

3. CM should drive multiple item purchases at the same time.

4. It should result in better customers' relations rather than relations with suppliers.

5. Category division should be based on the basis of product response, space, time and profitability.

3. Category Management Process (8 Steps)

Category management is the process of classifying and managing product categories as strategic business units, rather than simply viewing a retailer's offering as a collection of individual products. The category management approach delivers enhanced business results by focusing on delivering consumer value. It is often a shared process between a retailer and its vendors.

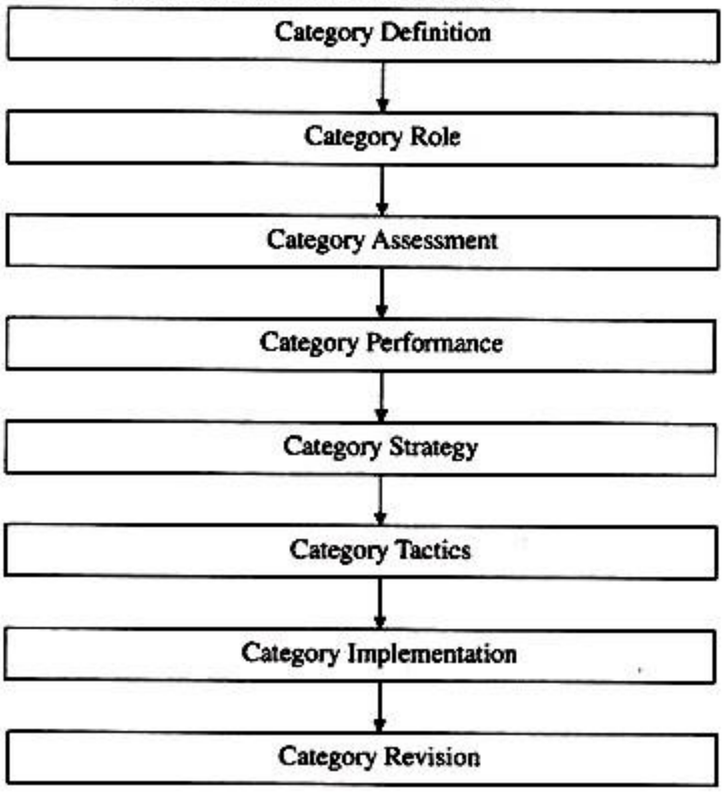
This description comes from Category Killers (2005) by Robert Spector:

For the past couple of years, the term "category management" has entered the retail lexicon in virtually every merchandise category. Category management began in the supermarket business, where big retailers of packaged goods learned that they could improve sales and profits if they could more efficiently administer all their different product classifications. The idea was to oversee the store not as an aggregation of products, but rather as an amalgam of categories, with each category unique in how it is priced and how it is expected to perform over time.

One vendor is designated as "category captain" and charged with helping the retailer define the category; determine its place within the store; evaluate its performance by setting goals; identify the target consumer; divine the best way to merchandise, stock, and display the category; and then influence the implementation of the plan. Becoming a captain is obviously an important position because it offers that supplier an opportunity to sway a retailer's buying decisions.

Thus the category management process is a repetitive, strategic and long-term business philosophy that promotes cross functional working between companies with the involvement of professionals from very diverse areas such as procurement, finance, supply chain, marketing, store operations, sales and space planning.

Figure 9.1
Category Management Process



IGD Research (2007) reveals that merely 9% of companies follow this eight step process of category management and is useful for those firms that have developed shorter, streamlined approaches that deliver benefits in a relatively smaller, less resource intensive time horizons.

A typical category management process is discussed as follows:

1. Category Definition:

Defining a category is the first step in a typical category management process. In this step retailer classifies the store's products into different categories depending on the usage of the product by the consumers and its packaging. What should be the best way to define a particular category are always debatable issues amongst retailers.

The category management experts opine that whatever the base it should be, category definition should be based on consumers' buying behaviour not on retailer's buying behaviour. Before beginning with the process of category definition, the retailer and vendor should first understand what exactly makes a category? The supplier know-how about a category and its potential customers becomes vital in developing the correct definition and segmentation of the category.

This basically decides the products that fall under a particular category, sub-category and key segmentation. Thus a retailer basically assigns products to the different categories depending upon customers' liking, disliking, quantity size, and packaging. The main objective of defining category is to know what items to include and what items to exclude.

The definition of category varies from situation to situation and one store to another. In one circumstance, category may be narrowly defined or very broadly defined, depending upon several factors. For instance, the category of sandwich may be narrowly defined so as to comprise only vegetarian sandwich, or it may be broadly defined to include all types of varieties such as vegetarian, non-vegetarian, chocolate, fried, baked, grilled, cheese spicy/mutton spicy etc.

The point is to be remembered that it is the customer that gives the profit so its perspective should be kept at top priority while defining a particular category. The task further should result into particular product titles with respect to its sizes, color, packaging, sub-categories, variety of products and variety within the product.

2. Category Role:

Under this step, retailers usually determine the priority level and then assign a role for the category based on a cross category comparison considering liking and disliking of consumers, and market trends. Basically here retailers develop the base for allocating resources for the entire business.

While assessing the role played by a category, retailers should thoroughly consider the nature and size of product category. For instance, some categories may represent luxury brands, whilst others might be denominated by low priced brands. It signifies that if a particular category is denominated by luxury brands, then most of the underlying brands are or will be, lucrative.

On the other hand, category largely composed of low priced brands may not provide any opportunity to earn profitable margins for both the retailer and the supplier. Hence, it becomes imperative for a retailer to consider the role played by a category in the store while determining a particular category.

For example, the ice cream product category has been upgraded in UK marked by introducing premium luxury ice-cream, ice cream confectionery, mass scale marketing and sales promotion companies such as Haagen Dazs and the development of premium store brands. Athletic footwear (trainers), toys and beer are examples of other categories that have shifted from value to premium (Vishwanath and Mark, 1999).

The role of SKU within a Category:

When a retail product manager is reviewing the choice within a product category, the individual roles that are played by the different brands or product variations will be acknowledged (McGrath, 1997). In a store, some products within a category are 'customers' catchers', giving high sales and have a large market share. These are the sources of attraction for visitors/customers and their non-availability may result in customer loss. Store brands are clearly concerned with achieving sales targets.

Low-priced goods not only attract customers but motivate customers to buy other goods too kept in store. Some stock keeping units (SKUs) create excitement and theatre in stores while other SKUs depict latest fashion and imported goods under same roof. Some SKUs sometimes have been observed for latest fashion and known for first arrivals.

Figure 9.3

Strategies Implied by Category Role

Category Role	Implied Marketing Category Strategies
Destination	• Traffic Building • Turf Defending • Transaction Building • Excitement Creating
Routine	• Transaction Building • Profit Generating
Seasonal	• Traffic Building· Excitement Creating • Profit Generating
Convenience	• Transaction Building • Profit Generating • Image Enhancing

3. Category Assessment:

Under category assessment step, the retailer conduct an analysis of the category's sub categories, segments with respect to sales, turnover, profits, return on assets by reviewing consumer, market, retailer and supplier information. Category assessment requires a variety of analytical measures designed to determine the strengths, weaknesses, opportunities and threats of a particular category. It provides the retailer an opportunity to identify future prospects in the category.

The retailer's objective to assess categories is to know (a) whether to continue with the present category categorization, (b) Which categories require additional effort to generate profits, (c) What are the areas of highest turnover, profit, and return on asset improvement opportunities, and lastly to know the gaps existed between the chosen

category and the present performance level of the category. Besides analytical tools, retailer sometimes assesses the categories with the help of data on the customers, suppliers or competitors.

4. Category Performance:

Measuring category performance is the fourth step in the category management process in which the retailer develops bottom-line and benchmark to measure the performance of the categories. It involves setting measurable targets in terms of sales, volume, margins, and gross margin return on investment (GMROI).

Establishing category performance measures are essential for measuring performance of a particular category which later on becomes base for further improvement within the category. Category performance measures basically represent the category score card that result in target objectives that are set by the retailer and supplier for the achievement of the implementation of the category business plan.

Sales Volume	Increase in sales (in rupees) Growth over last year The sales per square foot
Profits	Increase in gross profits Growth over last year Growth profits per square foot GMROI Gross margins in percentage Actual margin realized
Inventory Turnover	Stock turnover targets achieved in store Stock turnover targets achieved in warehouse
Product Assortment	Number of SKUs carried Number of new products included Number of products withdrawn Major turn arounders
Market Share	Increase in market share Growth over last year Growth changes in percentage
Consumer Served	Number of invoices served Average value of the transaction in monetary terms

5. Category Strategy:

Under this stage of category management business process, retailers develop marketing and product supply strategies that determine the category role and performance objectives. The basic purpose behind developing strategies is the retailer's intention to capitalize on category opportunities through creative and optimum utilization of available resources assigned to a category.

The sub objectives are:

I. How to horizontally position a store's own brand relative to the incumbent national brand and

II. How to price the store and national brands for retail category profit maximization.

Following seven are the widely applied category management strategies: (i) Traffic Building:

Traffic building strategy is used to draw customers' attention towards store, aisle, and/ or category. This is usually achieved through advertising relatively low priced goods (having enough price difference from the everyday). This strategy typically applies to products that are most price sensitive, have high degree of household penetration, need frequent purchases, frequently promoted, having high sales in the category and generate major portion of sales.

(ii) Turf Protecting:A turf protecting strategy (also known as super traffic building) basically is applied to defend the category sales and market share against a known competitor through competitive based pricing. This policy is only deployed when absolutely essential because it is generally an expensive strategy in terms of profit impact products with large transaction size that are under intense pressure from a defined competitor are considered under turf protection strategy. Turf protection strategy should be applied carefully as and when required because of the essential margin investment. However, proper use of a turf protection strategy can assist the retailer in creating a positive overall price image. Implementing turf protecting strategy requires that if the competitor reduces prices or prices fall in the market, the retailer will follow with price reductions to maintain turf protection strategy.

(iii) Transaction Building:

This strategy is issued to increase the sales of a particular category by emphasizing larger sales, multi packs, goods with trade-up options, aggressively pricing and promotion large transactions size terms, and goods that are subject to impulse purchase.

(iv) Profit Generating:

This strategy is used to generate profits by focusing on sub-category or parts of the category while keeping prices within competitive ranges. Products generating higher margins usually have a substantial amount of loyalty and which are not like less price sensitive items, with higher than category average gross margins are commonly used in this category. Store's own brands also come under profit generators.

(v) Excitement Generating:

This strategy is used to create excitement to a particular category by communicating a sense of dire need (urgency), or opportunity to the prospect. Seasonal items, latest arrivals, special items, limited edition, rapidly growing segments, fashion trends, and high items with a high incidence of impulse purchasing, come under this category.

(vi) Cash Generating:

This strategy is used to generate cash flow to ensure the retailer a balanced cash flow across the categories in a store to meet operating cash requirements, larger sales volume products, fast turning products, low inventory turnover goods, and goods with favorable payment terms come under this category.

(vii) Image Enhancing:

This strategy is used to enhance retailer's image before customers in one or more of the following aspects:

a. Quality

b. Variety

c. Price

d. Service

e. Presentation

f. Delivery

g. Brands Available

Examples with regard to image enhancing are:, offering live fishes to customers stocked in fish tanks, exclusive product offerings, combo offers, happy meal menus, meal solution suggestions, wide product assortment, luxury brand assortment, competitive pricing, easy loan options, multiple modes of payment, feel of the product, etc.

6. Category Tactics:

Categories tactics are used to determine the optimal category assortment, pricing promotions, and shelf penetration, essential to ensure that strategies put are on right track. Category tactics determine and authenticate the specific actions that are required to implement the category strategies developed earlier.

The areas covered under category tactics vary from retailer to retailer and place to place. But pricing, promotions, assortments and the store's overall presentation are few commonly used areas where tactics are developed.

Therefore, it is expected from a supplier to do proper amount of value addition depending upon the role expected from a category; by assessing this retailers further develop proper strategies.

For instance, a SKU may play convenience role for one retailer but a destination role for another.

Therefore, while developing the category, category captain (usually supplier) should take an overall view of the category and create a framework suggesting for marketing (traffic building, profit generating, and image enhancing etc.) as well as ensuring product supply. The retailing format (departmental, destination, hypermarkets, etc.) and the product's stage in a product life cycle should be taken into consideration.

7. Category Implementation:

This step is used to implement the category business plan through a systematic schedule and list of responsibilities. Implementing category plan as per the objectives laid down, is the path to the success of category management.

A typical category plan under implementation stage includes:

- What specific tasks need to be done?
- When to do,
- Where to do, and
- Who will do it

Therefore, in a short, implementing category plan on the part of a retailer requires to decide what, where, when a task to accomplish and by whom.

8. Category Revision:

This is the final step in a typical category management business plan. Category review enables a retailer and concerned supplier to gauge the performance of a category and identify key areas of opportunity and threats to overcome by adopting alternate plans.

As today category management is an important strategic plan, it becomes imperative for a supplier to revisit the dynamics of the category and the appropriate strategies and tactics. This will enable a supplier to measure performance against the appropriate strategies and tactics.

In this regard, one thing should be noted that category business plans are subject to change with regard to change in assumptions laid down. For instance, incase of any specific change in business environment, assumptions made earlier may not hold validate. Therefore, business plan must be modified with respect to change in underlying assumptions without any delay.

Module – 4

RETAIL MARKETING MIX

Introduction - :

The term "marketing" was first introduced to sell the produced products, keeping in mind the earning of profit. Profit making was the central point of marketing. Marketing was defined as "the management process which identifies and supplies customer requirements efficiently and profitably" (Chartered institute of Marketing - U.K.).

Meaning of Marketing Mix :

The marketing mix refers to the blend of ideas, concepts and features which marketing management put together to best appeal to their target market segments. Each target segment will have a separate marketing mix, tailored to meet the specific needs of customers in the individual segment.

In other words, marketing mix represents an assemblage of tasks and sub tasks, which ultimately will help to satisfy the customer's requirements in such a way as to enable the firm to attain its objectives in an optimum fashion.

Marketing Mix represents the total marketing program of a firm. It involves decision which regard to product, price, place and promotion. These above four elements differ from firm to firm.

The Concepts / Elements / Components of 7 P's of Marketing Mix

I. Traditional Marketing Mix Elements

1. **Product**
2. **Price,**
3. **Place and Distribution,**
4. **Promotion**

II. Expanded Marketing Mix Elements

5. **People or Internal Marketing,**
6. **Physical Evidence, and**
7. **Process**

Product - :

Product, in the marketing context, is anything which is offered to the market for exchange or consumption. A product formally defined as **"**an offering of commercial intent having tangible and intangible features that goes to satisfy needs, wants and desires of the consumers**"**.

A product thus becomes a tool by which an organisation achieves its strategic goal. Some examples are a car, a soap, a book, a sofa, etc. the consumer gets his various needs satisfied In goods marketing we always say the there is a tangible component to which some intangibles like styles, after - sale - service, credit etc, are integrated.

In other words, Products are also termed as merchandise. Product refers to the bundle of tangible and intangible attributes that a seller offers to a buyer in return of a particular predefined amount of payment in a particular mode.

Decisions Related to Selection of Goods (Merchandise Management Revisited) - :

The retailers need to consider the following factors while deciding what products to sell.

01. Product Diversity –

Keep product offering simple in the beginning. If product line is narrow and focused, then marketing efforts can be just as tightly focused. It will bring the best results for marketing.

02. Trends –

When it comes to selecting products to sell based on what's popular, timing is extremely important. New trends and products can be a great boost to business. The retailer needs to be at the beginning of the product lifecycle in order to be successful.

03. Marketability –

Before considering what product to sell, the retailers need to determine what market to sell. The retailer needs to know customer wants. The product selection doesn't have to appeal to all of the population but it should be something you can convince a large percentage of shoppers.

04. Enhanced Quality –

When deciding which products to sell in store, ask yourself the following question. Is this product something. I would give my dearest friend? If not, you may want to keep looking. Product quality is extremely vital when your reputation is on the line.

05. Consumable –

The retailers need to choose a product with recurring sales value. A consumable item that needs to be replaced on a regular basis is one way a retailer can establish long term sales. By establishing a customer base with recurring products, customers will continue to come to buy more products. Additionally, satisfied customers are more open to recommendation for related products.

06. Profit Margin –

Selling big ticket items is generally more profitable. It requires more credibility to sell. The retailers need to calculate direct and indirect costs of selling goods. They need to ensure the required profit margins are earned.

07. Competition –

Competition is healthy and there are ways other than volume and price a smaller store can compete with larger retailers. The unique product has less competition.

08. Private Label Products –

One way to guarantee having a truly unique product line is to make the item yourself. Another way is to partner with a small business. It will allow branding an item made by another person.

Pricing - :

Price is all around us. We pay rent for our apartments, tuition for our education, and a fee to tour physician or dentist. The airlines, railway, taxi and bus companies charge a fare; the local bank charges an interest for the money we borrow. Hence price is not adjusting a number on a tag or an item.

Price is one of the most critical elements of the marketing mix for services - both for profit as well as not - for - profit firms. It is the only marketing mix variable which generates revenue; all other - product, promotion and place / distribution - are cost drivers. Pricing decisions have far reaching implications for the organizations profits, market share, sales and social appeal.

Meaning of Price :

Price is what customers are willing to pay for services. How much a customer has to pay depends on the value he perceives in the service offer. The payment can be in forms - money, barter or return services. Price can be simply explained thus.

$$\textbf{Price} = \frac{\textbf{Quantity of money received by service provider}}{\textbf{Quantity of service received by the buyer}}$$

Factors Influencing Pricing - :

01. Retail Business Model –

Retail model influences pricing strategy of a retail organization. The pricing pattern followed by discount retailer is different from departmental stores. Similarly, pricing strategy followed by non-store retailer is different from brick and mortal business.

02. Uniqueness of the Product –

Retailers take perceived value of any product into account before setting a price. It is important to understand that normally customers feel that **low price means poor quality**. If an asset is priced too low, buyers get the feeling that materials used in creation are of inferior quality. Therefore, a retailer has to maintain a fine balance between recognized value of **a product and its price**.

03. Market Demand for the Product –

Market demand is a key aspect of retail pricing strategy. If the supply of a product is less than demand, then prices shoot up and vice versa. If a good commodity's stock ends up quickly, there is a mad rush among consumers, which lead to increase in price.

04. Competition Level –

The level of competition plays an important role in determining the price of a product. When a competitor sells its product at a lower price, it may affect the business of the former. It is natural for retailers to study the competition in the market before finalizing the price of their own product. However, it becomes negligible when a company enjoys a monopoly in the market.

05. Economic Conditions –

Economic factors such as labour cost, inflation rate, exchange rate of currency, economic slowdown, and the government's monetary policy influences the pricing of a product.

06. Credit / Installment Facilities –

Trade credit, installment credit and purchase through credit card can also influence pricing strategy of a retailer.

Pricing Strategies / Approaches - :

A business can use a variety of pricing strategies. The price can be set to maximize profitability for each unit sold or from the market overall. It can be used to defend an existing market from new entrants. It helps to enhance market share within a market or to enter a new market.

01. Penetration Pricing –

Penetration pricing includes setting the price low with the goals of attracting customers and gaining market share. The price will be raised later once this market share is gained.

02. Price skimming –

Price skimming is the practice of selling a product at a high price, usually during the introduction of new product when the demand for it is relatively inelastic. This approach is used to generate substantial profits during the first months of the release product.

Eventually, a company that engages in price skimming must drop its prices, as competitors enter the market and under cut its prices. Thus, price skimming tends to be a short – term strategy designed to maximize profits.

03. Leader Pricing (Loss leader) –

Loss leader pricing is an aggressive pricing strategy in which a store sells selected goods below cost in order to attract customers. Firms following this strategy believe that the loss arising out of the sale of such selected goods may be made good by additional purchase of profitable goods.

04. Price Bundling –

A marketing play in which several products are offered for sale in one combined unit that is often marked at a reduced price compared to the sum of their separate purchase prices. Fast food meals and cable television connections effectively use this technique by putting multiple products together to make a more attractive deal. This is also called package deal pricing.

05. Odd Pricing (Psychological Pricing) –

Price designed to have a positive psychological impact. There are certain price points where people are willing to buy a product. The retail prices are often expressed as "odd prices" : a little less than a round number, e.g., s. 19.98 or Rs. 2.98.

06. Multi – Unit Pricing –

It is a strategy of offering a lower price per unit for the purchase of two or more products of the same type, when bought together than when units are bought singly. For example company may charge Rs. 200 for a T-shirt. If two T-shirts are purchased, shop may charge him only Rs. 370.

07. Every Day Low Pricing (EDLP) –

It is a strategy of a retailer to charge lower price (than other retailers in the market), continuously for the goods sold by them.

08. One – Price Policy (single pricing) –

It is a pricing strategy in which the same price is offered to every customer who purchases the product under the same conditions. A one price policy may also mean that prices are set and cannot be negotiated by customers.

09. Variable Pricing –

This is a common approach used by retailers when the costs of offering certain goods and services and the level of market demand justify it. The objective is to optimize overall profit by offering the best prices at each point-of-sale. A common example of variable pricing is when a retailer offers different prices on its website than it does in stores.

10. Mark-up Pricing –

Mark up refers to the amount of profit that a seller adds to the cost price of a product to arrive his selling price. For example, a seller buys a product at Rs. 5 and sells it at Rs. 10, the mark is Rs. 5.

11. Product Line Pricing –

It is a product pricing strategy to be used when a retailer has more than one product in a line. For example, most computer manufacturers have basic models, business models and premium high graphic and / or gaming models. Each of those model levels has its own price point.

12. Geographic Pricing –

It involves setting different prices for different territories because of different transportation costs.

13. Target Pricing Business –

It is the method whereby the selling price of a product is calculated to produce a particular rate of return on investment for a specific volume of production. It is used most often by public utilities, like electric and gas companies and companies whose capital investment is high, like automobile manufacturers.

14. Price Discrimination –

It is the practice of setting a different price for the same product in different segments to the market.

15. Value based Pricing –

Value based pricing is also called value optimized pricing. It is the practice of setting the price of a product or service at its perceived value to the customer. This approach does not take into account the cost of the product or service, not existing market prices.

Value based pricing tends to result in very high prices and correspondingly high profits for those companies that can persuade their customers to agree to it.

Advantages of Value Based Pricing

- **Increases Profits –** This method results in the highest possible price that you can charge, and so maximizes profits.
- **Customer Loyalty –** Despite the high prices charged, you can achieve extremely high customer loyalty for repeat business and referrals, but only if the service or product provided justifies the high price.

Disadvantages of Value Based Pricing –

- **Niche Market –** the very high prices to be expected under this method will only be acceptable to a small number of customers. It may even alienate some prospective customers.

- **Not Scalable –** This method tends to work best for smaller organizations that are highly specialized. It is difficult to apply it in larger businesses where employee skill levels may not be so high.

- **Competition –** Any company that persistently engages in value based pricing is leaving a great deal of room for competitors to offer lower prices and take away their market share.

- **Labour Costs –** Companies practicing value based pricing is expected to provide superior services to their consumers. To provide such services, the company should hire highly skilled and professional workers. Such high end service will be quite expensive.

16. Markdown Pricing –

Markdown pricing is the temporary reduction in the selling price of an item to stimulate its demand or to drive a competitor out of the market. In this permanent markdowns are created to remove a slow-selling item from the inventory.

Seasonal markdown is applicable on products that are primarily sold during a particular time of the year, such as clothing, gardening products, sporting goods and holiday – specific items may see price reductions at the conclusion of its prime selling season.

Importance of Markdown Pricing –

- **i.** It attracts new customers.
- **ii.** It creates the opportunity to generate loyal customer base.
- **iii.** It helps to clear the stock out of the store.
- **iv.** It ensures the shelf space with fresh stock.
- **v.** It is used to get cash in hand.
- **vi.** It motivate customer who bargains to make a buying decision.

Price Sensitivity - :

All consumers are not created equal. Different consumers have different preferences, priorities and budget constraint. Some consumers are price sensitive and some or not.

Meaning of Price Sensitivity – It is amount by which changes in a product's cost and tend to affect consumer demand for that product. In other words, it reflects how purchase behaviour of a consumer changes with changes in price.

The degree of price sensitivity varies from product to product and from consumer to consumer. In economics, price sensitivity is commonly measured using the price elasticity of demand.

Factors Influencing Price Sensitivity

01. Unique Value Effect –

How unique is the product? Buyers have less price sensitivity if the product is unique. Many associations offer a wide variety of programs and services. Some are distinct in the marketplace, other are more commonplace. By determining to what extent products and services are unique, you can begin to determine whether or not the market will respond to changes in price.

02. Substitute Awareness Effect –

What is the availability of substitute products? Buyers have less price sensitivity if they are not aware of or if there are few substitutes. In today's media drive world, it is much easier for members to identify alternative products and compare features and price. As the member's awareness and knowledge of their choice increases, their price sensitivity increase.

03. Difficult Comparison Effect –

How easy is it for customers to compare products? Buyers have less price sensitivity if they cannot easily compare products.

04. Total Expenditure Effect –

What is the total expenditure necessary to purchase the product relative to their total income? Buyers have less price sensitivity when the total expenditure is low relative to total income. As a dues amount increases as a percentage of their total income, the more price sensitive the member becomes.

05. End Benefit Effect –

What is the total expenditure necessary to purchase the product relative to the total cost of the end product? Buyers have less price sensitivity when the total expenditure is low relative to total cost of the end product.

06. Shared Cost Effect –

To what extent is the cost of the product shared with other buyers? Buyers have less price sensitivity when the total expenditure is shared.

07. Sunk Cost Effect –

To what extent is this product used in conjunction with something already purchase? Buyers have less price sensitivity when the product is used in conjunction with a previously purchased product.

08. Price Quality Effect -

What is the perceived quality, prestige or exclusiveness of the product? Buyers have less price sensitivity when the product is assumed to be prestigious, exclusive, or to have particularly high quality.

09. Inventory Effect –

Can the customer store the product or keep it in inventory? Buyers have less price sensitivity when the product cannot be stored.

Place - : -

Retail location is considered to be one of the most important elements in retail decision. The right location is often critical to the success of a business. Poor location decisions are difficult and expensive to overcome. The best retail store locations are those that maximize visibility and access.

Place Mix –

Place mix is concerned with making available of the goods and services at right time, at right place, in right quantity. It includes ;

a) Distribution Channels – It includes agents, wholesalers and retailers.
b) Physical Distribution – It includes transport, warehousing and inventory.

Supply Chain - :

A supply chain is a system of organizations, people activities, information, and resources involved in moving a product or service from supplier to customer. Supply chain activities transform natural resources, raw materials, and components into a finished product that is delivered to the end customer.

In simple terms, supply chain represents a channel of distribution beginning with the supplier of materials or components, extending through a manufacturing process to the distributor and retailer, and ultimately to the consumer.

Supply Chain Management – {SCM}

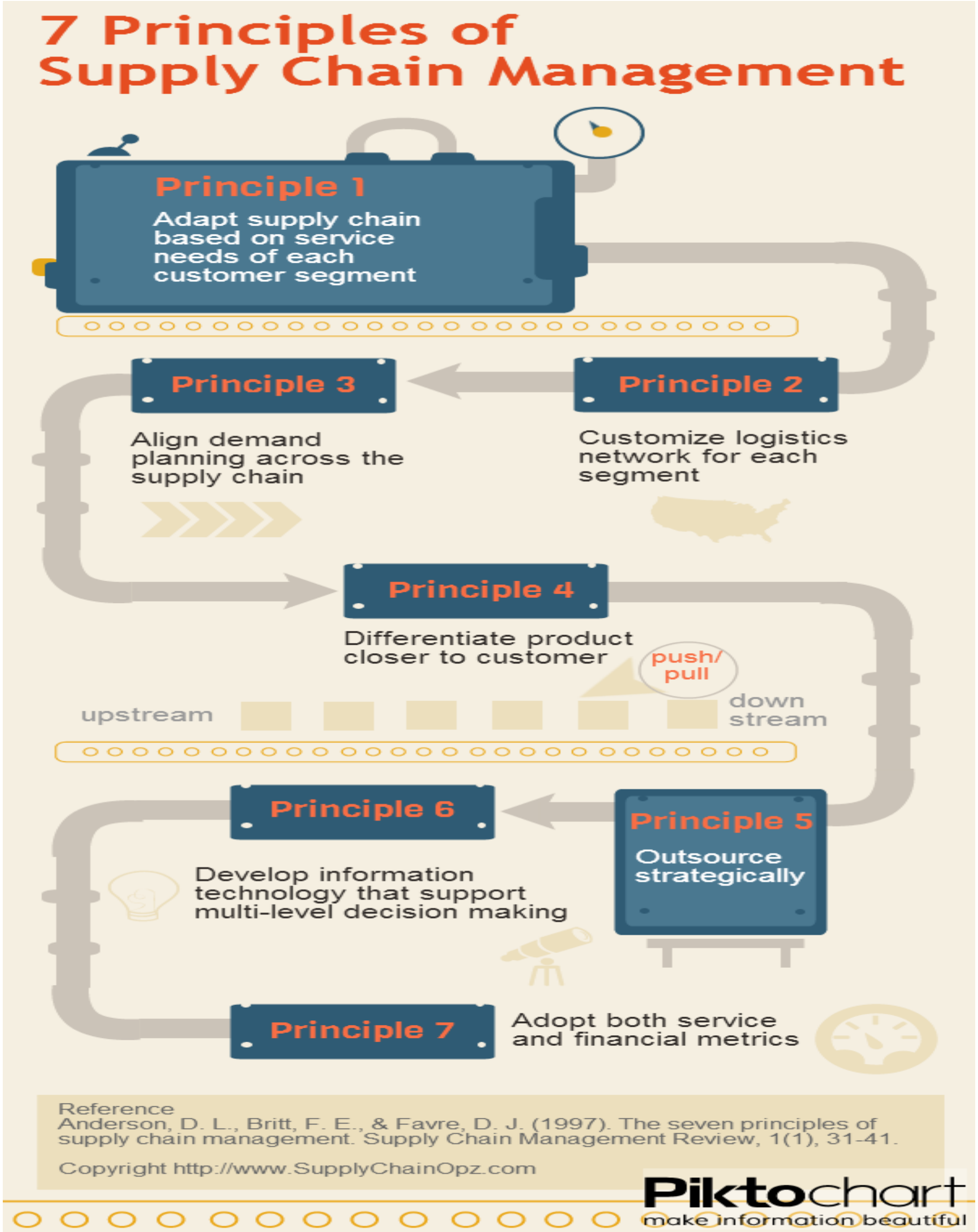
Supply chain management is concerned with the management of the flow of goods, flow of cash, and flow of information internally and externally of a company or a group of companies that share the same value chain.

It includes the movement and storage of raw materials, work-in-progress inventory, and finished goods from point of origin to point of consumption; cash or credit in purchasing or selling of products or services; as well as the information that conducts those activities, such as orders, demand forecast, or even picking list.

Supply Chain Management has been defined as the "design, planning, execution, control, and monitoring of supply chain activities with the objective of creating value to customers, building a competitive infrastructure, leveraging logistics, synchronize supply with demand and measuring performance.

SCM Principles - :

In order to gain competitive advantage and customer satisfaction, following "The Seven Principles of Supply Chain Management" written by David Anderson, Frank Britt and Donavon Favre. According to them, the seven principles of SCM are as follows :



Principle – 1 : Adapt Supply Chain based on service needs of each Customer Segment -

Both business people and supply chain professionals are trained to focus on the customer's needs. In order to understand customer better, we divide customers into a different group and we call it "segmentation". The most primitive way to segment customer is ABC analysis that groups customer based on the sales volume or profitability. Segmentation can also be done by product, industry and trade channel.

But segmenting customers by their particular needs equips a company to develop a portfolio of services tailored to various segments. Surveys, interviews and industry research are the tools for defining key segmentation criteria. The goal is to find the degree of segmentation to maximum profits.

Principle – 2 : Customize Logistics Network for each Segment.

Companies have traditionally taken a monolithic approach to logistics network design in organizing their inventory, warehouse, and transportation activities to meet a single standard. For some, the logistics network has been designed to meet the average service requirements of all customers; for others, to satisfy the toughest requirements of a single customer segment. For instance one paper company found radically different customer service demands in two key segments-large publishers with long lead times and small regional printers needing delivery within 24 hours.

Principle – 3 : Align Demand Planning Across Supply Chain

Sales and operations planners must monitor the entire supply chain to detect early warning signals of changing customer demand and needs. This demand driven approach leads to more consistent forecast and optimal resource allocation.

Principle – 4 : Differentiate Products Close to Customer

Companies today no longer can afford to stockpile inventory to compensate for possible forecasting errors. Companies forecasting errors, instead of they need to postpone product differentiation in the manufacturing process closer to actual consumer demand. This strategy allows the supply chain to respond quickly and cost effectively to changes in customer needs.

Principle – 5 : Outsource Strategically

Strategically manage the sources of supply by working closely with their key suppliers to reduce the overall costs of owning materials and services. SCM maximizes profit margins both for themselves and their suppliers.

Principle – 6 : Develop IT that Support Multi-Level Decision Making

It supports multiple levels of decision making and gives a clear view of the flow of products, services, and information. To sustain reengineered business processes many progressive companies have been replacing inflexible, poorly integrated systems with enterprise wide system.

Principle – 7 : Adopt channel – spanning performance measures.

It helps to gauge collective success in reaching the end-user effectively and efficiently.

Promotional Mix - :

Promotion means to push forward or to advance an idea in such a way as to gain its acceptance and approval. Promotion is any communicative activity whose main object is to move forward a product, , service or idea industries, a channel of distribution.

It is an effort by a marketer to inform and persuade buyers to accept, resell, recommend, or use the article, service or idea which is being promoted. Promotion is a form of communication with additional elements of persuasion. The elements of persuasion to accept ideas, products, services, etc., are the heart of promotion. The promotional activities always attempt to affect knowledge, attitudes, preferences and behaviour of recipients i.e., buyers.

Meaning of Promotion –

Promotion is the process of marketing communication involving information, persuasion and influence. Promotion has three specific purposes. It communicates marketing information to consumers, users and resellers.

Promotion has been defined as "the coordinated self – initiated efforts to establish channels of information and persuasion to facilitate or foster the sale of goods or services, or the acceptance of ideas or point of view."

Promotional Mix –

Promotional mix deals with informing about company's products or services to the potential consumers and stimulating them to purchase. It includes :

I. **Sales Promotion**
II. **Advertising**
III. **Public Relation**
IV. **Direct Selling**
V. **Personal Selling**

I. Sales Promotion -

Meaning :

Sales promotion refers to the activities which supplement and co-ordinate personal selling and advertising to attract customers to buy a product.

Definitions :

According to **William. J.Stanton,** "Sales promotion is an exercise in information persuasion and influence."

Characteristics of Sales Promotion –

- **i.** Sales promotion does not include advertisement, personal selling and publicity.
- **ii.** Sales promotion activities are not regular activities. There are purely temporary and are performed at certain times such as displays, demonstrations, expositions, exhibitions, free samples etc.,
- **iii.** It makes advertisement and personal selling more effective.
- **iv.** Sales promotion encourages dealers, distributors and consumers.

Objective of Sales Promotion Activities –

1. Providing Information –

The producer generally provides the information regarding the quality, uses, different uses of the products and the price etc to the consumers while introducing the product.

2. Increase in Sales –

The main purpose of all promotional activities is to increase the sales of the products of the company. Promotional activities increase the sales by changing the elasticity of demand of the product through various techniques, i.e, by distributing samples, free gifts, purchase premiums, discounts; etc. Such activities make the product popular.

3. Reducing Seasonal Decline –

In slack season, the promotional activities help in maintaining the sales of the product. Customers and middlemen are offered attractive discounts and free gifts along with the products to induce them to purchase their products.

4. To keep memory alive –

One of the objectives of the sales promotion is to keep the memory of the product alive in the minds of the present customers.

5. To induce middlemen to purchase more –

The middlemen-wholesalers-retailers are induced to purchase mere stock by offering more facilities such as credit facilities, higher trade and cash discount and free gifts etc.,

II. Advertising –

Advertising is a powerful communication tool directed towards specific target customers in order to carry the messages regarding a particular product, service or ideas, meaningfully and persuasively with a view to achieve certain specific objectives such as, to establish brand loyalty, expansion of the existing markets, increased sales volume, etc.

The basic objective of advertising of a concern is to increase its sales volume and profits. Advertising can be used to build up a long-term image for a product or trigger quick sales. It can efficiently reach geographically dispersed buyers.

Definition –

According to **American Marketing Association {A.M.A} "**Advertising is any paid form of non-personal communication of ideas, goods or services by business firms identified in the advertising message intended to lead to a sale immediately or eventually.**"**

Features of Advertising –

1. It is a paid communication where paid is made by the advertiser to the media owner.
2. It is non-personal salesmanship performing similar functions like personal salesmanship.
3. It has the ability to expose large groups of prospects at a low cost per prospect.
4. It can help to introduce a new product quickly.

III. Public Relation –

Meaning –

The part of public relations that is most directly related to promoting a company's product or services is called publicity.

Public Relation is an activity carried on between advertising, to make the public understand what the product actually is and thus posing a confidence in prospects about the product.

Definition –

"Public relation is the attempt by information, persuasion, and adjustment to engineer public support for an activity, cause, movement or institution."

Functions of Public Relations –

1. Communicating to the Shareholders –

Shareholders are a part of the business public whose goodwill and support are of vital importance for the existence and the success of any concern. In changing economy of India, new classes of investors are emerging out who have been attracted to invest their funds in industries.

2. Communicating with the Dealers –

As customers cannot be contacted, except through advertising campaigns, a more effective way of dealing with them is to approach them through dealers and hence it is necessary to communicate well to the dealers.

3. Communicating with the Customers –

Apart from quality and price of the product customer relations has become an important factor in influencing the customer's behaviour and attitudes and thus developing a better image of the product in their minds. The first thing in maintaining customer relations is to inform the customers all about the product and then assess what they know about it.

4. Communicating with the General Public –

Communication with public is altogether essential in developing a corporate image in the minds of the general public. It is, therefore, the necessary for the business to realize its social responsibility towards the public at large. It must take about its contribution to the solution of social problems and its association with good cause in the field of education, health and general welfare of the public.

5. Communicating with the Government and M.P's –

In India, the government plays a prime role in driving the economy and the business is independent for its existence, functioning and growth on government policies and action.

Communicating with the M.P's is not less important for the parliamentary proceedings receive a wide publicity. It is in the interest of the company to keep in touch with the M.P's and communicate about its problems and performance.

6. Communicating with the Employees –

The public relations department can and does play a vital role in providing the personnel department with better ideas and aids of communication, in its efforts to bring about improved working conditions, grievance procedures recruitment and promotional policies, employee training, recognition of exceptional performance and promotional policies, and educational, health, and welfare amenities.

The public relations director publish the house magazine, prepares reports on important topics, in addition to annual reports, and provides printed and visual material to promote employee consciousness on such subjects as safety, health, savings, planned families and so on.

7. Communicating with the Press –

Large public and private undertakings are always in the news and are always under the search light of public scrutiny and attention. These large organizations are often subject matter of the press. The public opinion is India is influenced and molded by what is read in the newspapers.

IV. Direct Selling –

It is the process whereby the producer sells to the user, ultimate consumers without intervening middlemen like the wholesaler, retailer or broker. Direct Selling offer many advantages to the customer including lower prices and shopping from home. It is also called ***Multi Level Selling.***

The Two forms of Direct Selling –

1. Repetitive Person-to-person Selling –

The sales person visits the buyer's home, job site or other location to sell frequently purchase products or services.

2. Party Plans –

The sales person offers products or services to groups of people through home or office parties and demonstrations.

V. Personal Selling –

Personal selling is a broader concept and involves oral presentation in conversation with one or more prospective buyer for the purpose of making sales. The purpose of personal selling is to bring the right products into contact with right customers, and to make certain that ownership transfers takes place.

Definitions –

According to the **American Marketing Association** as "Oral presentation in conversation with one or more prospective purchaser for the purpose of making sales."

Richard Buckish has defined the term as "Personal selling consists of contracting prospective buyers of a product personally."

Characteristics of Personal Selling –

1. Personal Confrontation –

Two or more persons come into active relation and each party is able to observe at close quarters the characteristics and needs of the other and make immediate adjustments and thereby make the encounter successful.

2. Cultivation –

Personal selling may lead to all kinds of relationship to a deep personal friendship.

3. Response –

Personal selling usually makes the prospects feel a sort of peculiar obligation for having listened to sales talk.

Human Resource Management in Retailing - :

Introduction

Human resource is a resource like any other natural resources. It means that management can get and use the skill, knowledge, ability etc., through the development of skills, tapping and utilizing them again and again.

Human resource is that process of management which develops and manages the human elements of enterprise. It is not only the attitudes and skill, knowledge, experience etc., but also with personal feelings, perceptions, desires, motives, attitude and values etc.,

So, human resource management will mean various aspects of human resources. Human resource is of paramount importance for the success of any organization. It is a source of strength and aid.

Meaning

Human resource management is concerned with the people who work in the organization to achieve the objectives of the organization. Human resource management the process of accomplishing organizational objectives by acquiring, retaining, terminating, developing and property using the human resources in the organization.

{**Acquiring :** The human resource people with talent and skill and motivation should be recruited. **Terminating :** Those employees who are unruly and do not follow the rules and procedures should be made terminated. **Developing :** Involves educating, training and made the human resources to accept any type of current or future work.}

According to Wendell L Franch

Human resource management refers to the philosophy, policies, procedures and practices related the management of people within an organization.

Nature of Human Resources Management

1. Part of process of management

Human resource is an integral part of process of management. It is a part of general management function. This is a function which is performed by all the managers throughout the organization rather than the personnel department only.

2. Comprehensive Function

The purpose of human resource management is to manage people at work. This function covers all types of people at all levels in the organization such managers, officers, supervisors, workers and all other person working in the organization. So it can be called a comprehensive function.

3. People Oriented

Human resources have people oriented approach. It deals with every person working in the organization from top to bottom. The employees are dealt with both individually and a groups. It tries to find out optimum arrangement between individuals, jobs organizations and environment.

4. Based on Human Relations

Human resource management is based on human relations approach. The employees are treated as assets and human capital. The employees are given a change to develop their full potential and derive full satisfaction from work. The interest, aptitude capacity and personality of the employees should be taken into account while exploiting their potential. Different persons have to be dealt differently.

5. Pervasive Functions

Human resource management is pervasive. It is inherent in all organizations. Human resource manage is useful in government organizations, sport bodies, armed forces. It is also undertakes recruitment, selection, training, development and utilization of people. Every manager has to deal with person in his department.

6. Continuous Process

Human resource management is continuous process. It has to be carried out every day and every time. Human resource management is concerned with the activities of personnel in the organization, since the activities happen continuously this function is also continuous process.

7. Science as well as art

Human resource management is both science as well as art. It is an organized body of knowledge consisting of principles and techniques. So it is called science. The handling of people and getting work from them is an art.

8. Recent Origin

Human resources management is of a recent origin as compared to other areas of management. It first emerged in the mid 1980's when two models were produced by American academies. These were christened by **Bonall (1992)** as the **"Matching model and Harvard Framework"**

9. Interdisciplinary

Human resource management is interdisciplinary in approach and application. It involves application of knowledge drawn from several disciplines like sociology, anthropology, psychology, economics etc.,

Manpower Planning (Human Resource Planning) - :

Meaning –

Manpower planning may be defined as a process by which the management ensures that the right number and the right kind of people are at the right place and right at time and are doing the right things (for which they are best suited) for the achievement of organizational objectives.

It is the process of developing and determining objectives, policies of procurement in relation to manpower. It involves anticipating the present and future requirements of the number and quality of work force in the organizations.

Meaning of HRP –

HRP is a plan of action formulated to meet the future human resources needs.

Definition –

According to **Stainer G** "Human Resource planning is strategy for the acquisition, utilization, improvement and preservation of enterprises human resources.

Importance / Benefits of Human Resource Planning

1. Future Personnel Needs

Planning is significant as it helps determine future personnel needs. Surplus or deficiency in strength is the result of the absence or defective planning. The problem of excess staff becomes so heavy that many units are resorting to voluntary retirement scheme to remove the excess staff. Absence of succession planning has resulted in a situation where many organizations functions without chief executives.

2. Coping with Change

Human resource planning enables an enterprise to cope with changes in competitive forces, market, technology, products and government regulations. Such change generate changes in job content skill demands and number and type of personnel.

3. Creating Highly Talented Personnel

Jobs are becoming highly intellectual and incumbents are getting vastly professionalized. Human resource manager must use his / her ingenuity to attract and retain qualified and skilled personal. Technology will often upgrade some jobs and degrade others. Jobs created and people hired when old technologies were in use become extinct, obsolete and redundant.

4. Protection of Weaker Sections

In matters of employment and promotions sufficient representation needs to be given to SC / ST candidates, physically handicapped, children of the socially and politically oppressed and backward class citizens.

5. International Strategies

International strategies depend upon HRP. The department's ability to fill key jobs with foreign nationals and reassignment of employees from within or across national, borders are major challenges facing international business. With the growing trend towards, global operations the need for human resource planning will grow, with need to integrate more closely HRP into the organizations strategic plans.

6. Foundations for Personnel Functions

Manpower planning provides essential information for designing and implementing personnel functions such as recruitment, selection, personnel movement (transfers, promotions, layoffs) and training and developing.

7. Increasing Investments in Human Resources

An employee who gradually develops his / her skills and abilities becomes a more valuable resources. Because an organization makes investments in its personnel either through direct training or job assignments. Human assets, as opposed physical assets, can increase in value.

8. Resistance to Change and Move

There is growing resistance among employees to change and move. There is also a growing emphasis on self – evaluation and on evaluation of loyalty and dedication to the organization.

9. Other Benefits

i. More time is provided to locate talent.

ii. Better opportunities exist to include women and minority groups in future growth plans.
iii. Better planning of assignment to develop managers to done.
iv. Major and successful demands on local labour markets can be made.

Challenges of Manpower Planning in Retail Sector –

01. Galvanizing Diverse Culture –

In an industry that is fast growing the organization is constantly on boarding employees from diverse backgrounds and with a wide range of experience. In this context, the challenge for the organization lies in galvanizing these backgrounds to create a unified culture that is its own.

02. Management of Ethical Dilemmas –

With a very young and heavily decentralized working population as well as store supervisors in age groups often ranging from 21 to 26. The organization often has no visibility on the interactions that happen between the store and the suppliers across India.

03. Unattractive Working Hours –

The store working hours are more compared to other industry. The employees are in need to work on weekends as well, which further makes the work requirements unattractive to many prospective employees.

04. Managing Compensation Expectations of Employees –

The retail industry operates with wafer-thin margins. Managing compensation expectations in a situation of scarce talent is a key challenge. The compensation structure in most retail organization has a substantial variable component that is linked to store performance.

05. Work Culture –

The customer-facing nature of the industry often results in emotional labour related issues of stress. The store level employees often come from under privileged backgrounds. They have to face affluent customers who may exploit the socio-economic divide that exists between them.

06. Building Capability –

The store supervisor or manager is often young and inexperienced. It has several young store executive reporting. HR holds the responsibility for building the capability of supervisors to lead and motivate their teams.

07. Few Retail Courses –

There are very few retail professional courses in India. Therefore, a retail organization often has to make substantial investments in grooming and enhancing employee capabilities. The diverse geographic spread of these employees makes this even more challenging.

08. Scarcity of an Experienced Talent –

The scarcity of an experienced talent pool in the retail industry in India means that HR needs to focus on building in house talent capability. Retail has created talent academies to build the capacity of their in house talent.

09. Matching Individual and Organizational Expectations –

Retail being a budding industry. It is next to impossible for HR to offer a concrete career path to the employees. This often impacts the employer brand equity of retail organizations when they scout for talent.

10. Enhancing Employee Productivity –

This is an era of cost-cutting and thin margins. HR has to focus on building manpower efficiencies and on ways to enhance employee productivity on an ongoing basis.

11. Balancing Empowerment –

Retail organizations are often heavily decentralized and have a distributed structure. Given this structure, a challenge for HR is in balancing empowerment at a store level with the necessary controls.

12. Job Insecurity –

There is a high degree of job insecurity that heavily impacts employee retention.

13. Employee Engagement –

The retail organizational structure brings in unique challenges in terms of keeping employees in distant, diverse locations engaged and excited about organizational goals.

14 Employee Rotation –

Employee rotation into new roles across the stores is essential. Many store executives come from relatively underprivileged socioeconomic backgrounds. For retail organizations that have invested heavily in training and grooming these employees, this becomes a heavy cost burden.

Recruitment and Training - :

Meaning of Recruitment

Recruitment is the process of attracting qualified applicants for a specific job. The process begins when applications are brought in and ends when the same is finished. The result is a pool of applicants, from where the appropriate candidate can be selected. In other words, Recruitment is the process of searching for prospective employees and stimulating them to apply for jobs in the organization.

According to **Business Dictionary. Com**

It is process of identifying and hiring the best qualified candidate from within or outside of an organization for a job vacancy, in a most timely and cost-effective manner.

Methods / Sources of Recruitment

I. Internal Sources -

Internal recruitment seeks applicants for positions from those who are currently employed.

1. Transfers -

Transfer involves shifting of persons from present job to other similar places. These do not involve any change in rank, responsibility and prestige.

2. Promotions -

Promotion refers to shifting of persons to positions carrying better prestige, higher responsibility and more salaries. The higher positions falling vacant may be filled up from within the organization. Promotions avenues motivate employees to improve their performance so that they get promotions to higher positions.

3. Present Employees -

The present employees of an enterprise may be informed about likely vacant positions. The employees recommend their relations or persons intimately known to them. The existing employees take full responsibility for those recommended by them and try to ensure their proper behaviour and performance.

II. External Sources

Every enterprise has to use external sources for recruitment to higher positions when existing employees are not suitable.

01. Advertisement

Advertisement is the best method of recruiting person for higher and experienced jobs. The advertisements are given in local or national press, trade or professional journals. The requirement of jobs is given in advertisements.

The prospective candidates evaluate themselves against the requirements of jobs before sending their applications. The management gets a wider range of candidates for selection.

02. Employment Exchange

It is run by the government are also a good source of recruitment. Employment exchange has been set up all over the country in deference to provisions of the Employment Exchange (Compulsory Notification of Vacancies) Act, 1959.

The act applies to all industrial establishments have 25 workers or more each. The act requires to all the industrial establishments to notify the vacancies before they are filled. Thus employment exchanges act as a link between the employers and prospective employees. These offices are particularly useful in recruiting blue-collar, white – collar and technical workers.

3. Campus Recruitment

Colleges, universities, research laboratories, sport fields and institute are fertile for recruiters. The I I M {**I**ndian **I**nstitute of **M**anagement**}** and I I T **{I**ndian **I**nstitute of **T**echnology} are on the top of the list of avenues for recruiters. The I I M's are an important source for recruiting management trainees.

4. Unsolicited Applicants

Persons in search of employment may contact employers through telephone, by post or in person. Generally employers with good reputation get unsolicited applications. If opening is there or is likely to their then these persons are considered for such jobs.

5. Casual Callers

Management may appoint person who causally call on them for meeting short term demands. This will avoid following a regular procedure of selection. These persons are appointed for short periods only. This method of recruitment is economical because management does not incur a liability in pensions, insurance and fringe benefits.

06. Labour Contractors

It is quite common to engage contractors for the supply of labour. When workers are require for short periods and are hired without going through the full procedure of selection etc. The persons hired under this system are generally unskilled workers.

07. Gate Recruitment

Wherever some workers are on leave then some persons may be employed for some days. Whenever there are vacancies, these may be written on the notice board at the factory gate. Those who are interested to get work may approach the concerned persons.

08. Walk-in Interviews

An advertisement is inserted in newspapers giving the nature of vacancies and the type of person required. The candidates are asked to call at particular place along with their bio-data and certificates. The interviewers conduct interview whenever some candidate appears for this purpose.

09. Competitors

The completing firms are also taken as a source for recruiting middle or higher level managers. If some suitable persons is available in another concern then he may be approached by offering higher salary and other perks. This method is called poaching or raiding approach.

Training - :

Training is the organized activity. It aims at imparting information to improve the recipient's performance. It helps employees to attain required level of knowledge or skill.

Meaning –

Training is an organized procedure by which people learn knowledge and acquire and skills they need for a definite purpose. Training is what is done to the trainee.

This training is rooted in the learning process, and "learning is that human process by which skills, knowledge, habits and attitudes are acquired and utilized in such a way that behaviour is modified."

In other words, training causes learning, a process that takes place within the trainee, in which behavioural changes occur as a result of experience.

Some Important Needs for Training –

1. Increased Productivity –

Increase in skill usually results in increase in quantity, quality and output. A trained worker gives improved performance. Machines and materials are more economically used.

2. Higher Employee Morale –

Possession of needed skill helps to meet such basic human needs, are security and ego satisfaction. Training inculcates feelings in the minds of workers that they are properly cared for, and the employer is sincere to them. A trained worker gets job satisfaction and he is loyal to the organization. Thus, when workers are adequately trained, labour management relations are better.

3. Reduced Supervision –

When labour is trained, we have easy and smooth control and supervision. That is why training is recognized as a vital aspect of managerial control. Management can concentrate on planning and encourage expert workers through motivation.

4. Reduced Accidents, Spoiled Works, Damage to Equipment and Machinery –

When labour is trained, workers can contribute substantially to reduce the accident rates as they can develop safety attitudes and they can take necessary precautions to avoid accidents.

5. Increased Organizational Stability and Flexibility –

Stability means the ability of an organization to sustain its effectiveness, despite the loss of key personnel, because we have a reservoir of trained replacements. Flexibility means the ability of an organization to adjust itself to the short-term changes in the volume of work. It requires personnel of multiple skills so that they can be transferred to other jobs where the demand is more.

6. Self – development, Versatility and Adaptability –

Automation and computerization demand adaptability to new work methods. The workers have to learn the use of new kind of equipment; they have to adjust themselves to major changes in the job contents and work relationship. Technological changes bring about changes in work situation rapidly and when automation is introduced, the management has to face the problem of re-training of employees.

7. Reduced Turnover and Absenteeism –

When the employees are so well trained and they experience the direct satisfaction associated with a sense of achievement and the knowledge, there is very little scope for worker dissatisfaction, complaints, absenteeism and labour turnover.

8. Talent Search –

Training also helps in locating talents and giving them ample scope for further development by means of quick promotions. It also enables spotting of mistakes made in the selection of workers.

Types of Training –

1. Induction or Orientation Training –

Induction training is training given to new employees. The purpose of the induction period (which may be a few hours or a few days) is to help a new employee settle down quickly into the job by becoming familiar with the people, the surroundings, the job and the business.

2. Job Training -

The purpose of job training is to increase the knowledge of workers about the jobs with which they are concerned so that their efficiency and skill of performance are improved. In job training, workers learn correct methods of handling machines and equipment, avoiding accidents, removing bottlenecks etc.

3. Promotional Training –

Many concerns have adopted a policy of filling some of the vacancies at higher levels by promoting existing employees. When existing employees are promoted in the organization, they are required to shoulder new responsibilities.

4. Refresher Training –

Refresher training is arranged for existing employees in order to enable them to revive and improve their knowledge.

Methods of Training & Development –

I. On-the-Job Training Methods –

On-the-Job (OTJ) is a form of training taking place in a normal working situation. On-the-Job training, sometimes called direct instruction, is one of the earliest forms of training (observational learning is probably the earliest).

3. Off-the-Job Training –

Off the job training is the employee training at a site away from the actual work environment. It often utilize lectures, case studies, role playing, simulation etc.,

Compensation - :

Compensation may be defined as "Money received in the performance of work, plus the many kinds of benefits and services that organizations provide to their employees." "Money" is included under

I. **Direct Financial Compensation**
   a. **Pay received in the form of Wages**
   b. **Salaries**
   c. **Incentives**
   d. **Commissions**
   e. **Bonuses**

II. **Indirect Financial Compensation**
   a. **Life, Accident and Health Insurance**
   b. **Retirement Plans**
   c. **Pay for Vacation or Illness**

In other words, "Compensation is the remuneration which an employee receives in return for his and her contribution to the organization."

Objectives of Compensation –

1. To get qualified Competent Personnel –

Remuneration plays a major role for any employee when they decide upon their career. Qualified and competent people join the best paid organizations. So, organization should aim at compensation where they can attract competent and qualified people.

2. To retain the present employees –

The organization should keep a check on employee compensation which should be favourable comparable with other organizations.

3. To secure internal and external equity –

Equity should be maintained among the employees. External equity implies payment of similar wages when comparable with other organizations.

4. To ensure desired behaviour –

Good rewards reinforce desired behaviour like performance, loyalty accepting new responsibilities and changes etc.

5. To keep labour and administrative costs

6. To facilitate payroll

7. To promote organization

8. To simplify collective bargaining

Performance Appraisal Methods - :

Meaning of Performance Appraisal

"It is the process of evaluating the performance and qualifications of employees in terms of requirement of the job for which one is employed, for the purpose of administration including placement, selection for promotions, providing financial rewards and other actions which require differential treatment among the members of group as distinguished from actions affecting all members equally."

Thus, it is process of estimating or judging the value, excellence, qualities or status of employees individually or collectively in a group. Performance appraisal is a part of staffing process.

Performance Appraisal Methods - :

I. Past Oriented Methods –

1. Ranking Method –

Under this method, al the employees in a work group are ranked one against the other. For example, if there are 30 workers in a work group, the most efficient employee may be ranked as number one and the least efficient employee as number thirty.

This method is useful only if the number of employees is very small. For big concerns employing a large number of employees, this method is not very well suited.

2. Rating Scales Methods –

Rating scales consists of several numerical scales representing job related performance criterions. Each scales ranges from excellent to poor. The total numerical scores are computed and final conclusions are derived. It includes :

- Dependability
- Initiative
- Output
- Attendance
- Attitude etc.

Advantages of Rating Scales Method –

- Adaptability
- Easy to use
- Low cost
- All type of job can evaluated
- Large Number of employees covered

3. Checklist Method –

Under this system, the rater is presented with a number of questions in the form of check lists relating to the employee and his behaviour, and he will have to indicate his answers to the questions with a tick mark in the **"Yes"** column or **"No"** column provided for that purpose.

4. Forced Choice Method –

The series of statements arranged in the blocks of two or more are given and the rater indicates which statement is true or false. The rater is forced to make a choice.

5. Forced Distribution Method –

In this method the employees are rated for overall performance and not for each trait. This method requires the rate to distribute his rating to follow predetermined distribution. This method is easy to understand and to administer and also minimizes or eliminates the bias of the rater.

For example, a group of workers doing the same job would fall into some such groupings as superior, above average, average, below average, and poor, and the rate may put 10% of the worker in the 'superior' category, 20% in the 'above average' category, 40% in the 'average' category, 20% in the 'below average' category and 10% in the 'poor' category.

6. Critical Incident Method –

According to this method, the performance of an employee is rate on the basis of certain events or incidents which may have really happened. Some examples of such events or incidents are as follows :

- Refused to co-operate with fellow workers.
- Suggested a method to improve the quality of goods.

7. Behaviorally Anchored Rating Scales Method –

Under this method statements of effective and ineffective behaviour determine the points. They are said to be behaviorally anchored. The rate is supposed to say, which behaviour describes the employee performance.

8. Field Review Method –

Under this method, a trained employee from the personal department, interview the supervisors about their respective subordinates. The supervisor is asked to give his opinion on his subordinates regarding their performance, progress etc., and on the basis of this, the personnel department specialist prepares detailed notes.

This method is useful for large organizations with a large number of employees and appears to overcome a number of weaknesses found in some of the other methods of appraisal. But this method may be successful only if the interviewer is properly trained and has the competence to interview.

9. Performance Tests and Observations Method –

This method is based on the test of knowledge or skills. The tests may be written or an actual presentation of skills. Test must be reliable and validated to be useful.

10. Essay Method –

In this method the rater writes down the employee description in detail within a number of broad categories. It includes :

- Overall Impression of Performance
- Promote ability of employee
- Strengths and Weakness
- Training needs of the employee

11. Cost Accounting Method –

In this method performance is evaluated from the monetary returns yields to his or her organization. Cost to keep employee, and benefit the organization derives is ascertained.

II. Future Oriented Methods –

1. Grade Structure –

Typically companies in the retail sector have 12-14 job levels with 4 levels earmarked for junior management; 3-4 levels for middle management, 3 levels for senior management and 2 levels for top management. Designations hold immense significance in the Indian market and currently used a tool to attract and retain young talent.

2. Management By Objectives –

In this method the performance is rated against the achievement of objectives stated by the management. It includes :

- Establish goals and desired outcomes for each subordinate
- Comparison of actual goals with goals attained by the employee
- Establish new goals and new strategies for goals not achieved in previous year.

3. Psychological Appraisals Method –

It is done in the form of in-depth interviews, psychological tests and discussion with supervisors and review of other evaluations. It is more focused on employees emotional, intellectual and motivational and other personal characteristics affecting his performance.

4. 360-Degree Feedback Method –

It is a technique which is systematic collective of performance data on an individual group, derived from a number of stakeholders like immediate supervisors, team members, customers, peers and self. This technique is highly useful in terms of broader perspective, greater self-development and multi-source feedback is useful. 360-Degree appraisals are useful to measure inter-personal skills, customer satisfaction and team building skills.

Retail Logistics - :

Meaning –

Retail logistics involves planning, implementing and controlling the physical flows of materials and final goods from points of origin to points of use. It helps to meet customer requirements at a profit.

It involves several activities. It is the planning process as well as the implementation of efficient and effective storage of raw materials, inventory, finished goods and services. It also refers to the flow and transportation of product from the warehouse to the consumer.

Computerized Replenishment System - :

Meaning –

It is a powerful strategic weapon for retailers. It is the preparation of order by computer integrating information about product movement (as recorded by point of sale equipment), outside factors that affect demand (such as seasonal changes), and actual inventory levels, product receipts and acceptable safety stock levels. Inventory data integrity is maintained by cycle-counting.

In other words, it is an operation that consists in making the stock full again in order to avoid stock-out. Replenishment is typically initiated by a background passed to a supplier or to manufacturer, possibly sent through EDI.

Benefits of Computerized Replenishing System –

1. Eliminates the need for weekly ordering –

Auto – replenishment creates weekly purchase order automatically.

2. Reduces administrative Costs –

There is no need of date analysis regarding the level of inventory. All such analysis is done by the system automatically and purchase order decisions are made by the system itself.

3. Allows the company to focus on core activities –

No need to waste lot of time in just tracking the level of inventory. As these activities are efficiently handled by the system, company can concentrate on its core business operations and plan for customer satisfaction and value creation.

4. Keeps store locations organized –

The system automatically indicates the non-selling items. This helps company to take necessary actions to clear them at the earliest, or take necessary actions to improve the sales. This avoids unnecessary wastage of store places.

5. Provides Flexible Reporting –

Retailer can generate different types of reports on performance of each category, and each item of inventory. These comprehensive reports can be used for proper decision making.

6. Simplifies entire procurement process –

There is a minimum human intervention. It avoids human errors. Therefore, it ensures minimal human intervention, maximum attention to details, and avoids costly human errors.

7. Increases sales by having the right stock –

Reduces stock outs since orders based on customer demand forecasts and promotional planning.

8. Increases cash flow by giving control of inventory –

By combining actual sales trends with predetermined minimum and maximum values the company can control the return on investment.

9. Increases margin by reduce obsolete inventory –

It helps in knowing slow moving or non-moving inventory in the store. Company can take necessary to sell these inventories before they become obsolete.

Corporate Replenishment Policies –

An inventory policy is a standard set of rules / boundaries and guidelines that provide the framework for an organization to make better informed and timely decisions on which stock to purchase or manufacture, how much stock to purchase or manufacture and where to store and distribute to customers.

Module – 5

Impact of Information Technology in Retailing

Introduction - :

Technology plays a key role in today's business environment. Many companies greatly relay on computers and software to provide accurate information to effectively manage their business. On way that any corporations have adopted information technology on a large scale is by installing Enterprise Resource Planning (ERP) systems to accomplish their business transaction and data processing needs.

The importance of information technology in retail stem from the importance of data. Data is nothing but information that aids decision making. The right data, in the right form to the right setoff people at the right time, is one the greatest tools in the hands of the retailer. Information is always with reference to a particular time frame.

Let us consider an example of a customer at a department store. After selecting some goods he proceeds towards the billing counter. Here the billing clerk scans each product at the POS (Point of Sale) terminal the total number of items and the bill amount is added up. While doing so he has so checked with customer if he is a member of the store's loyalty program. The customer confirms that he is, gives him the store card for entry makes the payment by way of credit card and exits the store with his purchases. The retail industry is one that lives and dies on margins.

Non-Store Retailing - :

Meaning –

Non-store retailing is a form of retailing in which sales are made to consumers without using stores. Therefore, the selling of goods and services without establishing a physical store is known as Non-Store Retailing.

It includes such services are vending machines, direct-to-home selling, telemarketing, catalog sales, mail order, and television marketing programs. In case of non-store retailing retailers use such methods to sell products that do not have customers physically visiting a retail outlet.

Electronic Retailing (e-retailing) - :

Electronic Retailing is the sale of goods and services through the internet. Electronic retailing or (e-tailing), can include business-to-business and business-to-consumer sales.

Features / Advantageous of Electronic Retailing –

01. Round the Clock Business –

With this distinct mechanism of commerce, the merchant can sell round the clock, everyday of the week, 24 hours a day and 365 days a year. There is no need to hire a clerk to run the store. This makes potential business for the merchants and organizations.

02. Consumer Convenience –

Trading online makes it easy for people to buy from merchants online. The convenience of shopping from anywhere and at any time, from home or office is the major reason for consumers to buy online. Internet processing, credit card processing software point or sales etc., made it more convenient for the consumer to buy online.

03. Level Playing Field –

E-commerce is open to one and all regardless of size and shape. On the internet no one knows you are a small business. As long as you have product to sell or buy, you are on the Net. It does not matter whether the business is small, medium or small. You can compete with the big players also.

04. Cost Effective –

As new a medium of business, the Net afford the lowest transaction cost among all other methods of doing business. The WWW helps to promote services and ideas for a fraction of the cost of traditional advertising and marketing. There is no printing cost and no postage cost. It is cost effective because there is no maintenance cost, stationery cost and other costs.

05. Simplicity –

It is easy for customer to buy and sell products online with fast applications. Web pages can easily be updated. The process of e-commerce is simplified by adding products or services, product information, viewing orders, downloading order and other administrative tasks are made easy.

06. Access to All Markets –

A web marketer can attract customers located all over the world, compete for the global market, build global chain and operate with global strategies. Opening website is the equivalent of opening branches everywhere in the world.

07. Reduction in setup cost –

With web marketing, marketer can conduct his operations without decorative showrooms or retail shops. It reduces warehouse cost and staff cost. Marketer can operate with just one central warehouse and a small team of staff.

08. Many products and services from a single stop –

A web market can offer a variety of services and products to the customer from a single website, a single stop on the net. He is able to do this because the web provides direct and interactive access to the customer.

09. Quick Service –

In modern times, speed has become a major ingredient of successful marketing. The marketing process can be completed within a shortest possible time. This helps the marketer to enhance customer value.

10. Transparency –

Web marketing provides for very high degree of transparency about business transaction, which was unknown in business transactions hitherto. There is no suppression of information. By browsing through the web, buyers can become aware of just about all sellers selling the particular product and their prices and terms.

11. Creating new business models –

With e-commerce, one can create completely new business models. In mail order companies, there is a high cost of printing and mailing catalogues. There is also high cost of staffing including the order-taking department that answers the phone.

12. Security and Privacy –

Today, secure encryption technology is available to provide high security to the data. Protocol securities are now available which assures the customers that their personal sensitive data is protected by most sophisticated systems.

13. Instant Payment –

In recent years, markets do not like to accept cash or cheques. The problem with a cheque is that it may get bounced sometimes. In a credit card (smart card) and ATM the merchants can get nearly instant approval and goods can be sent out immediately.

14. Increase Market Share –

The internet is everywhere. It is changing the business environment in a great way. Small businesses are it to reach wider section of consumers. Retailers on the internet are doing potential businesses on groceries, books, toys, music, electronic goods and sending e-greeting to the customers. Customers are accessing websites over the world, all at the click of the button. It increases market size and has become electronically enabled.

15. Accuracy of Information –

Accuracy of information regarding schemes, discounts etc are all available accurately. This actually makes him want to buy more. This is one the reasons as to why web marking is so popular today.

16. Consumer can 'get more for less'

With the web marketing, consumers can get more value for their money. Web marketers make competitive offers to the customers. Because of the exhaustive information, wide range of goods, interactive communicative and more has helped customers to get more than what they pay for goods or services.

17. Lower Transaction Cost –

If an e-commerce site is developed well, the web can significantly lower both order taking cost and customer services costs.

The Important Challenges / Impact of Information Technology in Retailing (e-retailing) - :

01. Lack of Awareness –

Most of the business people do not understand the significance and importance of the electronic business medium or are unsure of the quality and delivery schedule, physical delivery of goods and mode of payment.

Lack of awareness of the technology and its potential benefits are also equally responsible for the poor growth of e-retailing. Lack of interest and willingness to make a paradigm shift has become a crucial issue. Many companies are not willing to accept that their business needs a revolutionary change to subsist in the potentially digital world.

02. Lack of Confidence –

The people in India still show hesitancy in buying through the Net. Lack of quality products, timely delivery of products as some of them tend to go out of stock, lack of solutions security are the potential reasons for not developing e-retailing. People don't understand this new way of buying and selling products i.e., the services in a digital environment which are available online.

03. Skeptic Attitude –

Though the Internet is continuing to grow at rapid rate, along with e-retailing transactions, the shoppers are still skeptical about safety and have not been quick to trust sending personal information such as credit card numbers or address over the net.

04. Credit Card Frauds –

In India, distribution channels are just one part of the problem related to e-payments. The bigger problem is that of security. All credit card related transactions are approved offline and given the high incidence of frauds. In fact, there are some unconfirmed reports of a multi-national bank refusing to approve credit card transactions carried out by a large Indian portal.

05. Absence of Tax Laws –

E-retailing over the net has effectively eliminated national borders. Net business posed many peculiar technological and legal problems making it difficult to impose tax and formulate a sound taxation policy. The following are the various tax implications e-commerce;

- There is not fixed physical location for the internet.
- It is difficult to monitor or prevent transmissions of information or electronic cash across the net.

06. Cyber Laws –

There should not be any legal regulations, or barriers to faster and increased development of e-retailing. The crying need of the hour is urgent action to be taken by the government to enact cyber laws including electronic fund transfer, and amendments of Official Secrets Acts.

07. Stock Dilemma –

Many people are not too happy with e-retailing trends. Though online shopping may be growing but so is frustration with it. A key source of dissatisfaction is the out of stock dilemma. In most cases, advertised products or services are not available. The options of feedback and not receiving suggestions are also reasons for annoyance.

08. Lack of Skills and Expertise –

Lack of skilled and trained personnel impedes the growth of implementation of IT related e-retailing. The use of the Net for trade requires a complex introduction of servers, browser software and knowledge of web design, hosting, promotion and many more skills. It requires understanding many new things. Many Indian businesses are not prepared to approach electronic commerce.

09. Inadequate Government Role –

The government is not taking a serious view of e-commerce related information technology in terms of its promotion. Government is not playing an active role of by enacting different comprehensive cyber laws, bringing amendments to the existing business laws, not formulating a favourable IT policy and not making positive intervention when needed and ensuring adequate infrastructure.

10. Preferring Foreign Sites –

Online shoppers in India do not prefer Indian websites to a large extent and prefer US and other foreign websites. There are many reasons for this as they provide better selection, prices, stock, quality products, payment process security, customer service and wide variety of sites among other things.

<u>Integrated Systems and Networking - :</u>

Meaning of System Integration –

System integration is the process of bringing together the component subsystems into one system and ensuring that the subsystems function together as a system.

Meaning of Networking –

Networking is creating a group of acquaintances and associates and keeping it active through regular communication for mutual benefit.

Importance of Integrated Systems and Networking in Retail

01. Merchandise Management –

The items purchased provide information on merchandise sold in the store. This is the basis of sales analysis and decisions on replenishment, re-ordering and merchandise planning. This is information helps to reduce production time. This helps to avoid situation of stock out.

02. Managing Finance – It helps in;

- Strong expense management
- Revenue management
- Ensures complete real-time visibility
- Financial performance of the entire business

03. Collecting Information –

The use of technology aids information collection. It can be about consumers, frequency of their buying and the typical basket size etc. This information helps the retailer distinguish the customer who shops at his store frequently and also reward them. The data on purchase made is also passed on to the credit card organization for payment to the merchant establishment and also for billing the customer.

04. Operations Efficiency –

The information technology is the basis for integrating the functioning of various departments. A retailer has to invest in technology. However the benefits of the use of information technology are many. As the process gets automated the time involved in particular task is reduced. For example, billing manually takes a longer time compared to using a technology at the point of sale systems.

05. Effective Communication –

Communication within the organization can be faster with the use of software. Retail stores can communicate with each other and with warehouses. Electronic Data Interchange (EDI) can also used for communication with suppliers and vendors. The information needs of the retailers largely depend on the size and the spread of the organization.

06. Business Intelligence –

It helps to improve business agility, visibility and decision-making. Analyze sales and item movement data to understand demand, optimize staffing levels and improve inventory turn.

Electronic Data Interchange (EDI) - :

Meaning –

EDI is an electronic communication system. It provides standards for exchanging data via any electronic means. By adhering to the same standard, two different companies, even in two different countries, can electronic exchange documents. For example : purchase orders, invoices, shipping notices etc.

Definition –

In 1996, the National Institute of Standards and Technology defined EDI as "the computer-to-computer interchange of strictly formatted messages that represent documents other than monetary instruments.

EDI can be formally defined as "The transfer of structured data, by agreed message standards, from one computer system to another without human intervention."

Steps Involved in EDI –

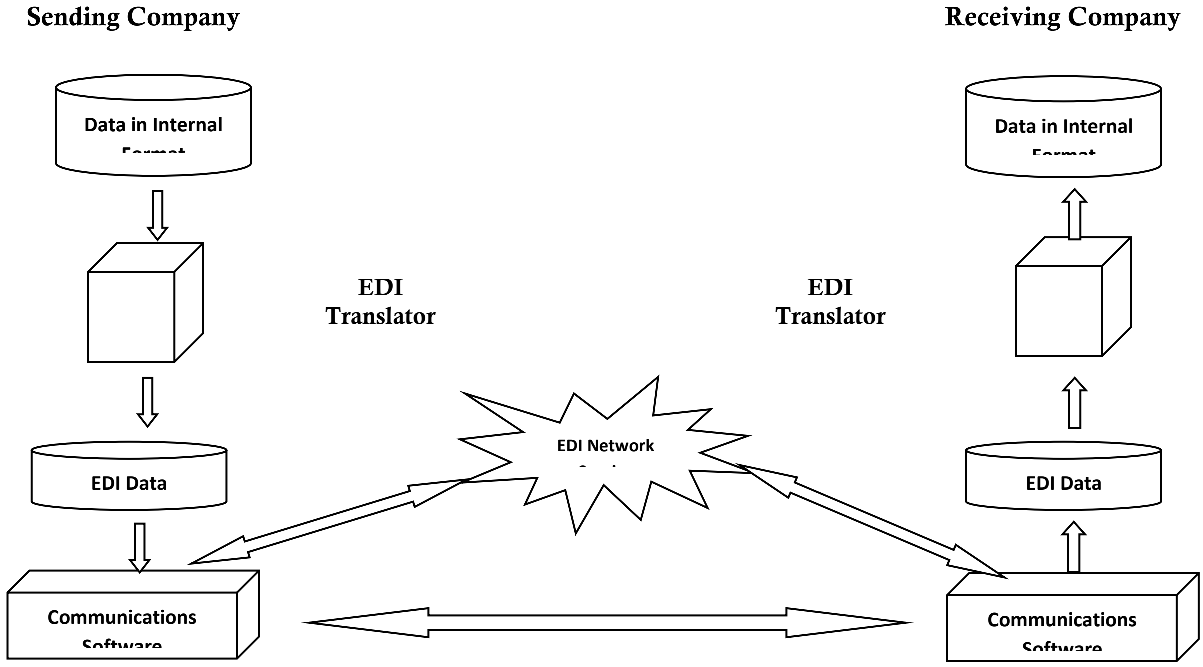


Fig : Process of Data flow in EDI

I. Steps the Sender Must Take

- **Document Preparation :** Information necessary to produce a business document (purchase order, invoice, etc.,) is collected in an electronic file.
- **Outbound Translation –** The electronic file is converted by the sender's translation software into the standard format (following ASC X12 standards and Rail Industry Guidelines)
- **Outbound Communication –** The sender's computer connects to a VAN – Upon successful receipt, the VAN processes and routes the transaction to the electronic mailbox of the receiver.

II. Steps the Receiver Must Take

- **Inbound Communication –** The receiver's computer connects with the VAN and receives any files waiting in its electronic 'in' box.
- **Inbound Translation –** The receiver's translation software 'maps' or translates the electronic file from the ASC X12 standard message format into a format that the receiver's financial system can understand.
- **Document Processing –** The receiver's internal document processing system takes over and the newly received document is handled according to normal internal procedures.

Transmission EDI - :

Trading partners are free to use any method for the transmission of documents. The transmission of EDI includes;

01. Value-Added Networks –

To address the limitations in peer-to-peer adoption of EDI, VANs (value-added networks) were established. A VAN as a regional post office. It receives transactions, examines the **'from'** and the **'to'** information, and routes the transaction to the final recipient. The uses of VANs are;

- It provides retransmitting documents
- It provides third party audit information.
- It acts as a gateway for different transmission methods.
- It helps in handling telecommunications support.

02. Serial Communications –

At one time a common method of transmitting EDI messages was using a Bisync modem; one partner would have one or more modems set up to receive incoming calls, and other would call it with their own modem.

03. Internet –

As more organizations connected to the internet, eventually most or all EDI was pushed onto it. Initially, this was through ad-hoc conventions, such as unencrypted FTP of ASCII text files to a certain folder on a certain host, permitted only from certain IP addresses.

04. Peer-to-Peer –

EDI standards are written such that trading IU partners could connect directly to each other.

Features of Electronic Data Interchange –

1) It implies a sequence of messages between two parties, either of who may serve as originator or recipient.
2) The formatted data representing the documents may be transmitted from originator to recipient via telecommunications or physically transported on electronic storage media.
3) It distinguishes electronic communication or data exchange.
4) In EDI, the usual processing of received messages is by computer only.
5) EDI message and are not normally intended for human interpretation as part of online data processing.
6) It is the transfer of structured data, by agreed message standards, from one computer system to another without human intervention.
7) It provides a technical basis for commercial conversations between two entities, either internal or external.
8) EDI standard describes the rigorous format of electronic documents.
9) Human Intervention in the processing of a received message is typically intended only for;
   a. Error conditions
   b. Quality review
   c. Special situations
10) It constitutes the entire electronic data interchange paradigm. It includes :
    a. Transmission
    b. Message flow.
    c. Document format
    d. Software used to interpret the documents

Bar Coding - :

Bar Coding is a series of parallel vertical lines (bars and space), that can be read by bar code scanners. It is used worldwide as part of product packages, as price tags, carton labels, on invoices even in credit card bills. When these bar codes are read by scanners, the details of the data re made available to the users.

Factors of Bar Code System for Retail Business

01. Evaluate Product Line –

Barcodes can help to manage inventory. It makes administration much easier. When setting up a barcode system the retailers need to;

- Consider the size of actual products.
- Requirements of tags for clothing items.
- Requirements of labels.
- Identifying bar coding system suitable for business.

02. Decide on Bar Coding Needs –

Some wholesalers and retailers have their own bar coding systems. It is possible to get a system that allows to print own barcode labels or tags which can then place on products. The retailers need to consider how they incorporate the barcode system.

03. Industry Specializations –

When it comes to actually pricing and shopping around between different barcode systems the retailers needs to use the resources at disposal to find out which one is best for business. Contact an industry association and ask for their recommendations.

04. Cost Considerations –

Retailers have the impression that barcode systems are expensive and will just push up their operating costs. When considering barcode systems, they need to also evaluate the long-term benefits for business. A great advantage of bar coding is the added efficiency that it provides to business.

Advantages of Bar Coding –

01. Barcodes eliminate the possibility of human error –

The occurrence of errors for manually entered data is significantly higher than that of barcodes. A barcode scan is fast and reliable, and takes less time than entering data by hand.

02. Using a barcode system reduces employee training time –

It only minutes to master the hand-held scanner for reading barcodes. This also makes employee training less expensive, since they do not have to be paid for extra training time, and another employee does not have to be compensated for training them.

03. Barcodes are inexpensive to design and print –

Generally they cost mere rupees, regardless of their purpose, or where they will be affixed. They can be customized economically, in a variety of finishes and materials.

04. Barcodes are extremely versatile –

They can be used for any kind of necessary data collection. This could include pricing or inventory information. This could include pricing or inventory information. Additionally, barcodes can be attached to just about any surface, they can used to track not only the products themselves, but also outgoing shipments and even equipment.

05. Inventory control improves –

Barcodes make it possible to track inventory so precisely, inventory levels can be reduced. This translates into a lower overhead. The location of equipment can also be tracked, reducing the time spent searching for it, and the money spent replacing equipment that is presumed lost.

06. Barcodes provides better data –

Barcodes can be used for inventory and pricing information, it is possible to quickly obtain data on both. They provide fast, reliable data for a wide variety of applications.

07. Data obtained through barcodes is available rapidly –

Since the information is scanned directly into the central computer, it is ready almost instantaneously. This quick turnaround ensures that time will not be wasted on data entry or retrieval.

08. Barcodes Promote better decision making –

Data is obtained rapidly and accurately, it is possible to make more informed decisions. Better decision making ultimately saves both time and money.

Electronic Article Surveillance (EAS) - :

EAS is a technological method for preventing shoplifting from retail stores, pilferage of books from libraries or removal of properties from office buildings. Special tags are fixed to merchandise or books. Theses tags are removed or deactivated by the clerks when the item is properly bought or checked out. At the exists of the store, a detection system sounds an alarm or otherwise alerts the staff when it senses active tags.

Therefore, EAS systems are designed to help retailers boost their sales and protect their profits by increasing open merchandising opportunities while reducing shoplifting and internal theft.

Electronic Shelf Labels - :

It is a modern system used by retailers for displaying product pricing on shelves and these are attached to the front edge of retail shelving. ESL units are typically compact credit-card sized devices designed to replace traditional paper shelf labels or individual sticker pricing.

The process involves the use of liquid crystal device (LCD) that replaces paper shelf labels at the retailer's shelf edge. Changing thousands of paper shelf labels per week is a costly and a lengthy exercise.

In today's competitive market environment, retailers are promoted to look for means of increasing their profitability and productivity. As a result, they are pursuing more effective management, focused on both the purchasing function and control over selling prices.

Customer Database Management System - :

CDM embraces a range of software or cloud computing applications designed to give large organizations rapid and efficient access to customer data. Survey and data can be centrally located and widely accessible within a company, as opposed to being warehoused in separate departments.

CDM encompasses the collection, analysis, organizing, reporting and sharing of customer information throughout an organization. Businesses need a thorough understanding of their customers' need if they are to retain and increase their customer base.

Efficient CDM solutions provide companies with the ability to deal instantly with customer issues and obtain immediate feedback. As a result, customer retention and customer satisfaction can show dramatic improvement.

Legal Aspects in Retailing - :

Legislation governs the retail firm's operations and relations with its channel partners. Its relations with suppliers, competitors, consumers and employees are governed by appropriate laws. Legal restrictions are imposed on practices concerning pricing, product, promotion, distribution, trademarks and HR policies.

Legal compliances to be looked into by retail organizations can be discussed from the Perspectives of People and Operations.

I. People Perspective –

1. Employees' State Insurance Act – 1948 :

The Employees' State Insurance Act, 1948 (ESI Act) provides for health care and cash benefit payments in the case of sickness, maternity and employment injury. The Act applies to all non-seasonal factories run with power and employing 10 or more persons and to those factories which run without power and employing 20 or more persons.

Under the Act, cash benefits are administered by the Central Government through Employment State Insurance Corporation (ESIC), whereas the state government and Union Territory Administration are administering medical care.

2. Payment of Bonus Act – 1965 :

The payment of Bonus Act, 1965 is the principal act for the payment of bonus to the employees which was formed with an objective for rewarding employees for their good work for the organization. Therefore, The Payment of Bonus Act, 1965, gives to the employees a statutory right to a share in the profits of his employer.

This Act applicable to every factory where in 10 or more persons are employed with the aid of power or an establishment in which 20 or more persons are employed without the aid of power of any day during an accounting year. The act is applicable to employees drawing wages upto Rs. 10,000/- PM.

3. Payment of Gratuity Act, 1972 :

The act provides for the payment of gratuity to workers employed in every factory, shop and establishments or educational institution employing 10 or more persons on any day of the preceding 12 months. All the employees irrespective of status or salary are entitled to the payment of gratuity on completion of 5 years of service. The maximum amount of gratuity payable is Rs. 3,50,000/-

4. Employees Provident Fund Act, 1952 :

The employees' Provident Fund Act, 1952 is an important piece of Labour Welfare legislation enacted by the Parliament to provide social security benefits to the workers. The object of the Act in 1952 was the institution of the compulsory contributory Provident Fund to the employees to which both the employee and the employer would contribute. At present, the Employee contributes 12% of his / her Basic Salary & the same amount is contributed by the employers.

5. The Minimum Wages Act – 1948 :

It is an Act of Parliament concerning Indian Labour Law that sets the minimum wages that must be paid to skilled and unskilled labours. The Indian Constitution has defined a 'living wage' that is the level of income for a worker which will ensure a basic standard of living including good health, dignity, comfort, education and provide for any contingency.

In India, minimum wages are declared at national, regional, sectoral and occupational or skill level. Minimum wages in India is declared on daily, hourly, and monthly basis.

6. Workmen Compensation Act, 1923 –

The Workmen's Compensation Act, 1923 provides for payment of compensation to workmen and their dependants in case of injury and accident (including certain occupational disease) arising out of and in the course of employment and resulting in disablement or death.

7. The Payment of Wages Act, 1936 –

The Central Government is responsible for enforcement of the Act in Railways, Mines, Oilfields and Air Transport Services, while the State Government are responsible for its in factories and other industrial establishments.

II. Operations Perspective –

The person responsible for running a retail store has to be aware of various laws and regulations to be followed.

1. The Shops and Establishment Act –

This Act was introduced to provide statutory obligation and rights to employees and employers in the unorganized sector of employment, i.e., shops and establishments. This was done to regulate the conditions of work and employment in shops, commercial establishments, and residential hotels, restaurants, eating houses, theatres and other places of public entertainment.

2. The Prevention of Food and Adulteration License (1954) –

The Act strictly says that import, manufacture, storage, sale or distribution of any food article which is adulterated by allowing its quality or purity to fall below the prescribed standard, or is misbranded, or in contravention of any provision of the Act or Rules. Penalty is minimum imprisonment of six months that may extend upto 3 years and minimum fine of Rs. 1,000/-

3. Industrial Dispute Act, 1947 –

An industrial dispute may be defined as a conflict or difference of opinion between management and workers on the terms of employment. It is a disagreement between an employer and employees' representative; usually a trade union, over pay and other working conditions and can result in disturbances in the relationship between management and workers. It, not only includes the disagreement between employees and employers, but also emphasizes the difference of opinion between worker and worker.

4. Consumer Protection Act, 1986 –

The Consumer Protection Act, 1986 was enacted to provide a simpler and quicker access to redressal of consumer grievances. It makes provision for the establishment of consumer councils and other authorities for the settlement of consumers' disputes and for matters connected therewith.

5. Essential Commodities Act, 1955 –

The Essential Commodities Act, 1955 was enacted to ensure the easy availability of essential commodities to consumers and to protect them from exploitation by unscrupulous traders.

The Act provides for the regulation and control of production, distribution and pricing of commodities which are declared as essential for maintaining or increasing suppliers or for securing their equitable distribution and availability at fair prices.

6. The Standards of Weights and Measurement Act, 1976 –

It was established to prescribe specification of measuring instruments used in commercial transaction, industrial production and measurement involved in public Health and Human safety.

Social Issues in Retailing - :

The way business is done by retail organization has a big impact on the lives of customer, communities and colleagues. Following are the ways in which retail organization can become a social acceptable entity.

- **Keeping Clean and Green** – Keeping the environment clean. It also involves waste management and working on green management. This principle advocates that every retail organization should maintain their surroundings neatly. Organizations' should not unnecessary dump wastes in the environment.

- **Shopping for Tomorrow** – This principle states that a retail organization should supply goods for more sustainable lives of the consumers.
- **Sourcing with care** – This principle states that retail organizations should source the best products, while minimizing social and environmental impacts.

- **Building a great place to work** – This principle states that every retail organization should create a congenial working environment for the employees in such a way that they should feel proud to work for the organization.

- **Being a good neighbor** – This principle states that every retail organization should support the communities in which they operate. They should undertake social responsibility activities.

Ethical Issues in Retailing - :

Meaning of Ethics –

The Ethics means a set of moral principles, standards or values which govern a person's behaviour. It is a branch of Social Science. It deals with good and bad with reference to a particular culture.

Ethics is derived from the Greek word **'ethos'** which means character. Ethics is a branch of philosophy that deals with values relating to human conduct, with respect to right or good and wrong or bad actions. Here ethics relates to retailers moral principles and values.

Some of the Ethical Issues in Retailing –

1. Ethical Practice towards Consumers –

The retailers should charge fair price for the products offered to them. The consumers have the right to get correct and precise knowledge about the products sold to them in respect of warranty, guaranty, price, usage, ingredients etc. Ethical business is essential in today's competitive and dynamic environment.

2. Ethical Practice towards Investors / Shareholders –

The shareholders are the owners of the business. Shareholders must be given fair returns on their investment at regular intervals. The share hoiplders should be disclosed with correct information about the financial status of the business organization. The business organization must act in the interest of the shareholders.

3. Ethical Practices towards Employees –

Ethical practices must also be followed towards the employees. The retail industry employs large volume of retail staff. Therefore proper policies and procedures must be framed for the employees regarding recruitment, selection, training, promotion, welfare etc.