KARPAGAM ACADEMY OF HIGHER EDUCATION

(Deemed University Established Under Section 3 of UGC Act 1956)

Coimbatore - 641021.

(For the candidates admitted from 2016 onwards)

DEPARTMENT OF COMMERCE (CA)

Semester III

		L	T	P	C
16CCU303 B	**RETAIL MANAGEMENT**	**4**	**-**	**-**	**4**

Course Objectives

- The main objective of this course is to enable students to develop a full retail plan that they can use to begin a new business venture.
- To know about the retailing landscape, retail stakeholders and responsibilities, retail strategy development, merchandise management. in retailing sector.

Learning outcomes

1. This course will enable the students to become good retail planners and decision makers and helps them to focus on change and adaption to change. The course intends to provide the students with an overview of the retail industry, concepts and processes and an opportunity to understand the areas of accountability for a Retail Manager.

UNIT- I

INTRODUCTION TO RETAIL BUSINESS : Retail Functions – Rise of Retailing – Consumerism – challenges – Consumer Proximity – Technology – Rise of Retailing in India – Key Markets – FDI in retail – Challenges in India – New Entrants – Emerging Sectors – Suppliers and buyers Rivalry

UNIT – II

EVALUATION OF RETAILING : Theories – Retail lifecycle – Business Models – Ownership – Merchandise offered , Franchise, Non Store, Direct Marketing – Tele, Vending Machines, Kiosks, Cash and Carry Global Experience – Brand Management.

UNIT – III

RETAIL OPERATIONS : Factors influencing location of Store - Market area analysis – Trade area analysis – Rating Plan Method - Site evaluation. Retail Operations: Stores Layout and visual merchandising, Stores designing, Space planning, Inventory management, Merchandise Management, Category Management.

UNIT – IV

RETAIL MARKETING MIX : Introduction -Product: Decisions related to selection of goods (Merchandise Management revisited) – Decisions related to delivery of service. Pricing : Influencing factors – approaches to pricing – price sensitivity - Value pricing – Markdown pricing. Place : Supply channel – SCM prinlogistics – computerized replenishment system – corporate replenishment policies. Promotion : Setting objectives – communication effects - promotional mix. Human Resource Management in Retailing – Manpower planning – recruitment and training – compensation – performance appraisal Methods.

UNIT – V

IMPACT OF INFORMATION TECHNOLOGYIN RETAILING : Non store retailing (e-retailing) - The impact of Information Technology in retailing – Integrated systems and networking – EDI – Bar coding – Electronic article surveillance –

Electronic shelf labels– customer database management system. Legal aspects in retailing, Social issues in retailing, Ethical issues in retailing.

Suggested Readings:

Text Book:

1. Pradhan Swapna. (2013). *Retail Management: Text and Cases* [4th Edition]. New Delhi,
   Tata Mcgraw Hill Education
2. Jain, J.N. & P.P. Singh, *Modern Retail Management.* New Delhi, Deep & Deep Publications.

REFERENCE BOOKS

1. Suja Nair. (2007) *Retail Management.* [First Edition]. New Delhi, Himalaya Publishing House
2. Karthic. (2007). *Retail Management*, [First Edition]. New Delhi, Himalaya Publishing House
3. Barry Bermans and Joel Evans. *Retail Management – A Strategic Approach.* [8th edition] New Delhi, Prentice Hall of India.
4. A.J.Lamba, (2003.) *The Art of Retailing*[1st edition]. New Delhi, Tata McGraw Hill.
5. Swapna Pradhan. (2008) *Retailing Management*[2nd Ed]. New Delhi, Tata McGraw Hill
6. Levy & Weitz (2002). *Retail Management* [5th Ed] New Delhi, Tata McGraw Hill ciples – Retail

KARPAGAM ACADEMY OF HIGHER EDUCATION

(Deemed to be University Established Under Section 3 of UGC Act 1956)

Coimbatore – 641 021.

LECTURE PLAN

DEPARTMENT OF COMMERCE

STAFF NAME : Dr.S.Jegadeeswari & Dr. J. Arul

SUBJECT NAME : RETAIL MANAGEMENT

SUBJECT CODE : 16CCU303 B

SEMESTER : III CLASS : II B.COM CA

UNIT-I

S. No.	LECTURE DURATION (Periods)	TOPICS TO BE COVERED	SUPPORT MATERIALS
1.	1	Introduction to Retail Business ➢ Retail Functions	T1: PG 4 T1:PG 4
2.	1	➢ Rise of Retailing ➢ Consumerism	T1:PG 6-7 T1:PG 7
3.	1	➢ Challenges ➢ Consumer proximity technology	R1:PG9-14 T1:PG 7
4.	1	Rise of Retailing in India	R1: PG 14-29
5.	1	Rise of Retailing in India-Key Markets	T1:PG 9-11
6.	1	Key Markets -Retailing	W1
7.	1	FDI in Retailing	T1:PG 42-44
8.	1	FDI in Retailing	T1:PG 42-44
9.	1	Challenges in India	R1:PG9-14
10.	1	Challenges in India	R1:PG9-14
11	1	New Entrants	W1
12	1	New Entrants	W1
13	1	Emerging sectors	W1
14	1	Supplier and buyer rivalry	W1

15.	1	Recapitulation and discussion of important questions	
		Total no. of hours planned for unit-1	**15 Hours**
		UNIT - II	
1.	1	Evaluation of Retailing	T1:PG 20-25
2.	1	Theories of Retailing	T1:PG 54-56
3.	1	Retail lifecycle	W1
4.	1	Business models	W1
5.	1	Ownership	W1
6.	1	Merchandise offered, Franchise, non store ,Direct Marketing	T1:PG 87-89
7.	1	Merchandise offered, Franchise, Non store, Direct Marketing	T1:PG 87-89
8.	1	Tele, vending Machines,	W1
9.	1	Kiosks	W1
10.	1	Cash and carry Global experience	W1
11	1	Cash and carry Global experience	W1
12	1	Brand Management	R1 :PG 401
13	1	Brand Management	R1 :PG 401
14	1	Brand Management	R1 :PG 401
15.	1	Recapitulation and discussion of important questions	
		Total no. of hours planned for unit-2	**15 Hours**
		UNIT - III	
1.	1	Retail Operations	T1 :PG 145

2.	1	Factors influencing location of store	T1 :PG 146
3.	1	Factors influencing location of store	T1 :PG 146
4.	1	Market area analysis	T1 :PG 150
5.	1	Trade area analysis	T1 :PG 150
6.	1	Rating plan method	T1 :PG 150
7.	1	Site evaluations	T1 :PG 153
8.	1	Retail operations, stores layout and visual merchandising	W1
9.	1	Stores designing	**W1**
10	1	Space planning	**W1**
11	1	Inventory management	T1 :PG 279
12	1	Merchandise management	T1 :PG 249
13	1	Category management	T1 :PG 249
14	1	Recapitulation and discussion of important questions	
		Total no. of hours planned for unit-3	**14 Hours**
UNIT - IV			
1.	1	Retail mix	T1 :PG 299
2.	1	Introduction product	T1 :PG 300
3.	1	Decisions related to selection(Merchandise Management revisited)	T1 :PG 300
4.	1	Decisions related to delivery of service, pricing-influencing factors	T1 :PG 302
5.	1	Approaches to pricing, price sensitivity, value pricing, Markdown pricing. Place: supply channel, SCM principles, retail logistics, computerised replenishment system,	T1 :PG 302
6.	1	Corporate replenishment policies, promotion: setting objectives, communication effects.	T1 :PG 302
7.	1	Promotional Mix. Human recourses planning in Retailing , manpower planning, recruitment and training, compensation, performance appraisal methods	T1 :PG 302
8	1	Recapitulation and discussion of important	

		questions	
		Total no. of hours planned for unit-4	**8 Hours**
UNIT - V			
1	1	Impact of information technology in retailing-non store retailing (e-retailing)	W1
2	1	The impact of information technology in retailing, integrated systems and networking.	W1
3	1	EDI, Bar coding, Electronic articles surveillance, Electronic shelf labels.	W1
4	1	Customer database management system, legal aspects in retailing, Social issues in retailing, Ethical issues in Retailing	T1 :PG 367-371
5	1	Recapitulation and discussion of important questions	
6	1	**Revision :** Discussion of ESE question papers	
7.	1	Discussion of ESE question papers	
8.	1	Discussion of ESE question papers	
		Total no. of hours planned for unit-5 & Question Paper Discussion	**8 hours**
Total No. of Hours			**60 Hours**

SUPPORT MATERIALS

Text Book

T – 1. Swapna Pradhan. (2008) 2nd edition *Retail Management.*, New Delhi. McGraw – Hill publications

Reference books

R1- Suja Nair. (2008) 3rd edition . *Retail Management.*, New Delhi. Himalaya Publishing House,

Website Reference

W1- www.wikipedia.org

KARPAGAM ACADEMY OF HIGHER EDUCATION

(Deemed University Established Under Section 3 of UGC Act 1956)

Coimbatore - 641021.

(For the candidates admitted from 2016 onwards)

DEPARTMENT OF COMMERCE (CA)

SUBJECT : RETAIL MANAGEMENT
SEMESTER : III
SUBJECT CODE: 16CCU303 B **CLASS : II B.COM CA**

UNIT- I

INTRODUCTION TO RETAIL BUSINESS

Retail Functions – Rise of Retailing – Consumerism – challenges – Consumer Proximity – Technology – Rise of Retailing in India – Key Markets – FDI in retail – Challenges in India – New Entrants – Emerging Sectors – Suppliers and buyers Rivalry

Introduction to Retail Business

The word 'Retail' is derived from a French word with the prefix re and the verb tailer meaning "to cut again". Evidently, retail trade is one that cuts off smaller portions from large lumps of goods. It is a process through which goods are transported to final consumers. In other words, retailing consists of the activities involved in selling directly to the ultimate consumer for personal, non-business use. It embraces the direct-to-customer sales activities of the producer, whether through his own stores by house-to-house canvassing or by mail-order business.

Retailing occupies a very important place in the economics of any country. It is the final stage of distribution of product or service. It not only contributes to country's GDP but also empowers a large number of people by providing employment. Retail Management starts with understanding the term 'Retail'. Any organization that sells the products for consumption to the customers for their personal, family, or household use is in the occupation of retailing.

Definition: Retailing includes all activities involved in selling goods or services to the final consumers for personal, non-business use.– **Phillip Kotler**

Retailers

Retailers are the traders who buy goods from wholesalers or sometimes directly from producers and sell them to the consumers. They usually operate through a retail shop and sell goods in small quantities. They keep a variety of items of daily use

Characteristics of Retailers

(i) Retailers have a direct contact with consumers. They know the requirements of keep goods accordingly in their shops.

(ii) Retailers sell goods not for resale, but for ultimate use by consumers. For example, you buy fruits, clothes, pen, pencil etc. for your use, not for sale.

(iii) Retailers buy and sell goods in small quantities. So customers can fulfill their requirement without storing much for the future.

(iv) Retailers require less capital to start and run the business as compared to wholesalers.

(v) Retailers generally deal with different varieties of products and they give a wide choice to the consumers to buy the goods.

Functions of Retailers

All retailers deal with the customers of varying tastes and temperaments. Therefore, they should be active and efficient in order to satisfy their customers and also to induce them to buy more. Let us see what the retailers do in distribution of goods.

(i) Buying and assembling of goods: Retailers buy and assemble varieties of goods from different wholesalers and manufacturers. They keep goods of those brands and variety which are liked by the customers and the quantity in which these are in demand.

(ii) Storage of goods: To ensure ready supply of goods to the customer retailers keep their goods in stores. Goods can be taken out of this store and sold to the customers as and when required. This saves consumers from botheration of buying goods in bulk and storing them.

(iii) Credit facility: Although retailers mostly sell goods for cash, they also supply goods on credit to their regular customers. Credit facility is also provided to those customers who buy goods in large quantity.

(iv) Personal services: Retailers render personal services to the customers by providing expert advice regarding quality, features and usefulness of the items. They give suggestions considering the likes and dislikes of the customers. They also provide free home delivery service to customers. Thus, they create place utility by making the goods available when they are demanded.

(v) Risk bearing: The retailer has to bear many risks, such as risk of:

(a) Fire or theft of goods

(b) Deterioration in the quality of goods as long as they are not sold out.

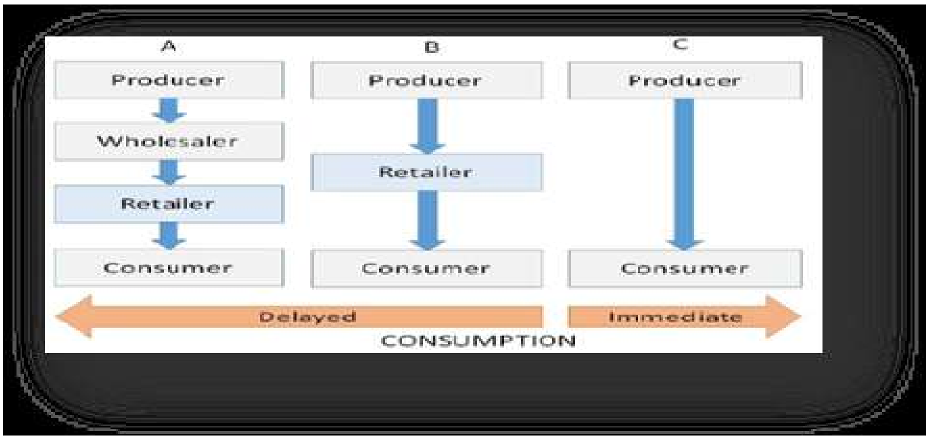
(c) Change in fashion and taste of consumers.

(vi) Display of goods: Retailers display different types of goods in a very systematic and attractive manner. It helps to attract the attention of the customers and also facilitates quick delivery of goods.

(vii) Supply of information: Retailers provide all information about the behavior, tastes, fashions and demands of the customers to the producers through wholesalers. They become

a very useful source of information for marketing research.

Retail in Marketing Channels: With industrialization and globalization, the distance between the manufacturer and the consumer has increased. Many times a product is manufactured in one country and sold in another. The level of intermediaries involved in the marketing channel depends upon the level of service the consumer desires.



Type A and B – Retailers. For example, Pantaloons, Walmart.

Type C – Service Providers. For example, Eureka Forbes.

Distinction between Wholesaler and Retailer.

Wholesaler	**Retailer**
(i) Buys goods in large quantities.	(i) Buys goods in small quantities.
(ii) Buys goods directly from producers.	(ii) Generally buys goods from the wholesalers.
(iii) Deals with limited variety of goods.	(iii) Deals with wide range of products.
(iv) Requires more capital to start and run the business.	(iv) Requires less capital to start and run the business.
(v) Sell goods for resale purpose.	(v)Sell goods for consumption.
(vi) No direct contact with consumers.	(vi) Direct contact with consumer.
(vii) No special attention is given to decoration of shop.	(vii)In order to attract the attention of customers retailers give more attention to decoration of shop

TYPES OF RETAIL STORES

Food Retailers

1. Mom and Pop Stores
2. Convenience Stores
3. Supermarkets
4. Super centers

General Merchandise Retailers

1. Department Stores
2. Specialty Stores
3. Discount Stores
4. Category Specialists
5. Off-Price Retailers
6. Warehouse Clubs

Some other types of retail stores:

1. Mall Space
2. Shopping Center
3. Downtown Area
4. Free Standing Locations
5. Office Building
6. Home-based
7. Internet Retailing
8. Specialty Retailing
9. Non store Retailing
10. Mail Order
11. Direct Selling

Functions of retail Management

- **Quality conscious/Perfectionist**: Quality-consciousness is characterized by a consumer's search for the very best quality in products; quality conscious consumers tend to shop systematically making more comparisons and shopping around.

- **Brand-conscious**: Brand-consciousness is characterized by a tendency to buy expensive, well-known brands or designer labels. Those who score high on brand-consciousness tend to believe that the higher prices are an indicator of quality and exhibit a preference for department stores or top-tier retail outlets.
- **Recreation-conscious/ Hedonistic**: Recreational shopping is characterized by the consumer's engagement in the purchase process. Those who score high on recreation-consciousness regard shopping itself as a form of enjoyment.
- **Price-conscious**: A consumer who exhibits price-and-value consciousness. Price-conscious shoppers carefully shop around seeking lower prices, sales or discounts and are motivated by obtaining the best value for money
- **Novelty/fashion-conscious**: characterized by a consumer's tendency to seek out new products or new experiences for the sake of excitement; who gain excitement from seeking new things; they like to keep up-to-date with fashions and trends, variety-seeking is associated with this dimension.
- **Impulsive**: Impulsive consumers are somewhat careless in making purchase decisions, buy on the spur of the moment and are not overly concerned with expenditure levels or obtaining value. Those who score high on impulsive dimensions tend not to be engaged with the object at either a cognitive or emotional level.
- **Confused (by over-choice)**: characterized by a consumer's confusion caused by too many product choices, too many stores or an overload of product information; tend to experience information overload.
- **Habitual / brand loyal**: characterized by a consumer's tendency to follow a routine purchase pattern on each purchase occasion; consumers have favorite brands or stores and have formed habits in choosing; the purchase decision does not involve much evaluation or shopping around.

Rise of Retailing:

The modern era of retailing is defined as the period from the industrial revolution to the 21st century. In major cities, the department store emerged in the mid to late 19th century, and permanently reshaped shopping habits, and redefined concepts of service and luxury. The term, "department store" originated in America. In 19th century England, these stores were known as emporia or warehouse shops. A number of major department stores opened across the USA, Britain and Europe from the mid nineteenth century including; Harrod's of London in 1834; Kendall's in Manchester in 1836; Selfridges of London in 1909; Macy's of New York in 1858; Bloomingdale's in 1861; Sak's in 1867; J.C. Penney in 1902; Le Bon Marché of France in 1852 and Galleries Lafayette of France in 1905. Other twentieth century innovations in retailing included chain stores, mail-order, multi-level marketing (pyramid selling or network marketing, c. 1920s), party plans (c. 1930s) and B2C e-commerce (cyber-peddling).Many of the early department stores were more than just a retail emporium; rather they were venues where shoppers could spend their leisure time and are entertained. Some department stores offered reading rooms, art galleries and concerts. Most department stores had tea-rooms or dining rooms and offered treatment areas where ladies could indulge in a manicure. The fashion show, which originated in the US in around 1907, became a staple feature event for many department stores and celebrity appearances were also used to great effect. Themed events featured wares from foreign shores, exposing shoppers to the exotic cultures of the Orient and Middle-East.

In 1963, Carrefour opened the first hypermarket in St Genevieve-de-Bois, near Paris, during this period, retailers worked to develop modern retail marketing practices. Pioneering merchants who contributed to modern retailing practice and retail marketing methods include: A. R. Stewart, Potter Palmer, John Wanamaker, Montgomery Ward, Marshall Field, Richard Warren Sears, Rowland Macy, J.C. Penney, and Fred Lazarus, brothers Edward and William Filene and Sam Walton. For example, Edward Filene, a proponent of the scientific approach to retail management, developed the concept of *Automatic bargain Basement.* Although Filene's Basement was not the first ‘bargain basement’ in the U.S., the principles of ‘automatic mark-downs’ generated excitement and proved very profitable. Under Filene's plan, merchandise had to be sold within 30 days or it was marked down; after a further 12 days, the merchandise was further reduced by 25% and if still unsold after another 18 days, a further markdown of 25% was applied. If the merchandise remained unsold after two months, it was given to charity. Filenes was a pioneer in employee relations. He instituted a profit sharing program, a minimum wage for women, a 40-hour work week, health clinics and paid vacations. He also played an important role in encouraging the Filenes Cooperative Association, "perhaps the earliest American company union". Through this channel he engaged constructively with his employees in collective bargaining and arbitration processes. Montgomery Ward is credited with developing catalog sales and mail-order systems. His first catalog which was issued in August 1872 consisted of an 8 in × 12 in (20 cm × 30 cm) single sheet price list, listing 163 items for sale with ordering instructions for which Ward had written the copy. He also devised the catch-phrase "satisfaction guaranteed or your money back" which was implemented in 1875. Throughout the twentieth century, a trend towards larger store footprints became discernible. The average size of a U.S. supermarket grew from 31,000 square feet in the 1991 to 44,000 square feet in 2000. In 1963, Carrefour opened the first hypermarket in St Genevieve-de-Bois, near Paris, France. By the end of the twentieth century, stores were using labels such as "mega-stores" and "warehouse" stores to reflect their growing size. In Australia, for example, the popular hardware chain, Bunning has shifted from smaller "home centers" (retail floor space under 5,000 square meters) to "warehouse" stores (retail floor space between 5,000 and 21,000 square meters) in order to accommodate a wider range of goods and in response to population growth and changing consumer preferences. However, as the 21st century takes shape, some indications suggest that large retail stores have come under increasing pressure from online sales models

Consumerism of retail management

The term "consumerism" has several definitions. These definitions may not be related to each other and confusingly, they conflict with each other.

1. One sense of the term relates to efforts to support consumers' interests. By the early 1970s it had become the accepted term for the field and began to be used in these ways:
   a) "Consumerism" is the concept that consumers should be informed decision makers in the marketplace. Practices such as product testing make consumers informed.
   b) "Consumerism" is the concept that the marketplace itself is responsible for ensuring social justice through fair economic practices. Consumer protection policies and laws compel manufacturers to make products safe.
   c) "Consumerism" refers to the field of studying, regulating, or interacting with the marketplace. The consumer movement is the social movement which refers to all actions and all entities within the marketplace which give consideration to the consumer.
2. While the above definitions were becoming established, other people began using the term "consumerism" to mean "high levels of consumption". This definition has gained popularity since the 1970s and began to be used in these ways:
   a) "Consumerism" is the selfish and frivolous collecting of products, or economic materialism. In protest against this, some people promote "anti-consumerism" and advocate simple living.
   b) "Consumerism" is a force from the marketplace which destroys individuality and harms society. It is related to globalization and in protest against this some people promote the "anti-globalization movement"

Challenges of Retail Management

To achieve and maintain a foothold in an existing market, a prospective retail establishment must overcome the following hurdles:

- Regulatory barriers including
  a) Restrictions on real estate purchases, especially as imposed by local governments and
  against "big-box" chain retailers;
  b) Restrictions on foreign investment in retailers, in terms of both absolute amount of
  financing provided and percentage share of voting stock (*e.g.*, common stock) purchased;
- **Unfavorable taxation structures, especially those designed to penalize or keep out "big box" retailers (see "Regulatory" above);**
- Absence of developed supply chain and integrated IT management;
- High competitiveness among existing market participants and resulting low profit margins, caused in part by
  a) Constant advances in product design resulting in constant threat of product
  obsolescence and price declines for existing inventory; and
- Lack of properly educated and/or trained work force, often including management, caused in part by loss in Business.
  a) Lack of educational infrastructure enabling prospective market entrants to respond to
  the above challenges.

Consumer proximity technology of Retail Management

One-to-one marketing refers to marketing strategies applied directly to a specific consumer. Having knowledge of the consumer's preferences enables suggesting specific products and promotions to each consumer. One-to-one marketing is based in four main steps in order to fulfill its goals: identify, differentiate, interact and customize.

Identify: In this stage the major concern is to get to know the customers of a company, to collect reliable data about their preferences and how their needs can best be satisfied.

Differentiate: To get to distinguish the customers in terms of their lifetime value to the company, to know them by their priorities in terms of their needs and segment them into more restricted groups.

Interact: In this phase it is needed to know by which communication channel and by what means contact with the client is best made. It is necessary to get the customer's attention by engaging with him in ways that are known as being the ones that he enjoys the most.

Customize: It is needed to personalize the product or service to the customer individually. The knowledge that a company has about a customer needs to be put into practice and the information held has to be taken into account in order to be able to give the client exactly what he wants.

Rise of Retailing in India:

Retailing in India has traditionally been fragmented, while in the western countries, big retailers usually dominate the landscape. In recent times, India has seen the emergence of several organized retailing formats, from departmental stores like Shopper's Stop to discount stores like Big Bazaar. We also have niche (exclusive) stores like Music World, Coffee Day and Planet M and Grocery Stores like Spencer's, subiksha etc.,

Indian retailing is undergoing a process of evolution and is poised to undergo dramatic transformation. The traditional formats like hawkers, grocers and pan shops co-exist with modern formats like Super- markets and Non-store retailing channels such as multi level marketing and teleshopping. Modern stores trend to be large, carry more stock keeping units, have a self-service format and an experiential ambience. The modernization in retail formats is likely to happen quicker in categories like dry groceries, electronics, men’s' apparel and books. Some reshaping and adaptation may also happen in fresh groceries, fast food and personal care products.

In recent years there has been a slow spread of retail chains in some formats like super markets, malls and discount stores. Factors facilitating the spread of chains are the availability of quality products at lower prices, improved shopping standards, convenient shopping and display and blending of shopping with entertainment and the entry of Tatas into retailing.

Foreign direct investment in the retail sector in India, although not yet permitted by the Government is desirable, as it would improve productivity and increase competitiveness. New stores will introduce efficiency. The customers would also gain as prices in the new stores tend to be lover. The consequences of recent modernization in India may be somewhat different due to lower purchasing power and the new stores may cater to only branded products aimed at upper income segments.

The Indian retail environment has been witnessing several changes on the demand side due to increased per capital income, changing lifestyle and increased product availability. In developed markets, there has been a power shift with power moving from manufactures towards the retailers. The strategies used by retailers to wrest power include the development of retailers own brands and the introduction of slotting allowances which necessitate payments by manufactures to retailers for providing shelf space for new products. The recent increased power of retailers has led to the introduction of new tactics by manufactures such as everyday low pricing, partnership with retailers and increased use of direct marketing methods.

Key market in Retail Marketing

* **Market analysis**: Market size, stage of market, market competitiveness, market attractiveness, market trends.
* **Customer analysis:** Market segmentation, demographic, geographic and psychographic profile, values and attitudes, shopping habits, brand preferences, analysis of needs and wants media habits.

* **Internal analysis:** Human resource capability, technological capability, financial capability, ability to generate scale economies or economies of scope, trade relations, reputation, positioning, past performance.
* **Competition analysis:** Availability of substitutes, competitor's strengths and weaknesses, perceptual mapping, competitive trends.
* **Review of product mix:** Sales per square foot, stock-turnover rates, profitability per product Line.
* **Review of distribution channels:** Lead-times between placing order and delivery, cost of distribution, cost efficiency of intermediaries.
* **Evaluation of the economics of the strategy:** Cost-benefit analysis of planned activities, the retail strategy, including service quality, has a significant and positive association on customer loyalty. A marketing strategy effectively outlines all key aspects of firms' targeted audience, demographic and preference. In a highly competitive market, the retail strategy sets up long- term sustainability. It focuses on customer relationships, stressing the importance of added value and customer satisfaction.

FDI in Retailing

Foreign Direct Investment under the Industrial Policy 1991 and thereafter under different Foreign Trade Policies is being allowed in different sectors of the economy in different proportion under either the Government route or Automatic Route. In **Retailing**, presently 51 per cent FDI is allowed in single brand retail through the **Government Approval route** while 100 per cent FDI is allowed in the cash-and-carry (wholesale) formats under the **Automatic route**. Under the Government Approval route, proposal for FDI in 'Single Brand Product Retailing' are received in the Department of Industrial Policy and Promotion, Ministry of Commerce & Industry. Automatic route dispenses with the need of multiple approvals from Government and/or regulatory agencies (Government of India or the RBI). Investors are required only to notify the concerned Regional offices of RBI within 30 days of receipt of inward remittances and file required documents with that office within 30 days of the issue of shares to foreign investors

The **legal regimes** that controls FDI in India and to that extent FDI in retailing includes Press Notes by Department of Industrial Policy and Promotion, Foreign Exchange Management Act 1999, Guidelines of Reserve Bank of India(RBI) and Security and Exchange Board of India, besides, of course, the Constitution of India.

India's large and ever growing population coupled with a paucity of profitable economic opportunities make "labor intensive" activities like Agriculture and Retailing a major source of subsistence for the teeming millions especially the poor unskilled labor, superfluous labor and the educated unemployed. Therefore, any change that tend to disturb the existing configuration of these two sectors have a bearing on the lives of millions of these people and raises sharp public outcry and to that extent FDI in Agriculture and Retailing has always been a contentious issue. Of late, the Government of India has expressed its desire to bring the Multi-Brand retailing within the ambit of FDI, and in the process has put in train a debate on its possible outcome. This short paper proposes to examine the conflicting view points of this debate so as to arrive at a balanced conclusion.

Retailing in India as also elsewhere in the world is divided into **organized and unorganized retailing.** Organized retailing refers to trade activities undertaken by the licensed retailers as has been mentioned earlier retailing **"disguises"** the abysmal nature of unemployment in the country. Indian agriculture has long been a source of livelihood for the teeming millions of the country (provides employment to more than 50% of India's labor force) so much so that it is massively over-crowded now. Besides, during the lean season even the productive farmer fined themselves unemployed. Although the manufacturing is a labor absorbing sector, its true potential has not been harnessed as yet and it has been stagnating since the tenth five year plan. Retailing helps in absorbing these shocks providing safety-net and opportunities to the superfluous labor to eke out a living where all other sectors have not been able to. Critics fear that the inflow of FDI in retailing will restrict the labor absorbing capacity of the retailing sector since the international retailing giants employ labor saving machinery and know-how both to add value to their service as well as to enhance their profit. And given the fact that the manufacturing is not in a vibrating state to absorb those who are displaced from the retailing by the advent of FDI, the poor and the unemployed will find the going very difficult for them. There will be a hike in the rate of both unemployment and underemployment.

It has also been said that the domestic organized retailing is underdeveloped and in a nascent stage. Therefore, it is important that the domestic retailing sector is allowed to grow and consolidate first before the sector is opened to FDI. FDI in retailing may also widen the rural -urban divide in the sense that most of the retailing centers would be set up in the cities where both the density of population and level of income of the people are high. These retail centers would also attract cheap labor from the rural areas and thereby deplete the hinterland of its workforce. In addition, organized retailing with FDI would result in bevy of buildings and multiplexes. Unless their constructions are regulated, they will also add to the chaotic muddle of urban cape.

After having expatiated on the possible pitfalls of allowing FDI in retailing, it is also necessary to understand the distinction between appearance and reality. Much of the prognostication of gloom is based on a theoretical understanding of the situation. In reality, the research conducted by the Indian Council for Research on International Economic Relations (ICRIER) has revealed that there is no evidence of overall decline in the employment of the Unorganized retailing sector as a result of the advent of FDI in organized retailing and that the rate of closure of small shops for the same reason is very minimal.

The Medium and Small Enterprise that plays a critical role in country's overall manufacturing scenario has lagged and suffered due to lack of branding and avenues to reach out to the vast world market. The international retailers can buy from them not only for the domestic market but for their stores outside the country also and in the process provide the small and medium enterprises of the country a brand name and a window to the international market. In fact, it is estimated that FDI in retailing can significantly increase export from the country.

In the light of all that have been discussed above it can be said without any dispute that the time for allowing FDI in Multi –Brand Retailing has come and as Victor Hugo has said “Nothing can stop an idea whose time has come”. FDI in Retailing started with FDI in cash and carry wholesale trading first permitted in 1997 to the extent of 100% under the Government approval route and thereafter in 2006 brought under the automatic route. In 2006 again FDI in Single Brand Retailing was permitted to the extent of 51%. From here it is but natural and logical that FDI would now proliferate to multi-brand retailing. But the progression to FDI in multi-brand retailing cannot take place at the cost of vital concerns raised in connection with this possible change by different groups; viz, the question of adaptability of the retailers in the unorganized sector, the question as to how the FDI in retailing can be harnessed for the benefits of Indian agriculture and Medium and Small Enterprise and above all how to impart into the economy a degree of resilience to withstand the changes that would be ushered in the wake of introduction of FDI in retailing. All these concerns have to be addressed not because the Left wing political parties and the media through their campaign have necessitated such attention but because we are constitutionally bound to do so. Unlike FDI in single brand retailing which pertains to brand loyal and a relatively small high income clientele, FDI in multi-brand retailing would have direct impact on a vast spectrum of population and thus a sensitive issue. Left alone foreign capital will seek ways through which it can only multiply itself, and unthinking application of capital for profit, given our peculiar socio-economic conditions, may spell doom and deepen the hiatus between the rich and the poor. Thus the proliferation of foreign capital into multi-brand retailing needs to be anchored in such a way that it results in a win-win situation for India. This can be done by integrating into the rules and regulations for FDI in multi-brand retailing certain inbuilt safety valves. For example FDI in multi –brand retailing can be allowed in a calibrated manner with social safeguards so that the effect of possible labor dislocation can be analyzed and policy fine tuned accordingly. To ensure that the foreign investors make a genuine contribution to the development of infrastructure and logistics, it can be stipulated that a percentage of FDI should be spent towards building up of back end infrastructure, logistics or agro processing units. One of the justifications for introducing FDI in multi-brand retailing is to transform the poverty stricken and stagnating rural sphere into a forward moving and prosperous rural sphere. To actualize this goal it can be stipulated that at least 50% of the jobs in the retail outlet should be reserved for rural youth and that a certain amount of farm produce is procured from the poor farmers. Similarly to develop our small and medium enterprise, it can also be stipulated that a minimum percentage of manufactured products be sourced from the SME sector in India. Public Distribution System is still in many ways the life line of the people living below the poverty line. To ensure that the system is not weakened the government may reserve the right to procure a certain amount of food grains for replenishing the buffer. The government may also put in place an exclusive regulatory framework to protect the interest of small retailers. It will ensure that the retailing giants do resort to predatory pricing or acquire monopolistic tendencies. Besides, the government and RBI need to evolve suitable policies to enable the retailers in the unorganized sector to expand and improve their efficiencies

Challenges of Retail Management in India

To achieve and maintain a foothold in an existing market, a prospective retail establishment must overcome the following hurdles:

- Regulatory barriers including
  - Restrictions on real estate purchases, especially as imposed by local governments and against "big-box" chain retailers;
  - Restrictions on foreign investment in retailers, in terms of both absolute amount of financing provided and percentage share of voting stock (*e.g.*, common stock) purchased;
- Unfavorable taxation structures, especially those designed to penalize or keep out "big box" retailers (see "Regulatory" above);
- Absence of developed supply chain and integrated IT management;

- High competitiveness among existing market participants and resulting low profit margins, caused in part by
    - Constant advances in product design resulting in constant threat of product obsolescence and price declines for existing inventory.
- Lack of properly educated and/or trained work force, often including management, caused in part by loss in Business. Lack of educational infrastructure enabling prospective market entrants to respond to the above challenges.

New entrants in Retail Marketing

Some of the most common market entry strategies are: directly by setup of an entity in the market, directly exporting products, indirectly exporting using a reseller, distributor, or sales outsourcing, and producing products in the target market. Others include:

- Licensing
- Greenfield project
- Franchising
- Business alliance
- Exporting
- Turnkey project
- Joint ventures
- Outsourcing

Emerging sectors in Retail Management

The India Retail Industry is the largest among all the industries, accounting for over 10 per cent of the country GDP and around 8 per cent of the employment. The Retail Industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. But all of them have not yet tasted success because of the heavy initial investments that are required to break even with other companies and compete with them. The India Retail Industry is gradually inching its way towards becoming the next boom industry.

The total concept and idea of shopping has undergone an attention drawing change in terms of format and consumer buying behavior, ushering in a revolution in shopping in India. Modern retailing has entered into the Retail market in India as is observed in the form of bustling shopping centers, multi-storied malls and the huge complexes that offer shopping, entertainment and food all under one roof. A large young working population with median age of 24 years, nuclear families in urban areas, along with increasing workingwomen population and emerging opportunities in the services sector are going to be the key factors in the growth of the organized Retail sector in India. The growth pattern in organized retailing and in the consumption made by the Indian population will follow a rising graph helping the newer businessmen to enter the India Retail Industry. In India the vast middle class and its almost untapped retail industry are the key attractive forces for global retail giants wanting to enter into newer markets, which in turn will help the India Retail Industry to grow faster. Indian retail is expected to grow 25 per cent annually. Modern retail in India could be worth US$ 175-200 billion by 2016. The Food Retail Industry in India dominates the shopping basket. The Mobile phone Retail Industry in India is already a US$ 16.7 billion business, growing at over 20 per cent per year. The future of the India Retail Industry looks promising with the growing of the market, with the government policies becoming more favorable and the emerging technologies facilitating operations.

Suppliers and buyers rivalry Retail Management

- Counter service, where goods are out of reach of buyers and must be obtained from the seller. This type of retail is common for small expensive items (e.g. jewelers) and controlled items like medicine and liquor. It was common before the 1900s in the United States and is more common in certain countries like India.
- Click and Commute, where products are ordered online and are picked up via a drive through.
- Ship to Store, where products are ordered online and can be picked up at the retailer's main store

- Delivery, where goods are shipped directly to consumer's homes or workplaces.
- Mail order from a printed catalog was invented in 1744 and was common in the late 19th and early 20th centuries. Ordering by telephone was common in the 20th century, either from a catalog, newspaper, television advertisement or a local restaurant menu, for immediate service (especially for pizza delivery), remaining in common use for food orders. Internet shopping — a form of delivery — has eclipsed phone-ordering, and, in several sectors — such as books and music — all other forms of buying. There is increasing competitor pressure to deliver consumer goods- especially those offered online- in a more timely fashion. Large online retailers such as Amazon.com are continually innovating and as of 2015 offer one-hour delivery in certain areas. They are also working with drone technology to provide consumers with more efficient delivery options. Direct marketing, including telemarketing and television shopping channels, are also used to generate telephone orders. Started gaining significant market share in developed countries in the 2000s.
- Door-to-door sales, where the salesperson sometimes travels with the goods for sale.
- Self-service, where goods may be handled and examined prior to purchase.
- Digital delivery or Download, where intangible goods, such as music, film, and electronic books and subscriptions to magazines, are delivered directly to the consumer in the form of information transmitted either over wires or air-waves, and is reconstituted by a device which the consumer . The digital sale of models for 3D printing also fits here, as do the media leasing types of services, such as streaming.

KARPAGAM ACADEMY OF HIGHER EDUCATION

(Deemed University Established Under Section 3 of UGC Act 1956)

Coimbatore – 21

(For the candidates admitted from 2016 onwards)

DEPARTMENT OF COMMERCE (CA)

SUBJECT : RETAIL MANAGEMENT

SEMESTER : III

SUBJECT CODE: 16CCU303 B **CLASS : II B.COM CA**

POSSIBLE QUESTIONS

PART A (1 mark)

(Online examinations)

PART B (2 Marks)

1. Define Retailing
2. Define rise of retailing
3. Define Foreign Direct Investment
4. Explain Challenges in Retailing
5. What are all the functions of retailing?
6. Define Consumerism in retailing
7. Explain – New Entrants in Retailing
8. Explain - suppliers and buyers rivalry in Retailing
9. What are all the Key markets in retailing
10. Distinction between Wholesaler and Retailer.
11. Explain types of retail stores

Part – C (6 Marks)

1. Describe the functions of Retail management:
2. Explain the Challenges of Retail Management
3. Briefly explain rise of retailing in India
4. Explain Consumerism of retail management
5. Explain Consumer proximity technology of Retail Management
6. Give an overview of Global Retailing.
7. What are the Challenges and opportunities retailing.
8. Give in detail about Retail trends in India
9. What are Socio economic and technological Influences on retail management.
10. What are Socio economic and technological Influences on retail management?

KARPAGAM ACADEMY OF HIGHER EDUCATION

(Deemed University Established Under Section 3 of UGC Act 1956)

Coimbatore - 641021.

(For the candidates admitted from 2016 onwards)

DEPARTMENT OF COMMERCE (CA)

SUBJECT : RETAIL MANAGEMENT

SEMESTER : III

SUBJECT CODE: 16CCU303 B **CLASS : II B.COM CA**

UNIT – II

EVALUATION OF RETAILING

Theories – Retail lifecycle – Business Models – Ownership – Merchandise offered , Franchise, Non Store, Direct Marketing – Tele, Vending Machines, Kiosks, Cash and Carry Global Experience – Brand Management.

Evaluation of Retailing

Theories

The theories developed to explain the process of retail development revolve around the importance of competitive pressure, the investments in organizational capabilities and the creation of a sustainable competitive advantage .this requires the implementation of strategic planning by retail organizations. Growth in retail is a result of understanding market signals and responding to the opportunities that arise in a dynamic manner. Theories of retail of retail development can broadly be classified as:

1) Environmental – where a change in retail is attributed to the change in the environment in
which the retailers operate.
2) Cyclical – where change follows a pattern ad phases can have definite identifiable

attributes associated with them.

3) Conflict – the competition or conflict between two opposite type of retailers leads to a new format being developed.

Environmental Theory:

Darwin's theory of natural selection has been popularized by the phrase survival of the fittest. Retail institutions are economic entities and retailers confront an environment, which is made up of customers, competitors and changing technology. This environment can alter the profitability of a single retail store as well as of clusters and centers. The environment that a retailer competes in is sufficiently robust to squash any retail form that does not adjust.

Thus, the birth, success or decline of different forms of retail enterprise is many a time attributed to the business environment. For example the decline of department stores in the western markets is attributed to the general inability of those retailers to react quickly and positively to environmental change. Those retail institutions which are keenly aware of their operating environment and which react without delay, again from the changes.

Thus, following the Darwinian approach of survival of the fittest, those retailers that successfully adapt technological, economic, demographic and legal changes are the ones that are most likely to grow and prosper. The ability to adapt to change, successfully, is at the core of this theory.

Cyclical Theory:

The most well known theory of retail evolution is The Wheel of Retailing theory. This theory helps us understand retail changes. This theory suggests that retail innovators often first appear as low price operators with a low cost structure and low profit margin requirements, offering some real advantages such as specific merchandise which enables them to take customers away from more established competitors.

As they prosper, they develop their business, offering a greater range or acquiring more expensive facilities, but this can mean that they lose the focus that was so important when they entered the market. Such trading up occurs as the retailer becomes established in his own right. This in turn, leaves room for others to enter and repeat the process. They then become vulnerable to new discounters and lower cost structures that take their place along the wheel. Scrambled merchandising occurs as the retailer adds goods and services that are unrelated to each other and the firm's original business to increase overall sales and profit margins. This is termed as the wheel of retailing .This is depicted in, The Wheel of Retailing

Conflict Theory:

Conflict always exists between operators of similar formats or within braid retail categories. It is believed that retail innovation does not necessarily reduce the number of formats available to the consumer, but leads to the development of more formats. Retailing thus evolves through a dialectic process, i.e. the blending of two opposites to create a new format. This can be applied to developments in retailing as follows:

1. **Thesis**: Individual retailers as corner shops across the country.

2. **Antithesis:** 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.
3. **Synthesis:** There is a blending of the thesis and antithesis. The result is a position between the thesis and antithesis. Supermarkets and hypermarkets thrive. This synthesis becomes the thesis for the next round of evolution.

Concept of Life Cycle in Retail:

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.

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 the 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. Levels of profitability are moderate and this stage can last up to five years depending on the organization.

Accelerated 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.

Maturity:

The organization still grows but competitive pressures are felt acutely from newer forms of retailing that tend to arise. 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.

Decline:

The retail organization loses 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. 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.

Business Models in Retail

Business models

1. Food retailers

Retailers carrying highly perishable foodstuffs such as meat, dairy and fresh produce typically require cold storage facilities. Consumers purchase food products on a very regular purchase cycle - e.g. daily, weekly or monthly.

2. Soft line retailers

Soft line retailers sell goods that are consumed after a single use, or have a limited life (typically under three years) in they are normally consumed. Soft goods include clothing, other fabrics, footwear, toiletries, cosmetics, medicines and stationery.

3. Grocery/ Convenience Retail:

Grocery stores, including supermarkets and hypermarkets, along with convenience stores carry a mix of food products and consumable household items such as detergents, cleansers, personal hygiene products. Consumer consumables are collectively known as fast-moving-consumer goods (FMCG) and represent the lines most often carried by supermarkets, grocers and convenience stores. For consumers, these are regular purchases and for the retailer, these products represent high turnover product lines.

4. An art gallery is a specialist retailer Hard-line retailer

Retailers selling consumer durables are sometimes known as *hardliner retailers* automobiles, appliances, electronics, furniture, sporting goods, lumber, etc., and parts for them. Goods that do not quickly wear out and provide utility over time. For the consumer, these items often represent major purchase decisions. Consumers purchase durables over longer purchase decision cycles. For instance, the typical consumer might replace their family car every 5 years, and their home computer every 4 years.

5. Specialist retailers

Specialist retailers operate in many industries such as the arts e.g. green grocers, contemporary art galleries, bookstores, handicrafts, musical instruments, gift shops. Every business has its distinctive way of organizing the very many activities that are involved in delivering its product or service to the end consumer. In retail parlance, one would term it as the format adopted by the retailer to reach his end consumer. Over a period of time, as business grows, changes occur in the environment, the customer and the geographies in which business is conducted. Companies are confronted with new information and communication technologies, shorter product life cycles, global markets and tougher competition. Various retail models exist in the world of retail. To start with, let us first understand what a business model in retail entails. A business model is the manner in which a business chooses to serve its customers and stakeholders. In retail, a business model would dictate the product and / or services offered by the retailer, the pricing policy that he adopts. The communication that follows to reach out to customers and the size looks at the location of Retailer's retail store. This is termed in retail as a format in which the retailer operates. It has to be borne in mind that a retail model is relevant with reference to a particular time frame and the critical factors, which affect the Retail model, are:

1. Trends in market positioning
2.Competition
3. The organizational capabilities.

These **three factors** jointly enable the understanding of the contexts and **strategies** adopted by retailers over a period of time.

The basic classification done is on the basis of **store based retailers** and **non-store retailers.** The store based retailers can be further classified **on the basis of the merchandise** that they offer, or **by the manner of ownership**. This section discusses some of the prominent retail formats under each classification

Ownership Based Retailing

- **Independent Retailers** – They own and run a single shop, and determine their policies independently. Their family members can help in business and the ownership of the unit can be passed from one generation to next. The biggest advantage is they can build personal rapport with consumers very easily. **For example:** stand-alone grocery shops, florists, stationery shops, book shops, etc.
- **Chain Stores** – When multiple outlets are under common ownership it is called a chain of stores. Chain stores offer and keep similar merchandise. They are spread over cities and regions. The advantage is, the stores can keep selected merchandise according to the consumers' preferences in a particular area. **For example:** Westside Stores, Shopper's Stop, etc.

- **Franchises** – These are stores that run business under an established brand name or a particular format by an agreement between franchiser and a franchisee. They can be of two types –
- Business format. **For example:** Pizza Hut.
- Product format. **For example:** Ice cream parlors of Amul.
- **Consumers Co-Operative Stores** – These are businesses owned and run by consumers with the aim of providing essentials at reasonable cost as compared to market rates. They have to be contemporary with the current business and political policies to keep the business healthy. **For example:** SahakarBhandar from India, Puget Consumers Food Co-Operative from north US, Dublin Food Co-Operative from Ireland.

Merchandise Based Retailing

1. **Convenience Stores** – They are small stores generally located near residential premises, and are kept open till late night or 24x7. These stores offer basic essentials such as food, eggs, milk, toiletries, and groceries. They target consumers who want to make quick and easy purchases. **For example:** mom-and-pop stores, stores located near petrol pumps, 7-Eleven from US, etc.
2. **Supermarkets** – These are large stores with high volume and low profit margin. They target mass consumer and their selling area ranges from 8000 sq.ft. to 10,000 sq.ft. They offer fresh as well as preserved food items, toiletries, groceries and basic household items. Here, at least 70% selling space is reserved for food and grocery products. **For example:** Food Bazar and Tesco.
3. **Hypermarkets** – These are one-stop shopping retail stores with at least 3000 sq.ft. selling space, out of which 35% space is dedicated towards non-grocery products. They target consumers over large area, and often share space with restaurants and coffee shops. The hypermarket can spread over the space of 80,000 sq.ft. To 250,000 sq.ft. They offer exercise equipment, cycles, CD/DVDs, Books, Electronics equipment, etc. **For example:** Big Bazar from India, Wal-Mart from US.
4. **Specialty Stores** – these retail stores offer a particular kind of merchandise such as home furnishing, domestic electronic appliances, computers and

related products, etc. They also offer high level service and product information to consumers. They occupy at least 8000 sq.ft. Selling space. **For example:** Gautier Furniture and Croma from India, High & Mighty from UK.

5. **Departmental Stores** – It is a multi-level, multi-product retail store spread across average size of 20,000 sq.ft. to 50,000 sq.ft. It offers selling space in the range of 10% to 70% for food, clothing, and household items. **For example:** The Bombay Store, Ebony, Meena Bazar from India, and Marks & Spencer from UK.
6. **Factory Outlets** – These are retail stores which sell items that are produced in excess quantity at discounted price. These outlets are located in the close proximity of manufacturing units or in association with other factory outlets. **For Example:** Nike, Bombay Dyeing factory outlets.
7. **Catalogue Showrooms** – these retail outlets keep catalogues of the products for the consumers to refer. The consumer needs to select the product, write its product code and handover it to the clerk who then manages to provide the selected product from the company's warehouse. **For Example:** Argos from UK. India's retail Hyper City has joined hands with Argos to provide a catalogue of over 4000 best quality products in the categories of computers, home furnishing, electronics, cookware, fitness, etc.

Franchise:

Franchising is essentially the permission given by one person, the franchisor, to another person, the franchisee, to use the franchisor's name, trademarks and business system in return for an initial payment and further regular payments. Each business outlet is owned and managed by the franchisee. However, the franchisor retains control over the way in which products and services are marketed and sold, and controls the quality and standards of the business.

A **franchise** is the agreement or license between two legally independent parties which gives:

i. a person or group of people (franchisee) the right to market a product or service using the trademark or trade name of another business (franchisor)

ii. the franchisee the right to market a product or service using the operating methods of the franchisor

iii. the franchisee the obligation to pay the franchisor fees for these rights

iv. the franchisor the obligation to provide rights and support to franchisees

Eg: Coca-Cola, Goodyear Tires, Ford Motor Company

Business Definition:

Franchising has been described as:

A method of DISTRIBUTION of goods and services;

A method of MARKETING;

A method of GROWTH;

A method of CAPITAL ACQUISION;

A method of EMPLOYMENT.

For a company wishing to expand to other locations, franchising offers the opportunity to have branch locations operated by "dedicated" managers rather than company employees. A franchisee is dedicated because it's his business (operating under the franchisor's name and rules) and he's made an investment. A franchisee will sell more, service customers better, and control costs more tightly than a company employee.

Advantages

- It is your own business
- Someone else has already had the bright idea and tested it too
- there will often be a familiar brand name which should have existing customer loyalty
- there may be a national advertising campaign
- some franchisors offer training in selling and other business skills
- some franchisors may be able to help secure funding for your investment as well as discounted bulk buy supplies.

Disadvantages

- It is not always easy to evaluate the quality of a franchise especially if it is relatively new
- Extensive enquiries may be required to ensure a franchise is strong

- Part of your annual profits will have to be paid to the franchisor by way of fee.
- The rights of the franchisor, for example to inspect your premises and records and dictate certain methods of operation, may seem restrictive
- Should the franchisor fail to maintain the brand name or meet other commitments there may beery little you can do about it.

Non-Store Based (Direct) Retailing

It is the form of retailing where the retailer is in direct contact with the consumer at the workplace or at home. The consumer becomes aware of the product via email or phone call from the retailer, or through an ad on the television, or Internet. The seller hosts a party for interacting with people. Then introduces and demonstrates the products, their utility, and benefits. Buying and selling happens at the same place. The consumer itself is a distributor. **For example: Amway and Herbalife multi-level marketing.**

Non-Store based retailing includes non-personal contact based retailing such as −

- **Mail Orders/Postal Orders/E-Shopping** − The consumer can refer a product catalogue on internet and place order for purchasing the product via email/post.
- **Telemarketing** − the products are advertised on the television. The price, warranty, return policies, buying schemes, contact number etc. are described at the end of the Advt. The consumers can place order by calling the retailer's number. The retailer then delivers the product at the consumer's doorstep. For example, Asian Sky shop.
- **Automated Vending/Kiosks** − It is most convenient to the consumers and offers frequently purchased items round the clock, such as drinks, candies, chips, newspapers, etc.

The success of non-store based retailing hugely lies in timely delivery of appropriate product.

Service Based Retailing:

These retailers provide various services to the end consumer. The services include banking, car rentals, electricity, and cooking gas container delivery. The success of service based retailer lies in service quality, customization, differentiation and timeliness of service, technological up gradation, and consumer-oriented pricing.

Tele, Vending Machines:

Smart technologies will drive the increasing variety and personalization of products offered through vending machines. Automatic merchandising—or vending machine retailing—has been a proven business concept for more than a century. This business is highly appealing because of the low startup cost, low working capital and low overhead. This is a cash business, with you collecting the money when you replenish supplies.

New trends in vending: Mobile Payment:

Mobile payment options such as Apple Pay, Android Pay and Samsung Pay are a good fit for vending machines because they bring significant operating---cost savings to operators while also minimizing sales losses due to machine malfunctions. Thanks to their lower operating costs, vending machines have become a more viable point-- of---sale channel, which, in turn, has driven higher demand for vending options.

Kiosks:

Multimedia kiosks are placed in stores, shopping malls, libraries and railway stations. Loyalty card holders use these kiosks while entering the store in order to know the details of special offers and check the number of points to their credit. They receive updated knowledge about new products. multimedia kiosks are used by the retailers to cross-sell related products. For example, a session with a beautician may be booked in a health care store, customers booking holidays, arranging insurance and purchasing tickets, etc.,

Cash and carry global experience:

The cash and carry retailing format was started in 1958, Batleys and followed by Nurdin and Peacock in 1960. In India it is still struggling to grow.

Cash and Carry operators buy goods in large quantities from the manufacturer or buying group and then sell these goods to their retail customers. Cash and Carry Retail is becoming the favorite choice of all retail players. The growth in the organized retailing has resulted in the establishment of departmental stores, supermarkets, rural retailing, e-retailing , luxury retailing and the new way of retailing i.e. cash and carry retailing. The Retail Industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. But all of them have not yet tasted success because of the heavy initial investments that are required to break even and because of much intense competition. For a cash and carry retailer, scenario is much more challenging. In this stage the market is still big and growing, but the space for new entrants will become tighter and retailers should act quickly at this stage because retailers at this stage have limited time to explore, and also their margin for error is thin. Since Cash and Carry retailing is towards business customers, therefore building of relationship and trust becomes much more relevant and required.

Brand Management:

Brand management begins with having a thorough knowledge of the term "brand". It includes developing a promise, making that promise and maintaining it. It means defining the brand, positioning the brand, and delivering the brand. Brand management is nothing but an art of creating and sustaining the brand. Branding makes customers committed to your business. A strong brand differentiates your products from the competitors. It gives a quality image to your business.

Brand management includes managing the tangible and intangible characteristics of brand. In case of product brands, the tangibles include the product itself, price, packaging, etc. While in case of service brands, the tangibles include the customers' experience. The intangibles include emotional connections with the product / service.

Branding is assembling of various marketing mix medium into a whole so as to give you an identity. It is nothing but capturing your customers mind with your brand name. It gives an image of an experienced, huge and reliable business.

It is all about capturing the niche market for your product / service and about creating a confidence in the current and prospective customers' minds that you are the unique solution to their problem.

KARPAGAM ACADEMY OF HIGHER EDUCATION

(Deemed University Established Under Section 3 of UGC Act 1956)

Coimbatore – 21

(For the candidates admitted from 2016 onwards)

DEPARTMENT OF COMMERCE (CA)

SUBJECT : RETAIL MANAGEMENT

SEMESTER : III

SUBJECT CODE: 16CCU303 B **CLASS : II B.COM CA**

POSSIBLE QUESTIONS

PART A (1 mark)
(Online examinations)

PART B (2 Marks)

1. What is retail life cycle?
2. Define theories of retailing
3. What is Direct Marketing?
4. Explain business models in retailing
5. Define franchising
6. Define kiosks
7. Explain brand management
8. Define Non-stores in retailing
9. Define vending machines in retailing
10. Explain about cash and carry global experience

Part C (6 Marks)

1. Theories of Retail Development
2. Explain concept of Retail Life Cycle
3. Explain Business Models
4. Explain Brand Management
5. Enumerate Non-store, Direct Marketing in retail
6. What are the Organized and unorganized formats available in retail sector?
7. What are the different types of organized retail format?
8. Enumerate the Characteristics of each format.
9. Explain the emerging trends in retail formats
10. Discuss about the origin of retailing in India.
11. Discuss about the advantages and dis-advantages of organized and un -organized retail stores in India.

KARPAGAM ACADEMY OF HIGHER EDUCATION

(Deemed University Established Under Section 3 of UGC Act 1956)

Coimbatore - 641021.

(For the candidates admitted from 2016 onwards)

DEPARTMENT OF COMMERCE (CA)

SUBJECT : RETAIL MANAGEMENT

SEMESTER : III

SUBJECT CODE: 16CCU303 B **CLASS : II B.COM CA**

UNIT- III

RETAIL OPERATIONS

Factors influencing location of Store - Market area analysis – Trade area analysis – Rating Plan Method - Site evaluation. Retail Operations: Stores Layout and visual merchandising, Stores designing, Space planning, Inventory management, Merchandise Management, Category Management.

Retail Operations

Factors influencing location of store:

Where you choose to locate your retail business will have a major impact on everything your shop does. The difference between selecting the wrong location and the right site could be the difference between business failure and success. Before choosing a retail store location, define how you see your business, both now and in the future.

- What do your customers look like?
- Can you visualize your building?
- Do you know what you want to sell and what you want your business to be known for?
- Have you determined how much retail space, storage area, or the size of the office you need?

Without the answers to these basic questions, it will be hard to find the perfect location for generating the maximum amount of profit for your retail store.

Market area analysis:

1. Market size (current and future)
2. Market trends
3. Market growth rate
4. Market profitability
5. Industry cost structure
6. Distribution channels
7. Key success factors
8. Key success details

Market analysis strives to determine the attractiveness of a market, currently and in the future. Organizations evaluate future attractiveness of a market by understanding evolving opportunities and threats as they relate to that organization's own strengths and weaknesses.

Organizations use these findings to guide the investment decisions they make to advance their success. The findings of a market analysis may motivate an organization to change various aspects of its investment strategy. Affected areas may include inventory levels, a work force expansion/contraction, facility expansion, purchases of capital equipment, and promotional activities.

Trade area analysis:

Market trends are the upward or downward movement of a market, during a period of time. The market size is more difficult to estimate if one is starting with something completely new. In this case, you will have to derive the figures from the number of potential customers, or customer segments.

Besides information about the target market, one also needs information about one's competitors, customers, products, etc. Lastly, you need to measure marketing effectiveness. A few techniques are:

1. Customer analysis
2. Choice modeling
3. Competitor analysis

4. Risk analysis
5. Product research
6. Advertising the research
7. Marketing mix modeling
8. Simulated Test Marketing

Changes in the market are important because they often are the source of new opportunities and threats. Moreover, they have the potential to dramatically affect the market size.

Examples include changes in economic, social, regulatory, legal, and political conditions and in available technology, price sensitivity, demand for variety, and level of emphasis on service and support.

Rating plan method:

A simple means of forecasting the market growth rate is to extrapolate historical data into the future. While this method may provide a first-order estimate, it does not predict important turning points. A better method is to study market trends and sales growth in complementary products. Such drivers serve as leading indicators that are more accurate than simply extrapolating historical data. Important inflection points in the market growth rate sometimes can be predicted by constructing a product diffusion curve. The shape of the curve can be estimated by studying the characteristics of the adoption rate of a similar product in the past. Ultimately, many markets mature and decline. Some leading indicators of a market's decline include market saturation, the emergence of substitute products, and/or the absence of growth drivers.

Site evaluation:

The site selection process includes a detailed evaluation of project needs which are then measured against the merits of potential locations. The process typically includes selecting and evaluating communities, real estate site analysis and acquisition, and may include negotiating tax incentives.

According to the U.S. General Services Administration, site selection considerations should begin early in the capital development process and play a significant role in pre-planning discussions. The process includes the following steps:

1. Define project criteria
2. Evaluate communities
3. Create short list of communities based upon project criteria
4. Identify real estate sites within each finalist community
5. Real estate analysis
6. Negotiate tax incentives
7. Site acquisition

Detailed site selection typically requires nine months for federal projects and four to six months for private sector projects. The National Environmental Protection Act may extend the site selection timeline for federal agencies, depending on the level of environmental analysis required

Retail operations: store building, format, layout:

Retail store's physical characteristics are referred as atmospherics of retail store. This will appeal customers and encourage them to buy more things. Physical structure can broadly be classified exterior, interior, store lay out and visual merchandising(display). Exterior refers to aspects like store front, display windows, surrounding businesses, look of the shopping centre etc. It is considered important to attract new customers. The interior atmospherics refers to aspects like lightings, color, interior decorations etc.

Role of atmospherics (physical components) in retail business

- Enhance the image or retail outlet
- Attract new customers
- Create a define USP
- Generate excitement
- Facilitate easy movement inside the store
- Facilitate access to merchandise inside
- Ensure optimum utilization of retail space
- Ensure effective and desired presentation the merchandise
- Reduce product search time for the customers

- Reinforce the marketing communication of the outlet
- Influence the service quality experience

Exterior atmospherics

Exterior atmospherics refers to physical environment found outside the store. Insignificantly affect store traffic and sales. Store exterior include –

1. Store entrance
2. Main board marquee windows
3. Lightings
4. Height of the building
5. Size of the building
6. Visibility
7. Sign board
8. Uniqueness
9. Surrounding stores
10. Parking facilities, etc.

In the competitive markets, retailers can use the store front as a strong differentiating factor and attract and target new customers.

Interior atmospherics

Interior atmospherics refers to all aspects of the physical environment found inside the store. Interior atmospherics affect sales, time spent in the store, approach behavior of target segment.

Some of the important interior atmospherics are-

1. Flooring
2. Music
3. Interior design
4. Level of cleanliness
5. Lightings

Retail store layout

Store layout refers to the interior retail store arrangements of departments or grouping of merchandise. A retail store layout is often designed to make customers spend more money than they planned to. It is important for retailers to evolve a customer friendly layout. This involves paying adequate attention to factors such as expected movements of customers, visiting the store and space allotted to customers to shop, and making adequate provision for merchandise display. Customer friendly layout is likely to motivate the shoppers to move around the store and shop more than what they had planned for Store layout planning involves decisions about allocation of floor space, product groupings and nature of traffic flow , which can take the form of straight or gird traffic flow ,free form flow (curving) or racetrack flow.

Types of Retail Store Layout:

1. Grid:

It is a commonly used system followed by conventional grocery stores as it facilitates planned shopping behavior so that customers can easily locate products on their shopping list. Kirana and drugs store owners commonly employ the grid type layout. Grid arrangement is not very aesthetic, but it ensures smooth shopping trips of shoppers within the store.

2. Free form / boutique layout:

It offers convenient during shopping. It also shown that it increases the time that consumer are willing to spend in the store. It is mainly used for large department stores. It is also known as boutique layout.

3. Race track layout / loop layout:

It offers an unusual, interesting and entertaining shopping experience while also increasing impulse and promotional purchase. Retail units with multiple departments opt for racetrack layout in order to attract shoppers to each department. It is also known as loop layout design.

4. Stored layout:

This is a very common variant of store layout design among Indian independent and leading retail chains in the organized sector. This type of layout not only provides the best utilization of floor area, but also permits the retailer to set separate sections for different product categories.

Stores Decisions:

Layout planning involves decisions about the physical arrangement of economic activity centers within a facility. An economic activity center can be anything that consumes space: a person or group of people, a teller window, a machine, a workstation, a department, a cafeteria or storage room, and so on. The goal of layout planning is to allow workers and equipment to operate most effectively. In general, the inputs to the layout decision are as follows:

1. Specification of the objectives and corresponding criteria to be used to evaluate the design. The amount of space required, and the distance that must be traveled between elements in that layout, are common basic criteria
2. Estimates of product or service demand on the system
3. Processing requirements in terms of number of operations and amount of flow between the elements in that layout
4. Space requirements for the elements in that layout
5. Space availability within the facility itself, or if this is a new facility, possible building configurations.

Visual merchandising / Display

It is the presentation of products in order to sell them. Good display shout to the world that the retailer cares about his image and merchandise and most importantly, about entertaining, informing, and educating his customers.

Benefits of effective display

- Entertains, informs and educates the customer about the product / service in an effective and creative way
- Encourages a customer to wander about to discover novelties
- Re-affirms the store image
- Arranges merchandise for easy access
- Draw attention of the customers
- Highlights merchandise to promote its sale
- Introduces and explains new products
- Encourages customer to enter the store.

Major Types of Retail Stores

In store - Retiling	**Non-Store Retailing**	**Franchising**
1. Department Stores	1. Direct Selling	
2. Super Markets	2. Telemarketing	
3. Discount Houses	3. Online Retailing	
4. Chain Stores or	4. Automatic vending	
5. Multiple Shops	5. Direct Marketing.	

1. Department Stores

These are large scale retail stores selling less than one roof and one control a variety of goods divided into different departments, each of which specializes in an individual merchandise. Converse is of the opinion that a department store is a retail shop handling several classes of goods including fast moving consumer goods, each class being separated from others in management, accounting and location. It is viewed by Clarke as that type of retail institution which handle a wide verity of merchandise under one roof which the merchandise grouped into well-defined departments which is centrally controlled and which caters primarily to women shoppers.

Thus a department store is a retailing business unit that handles a wide variety of shopping and specialty goods and is organized into separate departments for purposes of sales promotion, accounting control and store operation.

Recent trends are to add departments for automotive, recreational and sports equipment, as well a services such as insurance, travel advice and income-tax preparation. Department stores are distinctive in that they usually are oriented towards service. They are usually shopping centers.

Classification of Department Stores

These stores may be classified either according to ownership or income groups to which they appeal.

a) On the basis of ownership these are:

(i) The independent; (ii) The ownership group; and (iii) Chain department Stores.

Independent stores are owned by a financial interest which does not own other similar stores Ownership group stores are those stores which were formerly dependent but now have been combined.

Chain department stores are those stores which are centrally owned and operated.

b) On the basis of income groups, these stores cater to the middle and high income groups. They usually handle good quality merchandise and offer maximum service to the customers. Other stores cater to the needs of the lower income group people.

c) Sometimes there is also to be found what are called leased department stores. Although it appears to most customers that all departments in a department store are owned and operated by the store that is not always the case. The operations of certain departments are sometimes turned over to leases and such departments are called leased departments.

Characteristic or Features of Department Stores

1. These are integrated stores performing operations in addition to other retail stores such as wholesaling.
2. Goods are divided into different classes with different locations and management within the store itself.
3. These stores are distinguished by the nature of goods they self and not by the varieties they keep for example, drug and variety stores carry a wide variety of goods.
4. The store is a horizontally integrated institution. It brings together under one roof a range of merchandise offerings comparable to the combined offerings of many stores specializing in single or fewer merchandise lines.

Location of Department Stores

The success of a department store depends much on its location, availability of space, the area and community to be served and ability to attract customers are the important factors to be considered before establishing a store at a particular place. Special Consideration should be given to accommodation so as to allow every possible amusement facilities. Considerable space should also be allotted for show room displaying stores merchandise.

Merits of Department Stores

1. Large department stores buy in large quantities and receive special concession or discount in their purchases. Many of them purchase direct form manufactures and hence, middleman's charges are eliminated.
2. Department stores are in a position to pay cash on all or most of their purchases and this gives them an additional advantage of picking up quality goods at cheaper rates and at the same time stocking the latest style and fads.
3. Customers can do all their purchases under one roof and it appeals to people of all walks of life.
4. The organization is too large to provide expert supervision of various departments for the adoption of a liberal credit and delivery service for large-scale advertising.
5. When customers enter the store to deal with one department they are frequently induced by the advertisement which the display of goods offers to make purchases in other departments as well.

Limitations of Department Stores

1. The cost of doing business is very high due to heavy overhead expenses.
2. Because of their location in a central shopping area they are of not much advantage to the public because goods required at short notice are always purchased from the nearest traders.
3. There is lack of personal touch and personal supervision which is to be found in single line.
4. When hired diligence is substituted for the diligence of ownership, loss and leaks are likely to occur.
5. Many customers abuse the liberal services extended and take advantage of the policy of the 'customers is always right'.
6. The type of salesmanship found in many stores is very poor because of low payments and lack of supervision.

Future of Department Stores

Nothing definite can be predicted whether these department organizations will continue to carry on and will progress in face of overgrowing competition of chain stores, mail order business and other smaller independent dealers. Stores with overhead burdens which cannot be reduced may have to go, but the department stores as an institution are bound to go on with a future. The department store which is properly equipped in plant, stock and personnel to carry on a reasonable sales volume and then does a better job in giving values and services, then its competitors are entitled to, and will receive its business profit. Department Stores are now opening branches in many new areas and making concerted efforts to meet new competition. They have been modernized, redecorated and better services are being developed; and they are being converted to self-service.

2. Super Markets:

These are large, self service stores that carry a broad and complete line of food and non-food products. They have central check out facilities.

Kotler defines supermarket as 'a departmentalized retail establishment having four basic departments viz. self-service grocery, meat, produce and diary plus other household departments, and doing a maximum business. It may be entirely owner operated or have some of the departments leased on a concession basis.'

Characteristic Features of Super Markets

Chief characteristic features of supermarkets include the following:

i. They are usually located in or near primary or secondary shopping areas but always in a place where parking facilities are available.

ii. They use mass displays of merchandise.

iii. They normally operate as cash and carry store.

iv. They make their appeal on the basis of low price, wide selection of merchandise, nationally advertised brands and convenient parking.

iv. They operate largely on a self-service basis with a minimum number of customer services.

Supermarkets came into existence during the depression in U.S.A. At that time they sold only food products, and their principal attraction was the low price of their merchandise. As super markets increased in number day by day they also expanded into other lines of merchandise.

Advantages of supermarkets

i. Super markets have the advantage of convenient shopping, permitting the buyer to purchase all his requirements at one place.

ii. Super markets also stock a wide variety of items.

iii. These markets can sell at low prices because of their limited service feature, combined with large buying power and the willingness to take low percent of profit margins.

Iv. Shopping time is considerably reduced.

Limitations of Supermarkets

i. The large and extensive area required for a super market is not available cheaply in important places.

ii. The products which require explanation for their proper use cannot be dealt in through the super markets.

iii. Customer services are practically absent.

iv. Another limitation of the super market is the exorbitantly high administrative expenses.

3. Discount Houses

These are large stores, freely open to the public and advertising widely. They are self-service and general merchandising stores. They carry a wide assortment of products of well known brands, appliances, and house wares, home furnishings, sporting goods, clothing, toy and automotive services. They complete on low price basis and operate on a relatively low mark-up and a minimum number of customer services. They range from small open showroom to catalogue type order offices to full line limited service, and promotional stores. They buy their merchandise stocks both from wholesale distributors and directly from manufacturers.

4. Chain Stores or Multiple Shops

A chain store system consists of four or more stores which carry the same kind of merchandise are centrally owned and managed and usually are supplied from one or more central warehouses. A chain store is one of the retail units in chain store system. Chains have been interpreted as a group of two or more reasonably similar stores in the same kind or field of business under one ownership and management, merchandised wholly or largely from central merchandising head quarters and supplied from the manufacturer or orders placed by the central buyers.

In Europe, this system is called as Multiple Shops and the American call it as "Chain Stores". Under the multiple or chain shop arrangement, the main idea is to approach the customers and not to draw the customers as it as is practiced in the case of department store. In order to draw more customers, attempts are made to open a large number of shops in the same city at different places.

In India apt example for this retail system are offered by 'Bata Shoes', 'Usha Sewing Machines' etc., such multiple shops have 'centralized buying with decentralized selling". Fundamentally, they specialize in one product but with all its varieties or models.

Chief Features of Chain Stores

The chief features of chain stores are: i. One or more units may constitute a chain,

ii. They are centrally owned with some degree of centralized control of operation.

iii. They are horizontally 'integrated' that is, they operate multiple stores. With addition of each new store, the system extends the reach to another group of customers.

iv. Many stores are also 'vertically integrated'. They maintain large distribution centers where they buy from producers, do their own warehousing and then distribute their own stores.

Advantages of chain stores or multiple shops

i. Lower selling prices. This is mainly possible due to economy in buying operation.

ii. Economy and advertising. Common advertisements covering all the units are feasible and this reduces advertisement expenditure.

iii. Ability to spread risks. Unlike the department store the principle here is not to "lay all the eggs in one basket". By trial and error, a unit sustaining losses may be shifted to some other place or even dropped.

iv. There is flexibility in working.

v. Since it works only on cash basis, bad debts as well as detailed accounting processes are avoided.

vi. Central and costly locations are not essential.

Limitations of chain stores or multiple shops

i. Lower price is a false claim. According to Stanton "Price Comparison is not possible, as such stores are handling only limited items".

ii. Inflexible in practice. Multiple shops deal in standardized products only-which creates inflexibility in offering wide varieties.

iii. Personnel Problems. Being a large organization, it is always susceptible to problems associated with large scale business.

iv. Poor public image. Various consumer services such as credit facility, door delivery etc. are completely absent in chain store. The present day consumers prefer to have more services than quality in addition to desiring low prices.

II. Non-Store Retailing

A large majority - about - 80% - of retail transactions are made in stores. However, a growing volume of sales is taking place away from stores. Retailing activities resulting in transactions that occur away from a physical store are called non-store retailing. It is estimated that non-store sales account for almost 20% of total retail trade.

Following are the five types of non store retailing: direct selling, telemarketing, online retailing, automatic vending and direct marketing.

1. Direct Selling

In the context of retailing, direct selling is defined as personal contact between a sales person and a consumer away from a retail store. This type of retailing has also been called in home selling. Annual volume of direct selling in India is growing fast from the beginning of the 21st century.

Like other forms of non-store retailing, direct selling is utilized in most countries. It is particularly widespread in Japan, which accounts for about 35% of the worldwide volume of direct selling. The U.S. represents almost 30% of the total and all other countries the rest.

The two kinds of direct selling are door to door and party plan. There are many well known direct-selling companies including Amway, Creative memories and Excel communications. Diverse products are marketed through direct selling. This channel is particularly well suited for products that require extensive demonstration.

Advantages of Direct Selling

i. Consumers have the opportunity to buy at home or at another convenient non store location that provides the opportunity for personal contact with a sales person.

ii. For the seller, direct selling offers the boldest method of trying to persuade ultimate consumers to make a purchase.

iii. The seller takes the product to the shoppers' home or work place and demonstrates them for the consumer.

Limitations of Direct Selling

i. Sales commissions run as high as 40 to 50% of the retail price; of course, they are paid only when a sale is made.

ii. Recruiting sales people - most of whom are part timers are difficult tasks, iii. Some sales representatives use high pressure tactics or are fraudulent. Telemarketing Sometimes called telephone selling, telemarketing refers to a sales person initiating contact with a shopper and closing a sale over the telephone. Telemarketing many entail cold canvassing from the phone directory. Many products that can be bought without being seen are sold over the telephone. Examples are pest control devices, magazine subscriptions, credit cards and club memberships.

Telemarketing is not a problem free. Often encountering hostile people on the other end of the line and experiencing many more rejections than closed sales, few telephone sales representatives last very long in the job. Further some telemarketers rely on questionable or unethical practices. For instance firms may place calls at almost any hour of the day or night. This tactic is criticized as violating consumers' right to privacy. To prevent this, some states have enacted rules to constrain telemarketers' activities.

Despite these problems, telemarketing sales have increased in recent years. Fundamentally, some people appreciate the convenience of making a purchase by phone. Costs have been reduced by computers that automatically dial telephone number, even deliver a taped message and record information the buyer gives to complete the sale. The future of telemarketing is sure to be affected by the degree to which the problems above can be addressed and by the surge of online retailing.

2. Online Retailing:

When a firm uses its website to offer products for sale and then individuals or organizations use their computers to make purchases from this company, the parties have engaged in electronic transactions (also called on line selling or internet marketing). Many electronic transactions involve two businesses which focuses on sales by firms to ultimate consumers. Thus online retailing is one which consists of electronic transactions in which the purchaser is an ultimate consumer. Online retailing is being carried out only by a rapidly increasing number of new firms, such as Busy.com, Pets Mart and CD Now.com. Some websites feature broad assortments, especially those launched by general merchandise retailers such as Wal-mart and Target. Some Internet only firms, notably Amazon.com are using various methods to broaden their offerings. Whatever their differences, e-retailers are likely to share an attribute. They are unprofitable or best, barely profitable. Of course, there are substantial costs in establishing an online operation. Aggressive efforts to attract shoppers and retain customers through extensive advertising and low prices are also expensive. The substantial losses racked by online enterprises used to be accepted, perhaps even encouraged by investors and analysts. The rationale was that all available funds should be used to gain a foothold in this growing market. Despite these challenges, online retailing is expected to grow, rapidly and significantly for the foreseeable future. Online sales represented about 1% of retail spending in 2005, but one research firm estimates that consumer purchases on the Internet with triple by the year 2010. Which product categories are consumers most likely to buy on the Internet in the future? Consumers' shopping intentions in 2005 placed the following goods and services at the top of the list: books, music and videos, computer hardware and software, travel and apparel. Of course, given that change on the Internet occurs, these categories soon may be surpassed by others - perhaps groceries, toys, health and beauty aids, auto parts or pet supplies.

3. Automatic vending

The sale of products through a machine with no personal contact between buyer and seller is called automatic vending. The appeal of automatic vending is convenient purchase. Products sold by automatic vending are usually well-known presold brands with a high rate of turnover. The large majority of automatic vending sales comes from the "4 c's" : cold drinks, coffee, candy and cigarettes.

Vending machines can expand a firm's market by reaching customers where and when they cannot come to a store. Thus vending equipment is found almost everywhere, particularly in schools, work places and public facilities. Automatic vending has high operating costs because of the need to replenish inventories frequently. The machines also require maintenance and repairs. The outlook for automatic vending is uncertain. The difficulties mentioned above may hinder future growth. Further, occasional vending-related scams may scare some entrepreneurs away from this business. Vending innovations give reason for some optimism. Debit cards that can be used at vending machines are becoming more common. When this card is inserted into the machine, the purchase amount is deducted from the credit balance. Technological advances also allow operators to monitor vending machines from a distance, thereby reducing the number of out-of-stock or out-of-order machines.

4. Direct Marketing

There are no consumers on the exact nature of direct marketing. In effect, it comprises all types of non-store retailing other than direct selling, telemarketing, automatic vending and online retailing. In the context of retailing, it has been defined as direct marketing as using print or broadcast advertising to contact consumers who in turn, buy products without visiting a retail store. Direct marketers contact consumers through one or more of the following media: radio, TV, newspapers, magazines, catalogs and mailing (direct mail). Consumer is order by telephone or mail. Direct marketers can be classified as either general -

merchandise firms, which offer a variety of product lines, or specialty firms which carry - only one or two lines such as books or fresh fruit. Under the broad definition, the many forms of direct marketing include:

• **Direct mail** - in which firms mail letters, brochures and even product samples to consumers, and ask them to purchase by mail or telephone.

• **Catalog retailing** - in which companies mail catalogs to consumers or make them available at retail stores.

• **Televised shopping** - in which various categories of products are promoted on dedicated TV channels and through infomercials, which are TV commercials that run for 30 minutes or even longer on an entertainment channel.

On the plus side, direct marketing provides shopping convenience. In addition, direct marketers enjoy comparatively low operating expenses because they do not have the overhead of physical stores.

Direct marketing has drawbacks. Consumers must place orders without seeing or touching the actual merchandise. To off-set this, direct marketers must offer liberal return policies. Furthermore, catalogs and to some extent, direct mail pieces are costly and must be prepared long before they are issued. Price changes and new products can be announced only through supplementary catalogs or brochures.

Direct marketing's future is difficult to forecast, given the rise of the Internet. The issue is whether or not firms relying on direct marketing can achieve and sustain a differential advantage in a growing competition with online enterprises.

5. Franchising

A franchising operation is legal contractual relationship between a franchiser (the company offering the franchise) and the franchisee (the individual who will own the business).

The terms and conditions of the contract vary widely but usually the franchiser offers to maintain a continuing interest in the business of the franchisee in such areas as the site selection, location, management, training, financing, marketing, record-keeping and promotion. He also offers the use of a trade name; store motif standardized operating procedure and a prescribed territory. In return the franchisee agrees to operate under conditions set forth by the franchiser.

For the manufacturers, the franchising is beneficial in these directions:

i. it allows them to conserve capital.

ii. the distribution system is established in the shortest possible time,

iii. Marketing costs are lowest

iv. Expenses of fixed overhead such as administrative expenses of the personnel of the company owned units are cut down substantially. Franchising exists in such products as soft drinks, automobiles and parts, business services, dry cleaning etc.

The franchisee should also:

i. make reference check from the financial institutions.

ii. Make inquiries about the product, its quality, appeal, exclusiveness, competitiveness and effectiveness in bringing in repeat customers.

iii. Have enough capital to buy the franchise,

iv. be capable of taking supervision work.

v. consult the professionals and seek their guidance in legal matters,

vi. Take risks and invest sufficient time.

Store Design:

Customer buying behavior is an important point of consideration while designing store layout. The objectives of store layout and design are −

- It should attract customers.
- It should help the customers to locate the products effortlessly.
- It should help the customers spend longer time in the store.
- It should motivate customers to make unplanned, impulsive purchases.
- It should influence the customers' buying behavior.

Space Planning:

Assign Products to Plano grams. To align the assortment and **space planning** processes, Just Enough allows planners to assign products to imported or created pangrams. The integration of these processes ensures that the assortment is always created within the **space** constraints of stores.

What is Space Planning? A retailer's goal is to drive sales and improve the customer's shopping experience. They use a mixture of aisle navigation, product displays, and shelving to maximize sales per square meter while creating the ultimate shopping destination. Space planning is the process of organizing in-store elements to create a customer flow, like a map showing you the road to featured products. **For example, grocery stores are laid out to lead you to the best-looking products first.**

Fresh food is also a retail technique used to make you feel less guilty when buying processed foods later on. Based on buyer research, customer demand and competitors, a retail store will reposition products, shelves, and aisles to give the appearance of an up-to-date, modernized and vibrant store. Here are five space planning techniques retailers use to increase sales. **Space planning 5Techniques to get You to Buy More:**

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:

1. Provides a wide, open space, that's free from clutter.
2. Allows easy entrance into the store with an overview of the merchandise.
3. Has no distracting marketing or advertising gimmicks.
4. Welcomes you by giving you a little space.
5. 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 real grams beforehand and then once pangrams 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.

Some closing thoughts:

Space planning refers to the efficient flow of used space, ensuring you're comfortable while shopping and that the overall experience will lead you to linger longer. Retail stores spend a lot of time creating the perfect flow across different departments and products, persuading you to spend more money.

Inventory management

Inventory is a term used to describe unsold goods held for sale or raw materials awaiting manufacture. These items may be on the shelves of a store, in the backroom or in a warehouse mile away from the point of sale. In the case of manufacturing, they are typically kept at the factory. Any goods needed to keep things running beyond the next few hours are considered inventory. Inventory management simply means the methods you use to organize, store and replace inventory, to keep an adequate supply of goods while minimizing costs. Each location where goods are kept will require different methods of inventory management. Inventory control is the technique of maintaining the size of the inventory at some desired level keeping in view the best economic interest of an organization.

Inventory management in the retail supply chain follows the following sequence:

1.Request for new stock from stores to head office
2.Head office issues purchase orders to the vendor
3.Vendor ships the goods
4.Warehouse receives the goods
5.Warehouse stores and distributes to the stores
6.Shops and/or consumers (e.g. wholesale shops) receive the goods
7. Goods are sold to customers at the shops.

The management of the inventory in the supply chain involves managing the physical quantities as well as the costing of the goods as it flows through the supply chain.

Types of inventory:

1. Based on stage

- Raw materials
- Working in progress
- Finished products

2. Based on purpose

- Movement
- Buffer
- Anticipation
- Decoupling
- Cycle

3. Based on material

- Components
- Spare parts
- Consumables

Purpose of inventory management

1. Stocking the right product
2. Able to locate the products
3. Maintain optimum level of inventory

Effective inventory management:

- Ensure a continuous supply of raw materials to facilitate uninterrupted production.
- Maintain sufficient stocks of raw materials in periods of short supply and anticipate price changes
- Maintain sufficient finished goods inventory for smooth sales operations, and efficient customer service
- Minimize the carrying cost and time
- Control investment in inventories and keep it at an optimum level.

MERCHANDISE MANAGEMENT

Merchandise management can be termed as the analysis, planning, acquisition, handling and control of the merchandise investments of a retail operation. The process of merchandise management includes the developing of strategies to ensure that the right product is bought at the right price and I available at the right place, at the right time, in the right amount, in order to satisfy the needs of the target customer. No one in retail can completely avoid any contact with merchandising activities. Merchandising is the day-to-day business of all retailers. As inventory is sold, new stock needs to be purchased, displayed and sold. Hence, merchandising is often said to be at the core of retail management.

FUNCTIONS OF A MERCHANDISE MANAGER

The merchandise manager is responsible for particular lines of merchandise. **For example, in department store, there may be separate merchandise managers for menswear, women‘s wear, children‘s wear, etc.** They would be in charge of a group of buyers and their basic duties could be divided into **four areas: planning, organizing, directing, coordinating and controlling.**

1. Planning: Through the merchandise managers may not directly be involved in the actual purchase of the merchandise; they formulate the policies for the areas for which they are responsible. Forecasting the sales for the forthcoming budget period is required and this involves the estimating of the consumer demand and the impact of the changes occurring in the retail environment. The sales forecasts are then translated into budgets, to help the buyers work within the financial guidelines.

2. Organizing: It involves the establishment of an intentional structure of roles through determination and enumeration of the activities required to achieve the goals of an enterprise and each part of it. The grouping of these activities , the assignment of such groups of activities , the delegation of authority to carry them out ,and provision for coordination of authority and informational relationship horizontally and vertically to be carried out by the merchandise manager.

3. Directing: Guiding and training buyers as and when the need arises, is also a function of the merchandise manager. Many a times, the buyers have to be guided to take additional markdowns for products, which may not be doing too well in the stores. Inspiring commitment and performance on the part of the buyers is necessary.

4.Co-ordinating: Usually, merchandise managers supervise the work of more than one buyer, hence, they need to co-ordinate the buying effort in terms of how well it fits in with the store‘s image and with the other products being bought by the other buyers.

5. Controlling: Assessing not only the merchandise performance, but also the buyer‘s performance, is a part of the merchandise manager‘s job. Buying performance may be evaluated on the basis of the net sales, mark up percentage, the gross margin percentages and the stock turn. This is necessary to provide controls and maintain high performance results.

Functions of Merchandisers: While good merchandise management does not guarantee success, bad merchandise management will almost certainly result in failure.

- Inventory-level management
- Achieving sales &profit margins
- Plan merchandise Availability management, as per range plan

- Merchandising strategy & planning
- Processing of purchase orders
- Analysis of data & sales budgeting
- Profitability Target & expense control
- Vendor/supplier relations for both, in house products as well as for brands.

CATEGORY MANAGEMENT:

Retail is often termed as a business of responding to change. Today‘s retailer is faced with a rapidly changing and demanding consumer, intense competition, and pressures on costs. The combinations of the business condition that exist today and the advances in technology have created an opportunity for the development of new management approaches. One such approach is that of category management.

Category Management can be defined as ―the distributors' / suppliers' process of managing categories as strategic business units, producing enhanced business results by focusing on delivering consumer value. Thus, a category is a basic unit of analysis for making merchandising decision. In general, a category is an assortment of items that the customer sees as reasonable substitutes for each other. The fundamentals of category management revolve around managing categories as strategic business units.

The need to reduce costs, control inventory levels and replenish stock efficiently, led to the concept of Efficient Consumer Response (ECR) taking shape in the grocery retail industry in Europe and America. By focusing on a superior understanding of consumer needs, category management provides renewed opportunities for meeting consumer needs, and at the same time, for achieving competitive advantage as well as lower costs through greater work process efficiencies.

Category Management can be defined as ―the distributors' / suppliers' process of managing categories as strategic business units, producing enhanced business results by focusing on delivering consumer value. Thus, a category is a basic unit of analysis for making merchandising decision. In general, a category is an assortment of items that the customer sees as reasonable substitutes for each other. The fundamentals of category management revolve around managing categories as strategic business units.

At the core of the category management concept is a focus on a better understanding of consumer needs as the basis for the retailers'and suppliers'strategies, goals and work processes. Technology plays a key role, as information is a key enabler. The idea is to use this information to tailor the product offering according to consumer needs. The offering is then measured in terms of its sales, cost and returns per square foot. The whole process is aimed at providing customer satisfaction and at the sometime, maximizing the returns for the organization. This focus results in a re-evaluation of many prevalent business practices, which may have obstructed a greater understanding of consumer needs and opportunities.

KARPAGAM ACADEMY OF HIGHER EDUCATION

(Deemed University Established Under Section 3 of UGC Act 1956)

Coimbatore – 21

(For the candidates admitted from 2016 onwards)

DEPARTMENT OF COMMERCE (CA)

SUBJECT : RETAIL MANAGEMENT

SEMESTER : III

SUBJECT CODE: 16CCU303 B   CLASS : II B.COM CA

POSSIBLE QUESTIONS

PART A (1 mark)

(Online examinations)

Part – B (2 Marks)

1. Define Market Area Analysis
2. Enumerate category management
3. Explain space planning
4. What are all the factors influencing location of stores
5. Define Trade Area Analysis
6. Discuss visual merchandising
7. Enumerate inventory management
8. Enumerate merchandise management
9. What is mean by rating plan method in retailing
10. Explain stores designing in retail
11. What is stores layout in retail
12. Define site evaluation

Part C (6 Marks)

1. Explain the factors influencing location of stores
2. Briefly explain Site evaluation.
3. Explain Market Area Analysis and Trade Area
4. Enumerate Retail store layout and its types
5. Visual merchandising / Display and its benefits
6. Enumerate Departmental store and super market
7. Explain the internal and external atmospherics in retail sector.
8. How will you Position of retail shops as to improve it in better manner?
9. How will you Building retail store Image?
10. Explain in detail about Retail service quality management and its process.

KARPAGAM ACADEMY OF HIGHER EDUCATION
(Deemed University Established Under Section 3 of UGC Act 1956)
Coimbatore - 641021.
(For the candidates admitted from 2016 onwards)
DEPARTMENT OF COMMERCE (CA)

SUBJECT : RETAIL MANAGEMENT
SEMESTER : III
SUBJECT CODE: 16CCU303 B **CLASS : II B.COM CA**

UNIT IV

RETAIL MARKETING MIX

Introduction -Product: Decisions related to selection of goods (Merchandise Management revisited) – Decisions related to delivery of service. Pricing : Influencing factors – approaches to pricing – price sensitivity - Value pricing – Markdown pricing. Place : Supply channel – SCM principles – Retail logistics – computerized replenishment system – corporate replenishment policies. Promotion : Setting objectives – communication effects - promotional mix. Human Resource Management in Retailing – Manpower planning – recruitment and training – compensation – performance appraisal Methods.

RETAIL MARKETING MIX

Introduction:

A simple understanding of **marketing** is basically taking the right product, putting it in the right place, for the right price exactly at the right time frame. A good **marketing mix** usually follows the important 4p's which are product, price, place and promotion.

Marketing Mix Definition:

The **marketing mix definition** is simple. It is about putting the right product or a combination thereof in the place, at the right time, and at the right price. The difficult part is doing this well, as you need to know every aspect of your business plan.

The '**marketing mix**' (also known as the four Ps) is a foundation concept in **marketing**. Thus the **marketing mix** refers to four broad levels of **marketing** decision, namely: product, price, promotion, and place.

Marketing Mix 4P's

1.Product

2.Price

3.Place

4. Promotion

A marketing expert named E. Jerome McCarthy created the Marketing 4Ps in the 1960s. The marketing 4Ps are also the foundation of the idea of marketing mix.

The marketing 4Ps are also the foundation of the idea of marketing mix.

Once you've developed your **marketing** strategy, there is a "**Seven P** Formula" you should use to continually evaluate and reevaluate your business activities.

These **seven** are: product, price, promotion, place, people, Physical Evidence

Product:

Product Mix:

Product refers to what the business offers for sale and may include products or services. The term 'product mix' implies all the products offered by a firm for sale. It may consist of one line products or several allied product lines. **Product line refers to an assortment (variety or collection) or class of similar or related products and services.** They may be similar in technology, customers needs, channel used, market served or in some other respect.

An individual product in a line is known as a product item. There are several product items in a product line.

Eg: If we consider the menswear section at a departmental store, the product line would comprise of formal wear, casual wear, accessories, etc.,

Definition: The **Product Mix** also called as **Product Assortment,** refers to the complete range of products that is offered for sale by the company. In other words, the number of **product lines** that a company has for its customers is called as product mix.

Marketers must also create the right product mix. It may be wise to expand your current product mix by diversifying and increasing the depth of your product line. The original marketing mix, or 4 Ps, as originally proposed by marketer and academic, provides a framework for marketing decision-making. McCarthy's marketing mix has since become one of the most enduring and widely accepted frameworks in marketing. A product refers to an item that satisfies the consumer's needs or wants. Products may be tangible (goods) or intangible (services, ideas or experiences).

Decisions related to selection of goods:

1. **Product design :** features, quality
   - The manufacturer is concerned with production cost; in the end, the manufacturer wants an economically produced product.
   - The consumer looks at price, appearance, and prestige value.
   - The consumer is concerned with usability and functionality of the final product.

Product assortment: product range, product mix, product lines,

- **Product assortment** consists of the following characteristics: Breadth: The breadth of a company's **products** relates to the number of **product** lines a company produces or a retailer carries. The length or number of products lines, depth or number of product varieties within a product line, consistency.

2. **Branding:** A brand is a name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers. Product can be easily copied by other players in a market, but a brand will always be unique. For example, Pepsi and Coca-Cola taste very similar, however for some reason, some people feel more connected to Coca-Cola, others to Pepsi.

3. **Packaging and labeling:** A '**Package**'s nothing but a container in which things are packed. '**Packing**'s the process of covering or wrapping goods into a package. '**Packaging**'is the process of designing or producing the container itself. A label is a slip of paper pasted on the package and, nature of the product, manufacturer, date of manufacture, date of expiry, ingredients used, price (the MRP — Maximum Retail Price), taxes as applicable. A label is essentially a medium through which the manufacturer gives necessary information to the consumer.

4. Services (complementary service, after-sales service, service level): The **services** that are offered in addition to any business's core **service** and assist the customer in using that **service**. **Complementary** products and **services** are products and **services** which have indirect impact on the utility a buyer receives from an offering. For **example**, the demand for one **good** (printers) generates demand for the other (ink cartridges). A**fter-sales service** is all the help and information that it provides to customers **after** they have bought a particular product. For example Car service.

5. Guarantees and warranties: A **guarantee** is a written promises that retailer will repair a product or give you a new one, if the product has a fault. A **warranty** is usually a written **guarantee** for a product and declares the maker's responsibility to repair or replace a defective product or its parts.

6. Investment and Returns: In manufacture the gain or loss generated on an **investment** relative to the amount of money invested to the manufacturing for the product. Personal financial decisions are, to compare a company's profitability or to compare the efficiency of different investments.

7. **Managing products through the life-cycle:** Product life-cycle management (PLM) is the succession of strategies by business management as a product goes through its life-cycle. The
conditions in which a product is sold (advertising, saturation) changes over time and must be managed as it moves through its succession of stages.

Decisions related to delivery of service:

Service products are conceptualized as consisting of a bundle of tangible and intangible elements:

Core service: the basic reason for the business; that which solves consumer problems **Supplementary goods and services:** supplements or adds value to the core product and helps differentiate the service from competitors (e.g. consultation, safe-keeping, hospitality, exceptions).

Facilitating services: (sometimes called delivery services): Facilitate the delivery and consumption of the core service (are essential to delivery) (e.g. information provision, order-taking, billing, payment methods)

Supporting services: support the core and could be eliminated without destabilizing the core.

The distinction between supplementary and facilitating services: It varies, depending on the nature of the service. **For instance, the provision of coffee and tea would be considered a supporting service in a bank, but would be a facilitating service in a bed and breakfast facility.** Whether an element is classified as facilitating or supporting depends on the context.

Service marketers need to consider a range of other issues in price setting and management of prices:

- **Price Charged:** the traditional pricing decision.
- **Timing of Payment:** Given that customers are part of the service process and that some customers remain in the process for days, months or even years (e.g. guest house, hotel stay, university tuition), decisions must be made about whether to request payment at time when the service encounter is initiated, during the encounter or on termination of an encounter. Deposits, installments and exit fees are all options that can be considered.

- **Mode of Payment:** Given that customers enter into long term relationships with service providers, it is possible that some patrons will expect to be able to pay on account. Payment options include: EFTPOS (Electronic funds transfer at point of sale), direct transfer, cash/ credit cheque, invoice. Many service firms operate in industries where price is restricted by professional codes of conduct or by government influences which may have implications for pricing. It is possible to identify three broad scenarios:
    - Services subject to public regulation (e.g. healthcare, public transport)
    - Services subject to formal self-regulation (e.g. universities, schools)
    - Services Subject to regulation of marketplace (e.g. hospitality, tourism, leisure services)

In situations where the service is subject to some type of public regulation, government departments may establish ceiling prices which effectively limit the amount that can be charged.

The concept of a social price may be more important for service marketers. A social price refers to "non financial aspects of price. Fine identifies four types of social price: Time, Effort, Lifestyle and Psyche. In effect, this means that consumers may be more acutely aware of the opportunity costs associated with the consumption of a service. In practice, this may mean that consumers of services experience a heightened sense of temporal risk.

Physical evidence:

Given the intangible nature of services, consumers often rely on the physical evidence to evaluate service quality. Therefore, service marketers must manage the physical evidence – which includes any element of the service environment which impacts on one or more of the customers five senses – the sense of smell, taste, hearing, sight and touch. Theorists identify two types of physical evidence, namely; Credit cards have no independent value unless backed by the service. Credit cards are a type of peripheral evidence.

Peripheral evidence: is actually possessed as part of the purchase of a service but has no independent value unless backed by the service. e.g. a cheque book, credit card, admission ticket, hotel stationery.

Essential evidence: unlike peripheral evidence cannot be possessed by the client. It contributes to ambience or image e.g. building and furnishings, layout, equipment, people etc

A number of different theoretical traditions can be used to inform the study of service environments including stimulus-organism-response (SOR) models; environmental psychology; semiotics and Services capes.

Price:

The price of the product is basically the amount that a customer pays for to enjoy it. Price is a very important component of the **marketing mix definition**.

It is also a very important component of a marketing plan as it determines your firm's profit and survival. Adjusting the price of the product has a big impact on the entire marketing strategy as well as greatly affecting the sales and demand of the product.

Price refers to the amount a customer pays for a product. Price may also refer to the sacrifice consumers are prepared to make to acquire a product. (e.g. time or effort). Price is the only variable that has implications for revenue.

Influencing factors for Pricing:

1. Internal factors Manufacturing Cost: The retail company considers both, fixed and variable costs of manufacturing the product. The fixed costs do not vary depending upon the production volume. For example, property tax. The variable costs include varying costs of raw material and costs depending upon the volume of production. For example, labour. •The Predetermined Objectives: The objective of the retail company varies with time and market situations. If the objective is to increase return on investment, then the company may charge a higher price. If the objective is to increase market share, then it may charge a lower price.

•Image of the Firm: The retail company may consider its own image in the market. For example, companies with large goodwill such as Procter & Gamble can demand a higher price for their products. •Product Status: The stage at which the product is in its product life cycle determines its price. At the time of introducing the product in the market, the company may charge a lower price for it to attract new customers. When the product is accepted and established in the market, the company increases the price. •Promotional Activity: If the company is spending high cost on advertising and sales promotion, then it keeps product price high in order to recover the cost of investments.

2. External Factors:

•**Competition:** In the case of high competition, the prices may be set low to face the competition effectively, and if there is less competition, the prices may be kept high.

• **Buying Power of Consumers:** The sensitivity of the customer towards price variation and purchasing power of the customer contribute to the setting price.

• **Government Policies:** Government rules and regulation about manufacturing and announcement of administered prices can increase the price of the product.

• **Market Conditions:** If the market is under recession, the consumers buying pattern changes. To modify their buying behavior, the product prices are set less.

• **Levels of Channels Involved:** The retailer has to consider a number of channels involved from manufacturing to retail and their expectations. The deeper the level of channels, the higher would be the product prices.

Retail pricing Objectives

1. Profit-Objective: The retail store may price its product with the objective of maximizing profits in the short run or long run or both. The objective of profit maximization must be studied carefully because: it may lead to unethical practices such as overcharging or deceiving the customers. This in turn may lead to some form of intervention by either the government or consumer groups (NGOs). At other times, the marketer may price his products with the objective of obtaining only a target rate of return on his investment. This is particularly so with products in the mature stage of the product life cycle.

2. Market Share-Objective: The retailer or marketers may also price his product with the, intention of increasing his market share, or stabilizing his market share. He can set the price of his product lower than that of his competitors.

3. Competitor-Oriented Objective: The retailers or marketer may price his product to counter any existing or prospective move by his competitors. Retailer may deliberately price its merchandise low to: Discourage potential retailer from entering the market, Advance the exit of the potential competitors and marginal firms from entering the market, Spoil the market of retail competitors with the eye on getting future benefits. With a low price, the marketer can prevent price-cutting by competitors. At other times, the retailers may cooperate with his competitors by setting a common price. A good example of this type of pricing is very common among traditional business centers in India where all retailers dealing in similar merchandise set similar common prices. This practice is common among retailers of Beauty salons, Garment Retailers and Grocery etc.

4. Buyer-Oriented Objective: Another pricing objective adopted by retailer may be buyer-oriented. The aim of such pricing is to maintain socially acceptable prices and to be fair to customers. The prices of goods of super bazaars Margin free (Kerala) and Rythu (Andhra Pradesh) can be considered buyer-oriented as these retail chains practice the professed pricing objectives of bypassing intermediaries and sharing savings with the ultimate consumers. Most of the five star hotels stress on the kind of ambience and services extended by their hotel, as these are of prime concern to their customers. Tanishq, the jewellery retail chain, emphasizes on the other elements of the marketing mix, such as heavier promotion and advertising, as well as highlighting the quality and the characteristics of their offerings primarily to justify the relatively higher prices charged by them.

5. Government-Oriented Objectives: The pricing of some products may be constrained by existing laws or may be influenced by government action. The prices of petrol, grocery items, vegetables in India are, to a large extent, controlled and influenced by government action. Consumer Protection Act 1986, Indirect Tax provisions and MRTP has a bearing on the pricing of the merchandise.

6. Product-Oriented Objectives: The retailers or marketers at times make their offerings more "visible" by means of pricing. Customers are usually attracted by the advertisements in newspapers highlighting special offers and discounts. With a lower price, the retail store can therefore catch the attention of buyers and this will help him to introduce new offerings, increase the sale of weak products etc. Many of the retail stores in India such as Big Bazaar are using these pricing techniques.

Major pricing strategies, and these are:

- Market penetration pricing
- Market skimming pricing
- Neutral pricing
- Leader pricing
- Price Bundling
- Multi-unit Pricing
- Discount pricing
- Every Day Low Pricing
- Odd Pricing
- Cost-oriented method
- The pricing strategies that can be followed include:
- **Market skimming** The strategy here is to charge high prices initially and then to reduce them gradually, if at all. A skimming price policy is a form of price discrimination over time and for it to be effective, several conditions must be met.
- **Market Penetration** This strategy is the opposite of market skimming and aims at capturing a large market share by charging low prices. The low prices charged stimulate purchases sand can discourage competitors from entering the market, as the profit margins per time are low. To be effective, it needs economies of scale, either in manufacturing, retail or both. It also depends upon potential customers being price sensitive about particular item and perhaps, not perceiving much difference between brands.
- **Leader pricing** Here, the retailer bundles a few products together and offers them at a deep discount so as to increase traffic and sales on complementary items. The key to successful leader pricing strategy is that the product must appeal to a Large number of people and should appear as a bargain. Items best suited for this type of pricing are those frequently purchased by shoppers, e.g., bread, eggs, milk, etc.

- **Price Bundling** Here, the retailer bundles a few products together and offers them at a particular price. For example, a company may sell a PC at a fixed price and the package may include a printer and a web camera.
  Another example is that of the Value Meal offered by McDonald's. Price bundling may increase the sales of related items.
- **Multi-unit Pricing** In multi-unit pricing, the retails offers discounts to customers who buy in large quantities or who buy a product bundle. This involves value pricing for more than one of the same item. For example, a retailer may offer one T-shirt for Rs 255.99 and two T- shirts for Rs 355.99. Multi-unit pricing usually helps move products that are slow moving.
- **Discount pricing** It is used as a strategy by outlet stores who offer merchandise at the lowest market prices.
- **Every Day Low Pricing** Every Day Low Pricing or EDLP as it is popularly known, is a strategy adopted by retailers who continually price their products lower than the other retailers in the area. Two famous examples of EDLP are Wal- Mart and Toys ―R‖ Us, who regularly follow this strategy.
- **Odd Pricing** Retail prices are set in such a manner that the prices end in odd numbers, such as Rs 99.99 or Rs 199, Rs 299, etc.
- The buyer may adopt either the cost-oriented or a demand-oriented approach for setting prices. In the **Cost-oriented method**, a fixed percentage is added to the cost price. This is determined by what mark up the retailer works on. Alternately, the demand-oriented method bases prices on what price the customer expects to pay for the product. The price fixed here is based on the perceived value of the product. Ultimately, it is the planned gross margin, which needs to be achieved, and which is a major consideration while fixing the retail price.

Approaches to Pricing:

There are three retail-pricing approaches based on the long-term objectives of the pricing decisions.

1. Discount Orientation:

Here low prices are used as the major tool for competitive advantage wherein the store portrays a low status image while profit margins are kept low to target price based customers. The model works on high inventory turnover and lower operating costs. This is arguably the most common model in India because of the low per capita income and price consciousness.

2. At-the-market Orientation:

These kinds of stores normally set average prices. It offers solid service, a nice atmosphere to the shoppers, margins are average to good, and it stocks moderate to above quality products. Since this model caters to the middle class, it has a huge target market. Westside in India focuses on providing value for money merchandise for the entire family along with an international shopping experience. The private label of the company gives it the flexibility of a wide range of merchandise and also has the advantage of generating better margins for the company.

3. Upscale Orientation:

Here competitive advantage is derived from the prestigious image of the store. The profit margins per unit are high, but coupled with higher operating costs and lower inventory turnover. These stores usually stock distinctive product offerings and provide high quality service, building up customer loyalty. The products stored generally go with the image of the store. Like sub stores would stock Christian Dior perfumes and Rolex watches. It may be appropriate in situations of inelastic demand in which an organization decides to keep its prices high.

Price sensitivity:

Price sensitivity is the degree to which the price of a product affects consumers' purchasing behaviors. The amount is by which changes in a product's cost tend to affect consumer demand for that product. The price sensitivity of a product within its target market is often used by a business when determining its optimal pricing and marketing strategy for the product.

- **Thomas Nagle identifies ten factors affecting price sensitivity in his book, The Strategy and Tactics of Pricing.**

- Perceived Substitutes Effect. ...
- Unique Value Effect. ...
- Switching Cost Effect. ...
- Difficult Comparison Effect. ...
- Price Quality Effect. ...
- Expenditure Effect. ...
- End-benefit Effect. ..
- Shared-cost Effect....
- Government Policies

Value pricing: Price also includes considerations of customer perceived value.

1. Price strategy -

- Market penetration pricing
- Market skimming pricing
- Neutral pricing
- Leader pricing
- Price Bundling
- Multi-unit Pricing
- Discount pricing
- Every Day Low Pricing
- Odd Pricing
- Cost-oriented method

2. Price tactics:

Different tactics can help you attract more customers and maximize profits.

a. Discounting

Offering specially-reduced prices can be a powerful tool. This could be a clearance discount to sell old stock, a discount for making multiple purchases of the same or similar products, or could offer bulk discounts to encourage larger orders. Seller should be able to make these more profitable through lower costs.

b. Odd value pricing

Using the retailer's tactic of selling products for £9.99 instead of £10 can be useful if price is an essential part of customers' buying decisions. Some customers perceive odd value prices like this as being more attractive.

c. Loss leader

This involves selling a product at a low or even loss-making price. Although you may not make a profit selling this product, you could attract customers who will also buy other, more profitable products.

d. Skimming

If you have a unique product or service, you can sell it at a high price. This is known as skimming - but you need to be sure that what you are selling is unique. Otherwise you may just price yourself out of the market if there is credible competition.

e. Penetration

This is the opposite of skimming - starting at a low price and gaining market share before competitors catch up with you. Once you have a loyal customer base, you should be able to find ways to raise prices later.

3.Price-setting:

- **Allowances – e.g. rebates for distributors**
- **Discounts – for customers**
- **Payment terms – credit, payment methods**

MARKDOWN PRICING:

Many a times, retail prices need to be adjusted to meet the conditions prevailing in the market. Adjustments to retail prices can be done by way of markdowns or by way of promotions. Markdowns are a permanent reduction in the price and this step may be taken as a result of slow selling of the product or as a part of a systematic strategy.

Markdowns are usually done after a determined number of weeks in order to maintain a desired rate of sales. Timely markdowns help improve the profitability, increase the turnover and increase the profit. Markdowns may be necessitated due to wrong forecasting, overbuying, faulty selling practices or simply because the product is shop soiled or the odds and ends of a range are left at the end of a season.

The mark down percentage is calculated as follows:

Total mark down / total sales X 100

Promotions on the other hand, are a temporary reduction in the price, used to generate additional sales during peak selling periods. Prices may be reduced by a percentage (25 percent off) or to a lower sale price (Rs. 99). High volume items, with a substantial initial markup, are usually selected for promotions.

Promotions may also include coupons, which may reduce the retail price by an amount or a percentage. With retail coupons, the retailer absorbs the reductions in the price.

A Comparison of Mark ups and Markdowns

A mark up is where profit is expressed as a percentage of the costs, as shown below:

(price-Cost)/CostX100

Thus, a selling price of Rs 30, with a cost of Rs 20, gives a markup of 50 percent.

A markdown is where profit is expressed as a percentage of the sale price and is shown below:

(price-Cost)/PriceX100

thus, a selling price of Rs 60, with a cost of Rs 24, gives a markdown of 60 percent.

% Markdown on selling price = %Mark Up on cost X 100

= 100% = Mark Up on cost

% Mark Up on cost = % Markdown on selling price X 100

= 100 % - % Markdown on selling price

Place

In making place decisions, there are several related questions which must be asked. What is the purpose of the distribution program? Who are the customers? Who should the intermediaries be?

- Purpose of Distribution: Mass distribution; selective distribution or exclusive distribution
- Number of levels in distribution channel: Direct distribution vs multi-marketing and location decisions.

Intermediaries: Agents versus Resellers; Brokers and other parties; Surrogate Consumers.

Place is defined as the "direct or indirect channels to market, geographical distribution, territorial coverage, retail outlet, market location, catalogues, inventory, logistics and order fulfillment". Place refers either to the physical location where a business carries out business or the distribution channels used to reach markets. Place may refer to a retail outlet, but increasingly refers to virtual stores such as "a mail order catalogue, a telephone call centre or a website".

Placement or distribution is a very important part of the product mix definition. You have to position and distribute the product in a place that is accessible to potential buyers. This comes with a deep understanding of your target market. Understand them inside out and you will discover the most efficient positioning and distribution channels that directly speak with your market.

Distribution strategies are:

- Intensive distribution
- Exclusive distribution
- Selective distribution
- Franchising

Supply channel

The supply channel is defined as the total process by which a product reaches the end consumer as goods and services. It consists of a sequence of events which involves strategic decisions over different resources. Relationships are focused on delivering optimum value to the end consumer. The traditional supply channel involves sources of raw materials, the manufacturer or producer, wholesaler and retailer. The supply chain is an arrangement between paired links with an emphasis on controlling and managing the relationships in order to move products through the process effectively.

Supply chain management (SCM) is the oversight of materials, information, and finances as they move in a process from supplier to manufacturer to wholesaler to retailer to consumer. **Supply chain management** involves coordinating and integrating these flows both within and among companies.

Supply chain management flows can be divided into three main flows:

1. **The product flow:** The product flow includes the movement of goods from a supplier to a customer, as well as any customer returns or service needs.
2. **The information flow:** The information flow involves transmitting orders and updating the status of delivery.
3. **The finances flow:** The financial flow consists of credit terms, payment schedules, and consignment and title ownership arrangements.

Objectives of the supply chain:

1. Reduced inventory and storage investment in the chain
2. Improved end-user and customer service benefits through productivity and effectiveness (Faster order cycle time, improved on-time shipment, lack of damage or defects, etc.)
3. Development of strong relational links, thereby a strong chain in order to build competitive advantages.
4. Lower procurement, transportation and unit costs which will aid competitive pricing to increase value added benefits.

Principles of Supply Chain Management:

To help managers decide how to proceed, we revisited the supply chain initiatives undertaken by the most successful manufacturers and distilled from their experience seven fundamental principles of supply chain management.

Principle 1: Segment customers based on the service needs of distinct groups and adapt the supply chain to serve these segments profitably:

Segmentation has a traditionally grouped customers by industry, product, or trade channel and then taken a one-size-fits-all approach to serving them, averaging costs and profitability within and across segments. The typical result, as one manager admits: "We don't fully understand the relative value customers place on our service offerings." 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 have been the traditional tools for defining key segmentation criteria. Today, progressive manufacturers are turning to such advanced analytical techniques as cluster and conjoint analysis to measure customer tradeoffs and predict the marginal profitability of each segment. One manufacturer, for home improvement and building products, bases segmentation on sales and merchandising needs and order fulfillment requirements. Others are finding that criteria such as technical support and account planning activities drive segmentation. Viewed from the classic perspective, this needs-based segmentation may produce some odd couples. For the manufacturer in Exhibit 1, "innovators" include an industrial distributor (Grainger), a do-it-yourself retailer (Home Depot), and a mass merchant (Wal-Mart).

Research also can establish the services valued by all customers versus those valued only by certain segments. Then the company should apply a disciplined, cross-functional process to develop a menu of supply chain programs and create segment-specific service packages that combine basic services for everyone with the services from the menu that will have the greatest appeal to particular segments. This does not mean tailoring for the sake of tailoring. The goal is to find the degree of segmentation and variation needed to maximize profitability. Most companies have a significant untapped opportunity to better align their investment in a particular customer relationship with the return that customer generates. To do so, companies must analyze the profitability of segments, plus the costs and benefits of alternate service packages, to ensure a reasonable return on their investment and the most profitable allocation of resources. To strike and sustain the appropriate balance between service and profitability, most companies will need to set priorities—sequencing the rollout of tailored programs to capitalize on existing capabilities and maximize customer impact.

Principle 2: Customize the logistics network to the service requirements and profitability of customer segments:

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. Neither approach can achieve superior asset utilization or accommodate the segment-specific logistics necessary for excellent supply chain management. In many industries, especially such commodity industries as fine paper, tailoring distribution assets to meet individual logistics requirements is a greater source of differentiation for a manufacturer than the actual products, which are largely undifferentiated. 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. To serve both segments well and achieve profitable growth, the manufacturer designed a multi-level logistics network with three full-stocking distribution centers and 46 quick-response cross-docks, stocking only fast-moving items, located near the regional printers. Return on assets and revenues improved substantially thanks to the new inventory deployment strategy, supported by outsourcing of management of the quick response centers and the transportation activities.

Principle 3: Listen to market signals and align demand planning accordingly across the supply chain, ensuring consistent forecasts and optimal resource allocation:

Forecasting has historically preceded silo by silo, with multiple departments' independently creating forecasts for the same products—all using their own assumptions, measures, and level of detail. Many consult the marketplace only informally, and few involve their major suppliers in the process. The functional orientation of many companies has just made things worse, allowing sales forecasts to envision growing demand while manufacturing second-guesses how much product the market actually wants. Such independent, self-centered forecasting is incompatible with excellent supply chain management, as one manufacturer of photographic imaging found. This manufacturer nicknamed the warehouse "the accordion" because it had to cope with a production operation that stuck to a stable schedule, while the revenue-focused sales force routinely triggered cyclical demand by offering deep discounts at the end of each quarter. The manufacturer realized the need to implement a cross-functional planning process, supported by demand planning software.

Initial results were dismaying. Sales volume dropped sharply, as excess inventory had to be consumed by the marketplace. But today, the company enjoys lower inventory and warehousing costs and much greater ability to maintain price levels and limit discounting. Like all the best sales and operations planning (S&OP), this process recognizes the needs and objectives of each functional group but bases final operational decisions on overall profit potential. Excellent supply chain management, in fact, calls for S&OP that transcends company boundaries to involve every link of the supply chain (from the supplier's supplier to the customer's customer) in developing forecasts collaboratively and then maintaining the required capacity across the operations. Channel-wide S&OP can detect early warning signals of demand lurking in customer promotions, ordering patterns, and restocking algorithms and takes into account vendor and carrier capabilities, capacity, and constraints.

Principle 4: Differentiate product closer to the customer and speed conversion across the supply chain: Manufacturers have traditionally based production goals on projections of the demand for finished goods and have stockpiled inventory to offset forecasting errors. These manufacturers tend to view lead times in the system as fixed, with only a finite window of time in which to convert materials into products that meet customer requirements. While even such traditionalists can make progress in cutting costs through set-up reduction, cellular manufacturing, and just-in-time techniques, great potential remains in less traditional strategies such as mass customization. For example, manufacturers striving to meet individual customer needs efficiently through strategies such as mass customization are discovering the value of postponement. They are delaying product differentiation to the last possible moment and thus overcoming the problem described by one manager of a health and beauty care products warehouse: "With the proliferation of packaging requirements from major retailers, our number of SKUs (stock keeping units) has exploded. We have situations daily where we backorder one retailer, like Wal-Mart, on an item that is identical to an in-stock item, except for its packaging. Sometimes we even tear boxes apart and repackage by hand!

Principle 5: Manage sources of supply strategically to reduce the total cost of owning materials and services: Determined to pay as low a price as possible for materials, manufacturers have not traditionally cultivated warm relationships with suppliers. In the words of one general manager: "The best approach to supply is to have as many players as possible fighting for their piece of the pie—that's when you get the best pricing." Excellent supply chain management requires a more enlightened mindset— recognizing, as a more progressive manufacturer did: "Our supplier's costs are in effect our costs. If we force our supplier to provide 90 days of consigned material when 30 days are sufficient, the cost of that inventory will find its way back into the supplier's price to us since it increases his cost structure." While manufacturers should place high demands on suppliers, they should also realize that partners must share the goal of reducing costs across the supply chain in order to lower prices in the marketplace and enhance margins. The logical extension of this thinking is gain-sharing arrangements to reward everyone who contributes to the greater profitability. Some companies are not yet ready for such progressive thinking because they lack the fundamental prerequisite. That is, a sound knowledge of all their commodity costs, not only for direct materials but also for maintenance, repair, and operating supplies, plus the dollars spent on utilities, travel, temps, and virtually everything else. This fact-based knowledge is the essential foundation for determining the best way of acquiring every kind of material and service the company buys. With their marketplace position and industry structure in mind, manufacturers can then consider how to approach suppliers—soliciting short-term competitive bids, entering into long-term contracts and strategic supplier relationships, outsourcing, or integrating vertically. Excellent supply chain management calls for creativity and flexibility. For one manufacturer whose many divisions all were independently ordering the cardboard boxes they used, creativity meant consolidating purchases, using fewer and more efficient suppliers, and eliminating redundancy in such processes as quality inspection. For many small manufacturers, creativity means reducing transportation costs by hitching a ride to market on the negotiated freight rates of a large customer.

Principle 6: **Develop a supply chain-wide technology strategy that supports multiple levels of decision making and gives a clear view of the flow of products, services, and information**

To sustain reengineered business processes (that at last abandon the functional orientation of the past), many progressive companies have been replacing inflexible, poorly integrated systems with enterprise-wide systems. One study puts 1995 revenues for enterprise wide software and service, provided by such companies as SAP and Oracle, at more than $3.5 billion and projects annual revenue growth of 15 to 20 percent from 1994 through 1999. Too many of these companies will find themselves victims of the powerful new transactional systems they put in place. Unfortunately, many leading-edge information systems can capture reams of data but cannot easily translate it into actionable intelligence that can enhance real-world operations. As one logistics manager is a brand-new system said: "I've got three feet of reports with every detail imaginable, but it doesn't tell me how to run my business." This manager needs to build an information technology system that integrates capabilities of three essential kinds.

Principle 7: Adopt channel-spanning performance measures to gauge collective success in reaching the end-user effectively and efficiently

To answer the question, "How are we doing?" most companies look inward and apply any number of functionally oriented measures. But excellent supply chain managers take a broader view, adopting measures that apply to every link in the supply chain and include both service and financial metrics. First, they measure service in terms of the perfect order—the order that arrives when promised, complete, priced and billed correctly, and undamaged. The perfect order not only font> Second, excellent supply chain managers determine their true profitability of service by identifying the actual costs and revenues of the activities required to serve an account, especially a key account. For many, this amounts to a revelation, since traditional cost measures rely on corporate accounting systems that allocate overhead evenly across accounts. Such measures do not differentiate, for example, an account that requires a multi-functional account team, small daily shipments, or special packaging. Traditional accounting tends to mask the real costs of the supply chain—focusing on cost type rather than the cost of activities and ignoring the degree of control anyone has (or lacks) over the cost drivers. Deriving maximum benefit from activity-based costing requires sophisticated information technology, specifically a data warehouse. Because the general ledger organizes data according to a chart of accounts, it obscures the information needed for activity-based costing. By maintaining data in discrete units, the warehouse provides ready access to this information.

The Importance of Supply Chain Management

It is well known that supply chain management is an integral part of most businesses and is essential to company success and customer satisfaction.

Boost Customer Service

- Customers expect the correct product assortment and quantity to be delivered.
- Customers expect products to be available at the right location. (i.e., customer satisfaction diminishes if an auto repair shop does not have the necessary parts in stock and can't fix your car for an extra day or two).
- Right Delivery Time – Customers expect products to be delivered on time (i.e., customer satisfaction diminishes if pizza delivery is two hours late or Christmas presents are delivered on December 26).

- Right After Sale Support – Customers expect products to be serviced quickly. (i.e., customer satisfaction diminishes when a home furnace stops operating in the winter and repairs can't be made for days)

Reduce Operating Costs

- **Decreases Purchasing Cost** – Retailers depend on supply chains to quickly deliver expensive products to avoid holding costly inventories in stores any longer than necessary. For example, electronics stores require fast delivery of 60" flat-panel plasma HDTV's to avoid high inventory costs.
- **Decreases Production Cost**– Manufacturers depend on supply chains to reliably deliver materials to assembly plants to avoid material shortages that would shutdown production. For example, an unexpected parts shipment delay that causes an auto assembly plant shutdown can cost $20,000 per minute and millions of dollars per day in lost wages.
- **Decreases Total Supply Chain Cost**– Manufacturers and retailers depend on supply chain managers to design networks that meet customer service goals at the least total cost. Efficient supply chains enable a firm to be more competitive in the market place. For example, Dell's revolutionary computer supply chain approach involved making each computer based on a specific customer order, then shipping the computer directly to the customer. As a result, Dell was able to avoid having large computer inventories sitting in warehouses and retail stores which saved millions of dollars. Also, Dell avoided carrying computer inventories that could become technologically obsolete as computer technology changed rapidly.

Improve Financial Position

- **Increases Profit Leverage** – Firms value supply chain managers because they help control and reduce supply chain costs. This can result in dramatic increases in firm profits. For instance, U.S. consumers eat 2.7 billion packages of cereal annually, so decreasing U.S. cereal supply chain costs just one cent per cereal box would result in $13 million dollars saved industry-wide as 13 billion boxes of cereal flowed through the improved supply chain over a five year period.

- **Decreases Fixed Assets** – Firms value supply chain managers because they decrease the use of large fixed assets such as plants, warehouses and transportation vehicles in the supply chain. If supply chain experts can redesign the network to properly serve U.S. customers from six warehouses rather than ten, the firm will avoid building four very expensive buildings.
- **Increases Cash Flow** – Firms value supply chain managers because they speed up product flows to customers. For example, if a firm can make and deliver a product to a customer in 10 days rather than 70 days, it can invoice the customer 60 days sooner.

Lesser known, is how supply chain management also plays a critical role in society. SCM knowledge and capabilities can be used to support medical missions, conduct disaster relief operations, and handle other types of emergencies. Whether dealing with day-to-day product flows or dealing with an unexpected natural disaster, supply chain experts roll up their sleeves and get busy. They diagnose problems, creatively work around disruptions, and figure out how to move essential products to people in need as efficiently as possible

Supply Chain Management and Logistics

Supply Chain Management (SCM) is the management of materials, information, and finances while they move from manufacturer to wholesaler to retailer to consumer. It involves the activities of coordinating and integrating these flows within and out of a retail business.

Most supply chains operate in collaboration if the suppliers and retail businesses are dealing with each other for a long time. Retailers depend upon supply chain members to a great extent. If the retailers develop a strong partnership with supply chain members, it can be beneficial for suppliers to create seamless procedures, which are difficult to imitate.

Retail Logistics:

The word logistics is derived from the french word “loger” which means “to quarter and supply troops”. ‘Retail logistics’ is the organist process of managing the flow of merchandise from the source of supply to the customer. When large number of troops and their equipment move, meticulous planning is required to move volumes of goods and ammunition in that direction. From a marketing point of view, customers are satisfied when they get right product at the right place, at the right time and in the right quantity. Retail logistics system ensures smooth flow of goods to customers through efficient movement of logistics.

Large retailers deal in a wide variety of products. This has created a need for a systematic planning of movement of numerous goods until they are delivered to the customer. Retail logistics ensures that everything is in place to offer better delivery and service at lower prices by way of efficient logistics and added value.

Logistics management is the part of supply chain management that plans, implements, and controls the efficient, effective forward, and reverses flow and storage of goods, services, and related information between the point of origin and the point of consumption in order to meet customer's requirements.

Functions:

1. The increased product variety in stores has forced the retailer to follow an effective logistics system. It takes care of the

a. Flow of merchandise from the producer or intermediary to the warehouse,

b. Arrangement of transport to the retail units till the merchandise is sold and delivered to the customers.

2. The system satisfies the customer by taking the right product to the right customer, at the right place and at the right time. This requires a planned approach right from the starting point till the point of delivery.
3. Profitability of the present and future are maximized by the logistics system by means of fulfillment of orders in a cost effective way.
4. It ensures the availability of infrastructure such as warehousing, transport, inventory and administration. The inter relationship that exists between these elements are effectively coordinated.
5. Retail logistics system strives to add value for the customer. For this purpose, the cost elements in the chain are brought under the direct control of the retailer. Depending on sales volume, retailers create central or regional

distribution centers. They decide on major investment in property, plant and equipment with associated overheads.

6. The functions incorporated in the retail logistics are summarized.
   - The physical movement of goods
   - The holding of the goods in stock holding points
   - The holding of goods in quantities required to meet demand from the consumers
   - The management and administration of the process in modern complex distribution system.

Replenishment: Replenishment is the movement of inventory from upstream -- or reserve -- product storage locations to downstream -- or primary – storage, picking and shipment locations. The purpose of replenishment is to keep inventory flowing through the supply chain by maintaining efficient order and line item fill3 rates. The process helps prevent costly inventory overstocking.

Computerized replenishment system:

Replenishment is "filling again by supplying what has been used up."Replenishment can be broken into base components for easier definition, description of best practices and discussion of the benefits available.

1. Demand Forecasting:

Perhaps the most influential and difficult to master of the replenishment components, demand forecasting is the foundation of replenishment buying. Replenishment focuses on acquiring product to support anticipated need, and the demand forecast is the key to understanding that future need. While some forecasts are calculated manually relying on the experience of the buyer, demand forecasts are almost always calculated using scientific algorithms. Some packages allow for demand forecasting with several algorithms, requiring the user to understand each variation and select the most appropriate method for each product location. Others focus on one or two "best of breed" algorithms, allowing the user to spend their analytical time on other factors of replenishment. The decision which approach to take is an important one, and is largely driven by the types of business scenarios faced by the replenishment team. Replenishment buyers are typically responsible for tens of thousands of product locations and may not have the time or analytical backgrounds to make these types of decisions. Look for solutions that have a "pick best" approach or a single algorithm that is flexible enough to address the needs of all products. One area where retailers can impact the accuracy of these algorithms is the frequency of demand updates. Updating forecasts frequently enables retailers to react more quickly to changing consumer buying habits, but this increased reaction speed has a price. Frequently updating forecasts may reveal lower level variance in the demand history and may increase safety stock requirements to compensate for this variance. For example, if an item sells one, nine, one and nine over a four week period the average sales are five each week but the variance from the forecast is four each week – or 80% of the weekly forecast. Updating the forecast less frequently has the effect of smoothing the normal random variance but does not allow the system to react as quickly when demand is actually trending up or down.

2. Lead Time Forecasting:

Lead time forecasting has nearly as much impact on the replenishment process as demand forecasting. Lead time refers to the number of days between order placement and receipt, including the time it takes to enter the receipt into the system, place it on the shelf, or otherwise make it available for sale. As replenishment focuses on acquiring product to support anticipated need, the lead time forecast is the key to understanding how long ahead of that future need orders should be placed. The lead time variance indicates the amount of deviation buyers experience with order delivery. This number represents the reliability of the lead time forecast. The higher the number, the more inconsistent the vendor or warehouse is in their shipping process. Why is lead time forecasting so important? If weekly demand forecast is 100% accurate, but the lead time forecast is too high by a week, replenishment orders will drive one week of overstock inventory. Under forecasting lead time by a week with a perfect demand forecast leads to inventory levels off by a week of supply and potential out of stocks.

Buyers need accurate statistics concerning supplier lead time to attain their service goals. When time is money, emphasis on lead time forecasting is critical. Reducing the variance of vendor lead time will increase in-stock levels and reduce safety stock levels used to compensate for variation.

Benefits of Successful Replenishment

Excelling at replenishment enables a retailer to implement the promotional, pricing and assortment strategies established. Not only does winning the replenishment game enable execution of these strategies, but additional profit can be gained by minimizing inventory levels and reducing lost sales. Time is made available for analysis and special projects when fighting the fires of overstock and out of stocks is removed from the buyer's day. Replenishment is an area within operations where retailers can find an edge to beat the competition and delight the customer.

Corporate replenishment policies

Corporate retail planning relates to formalized logistics policies. The areas of formalized logistics policies include distribution networks, warehouse system, information systems and replenishment systems.

Formalized logistics policies permit the head office of a retail organization to be responsive to operational needs. Companies have invested an enormous amount of fixed capital on warehousing, vehicles and other equipment. Apart from fixed assets, the current assets in the form of inventory, accounts receivable and cash also form a substantial part of investment.

Thus, corporate replenishment has become an integral part of the corporate strategy. It is instrumental to the achievement of financial and strategic objectives.

Corporate replenishment policy is broader in its application. It is based on the organization's replenishment ethos related to a systems approach.

Types of Stock Control Systems

There are two types of stock control systems:

i. Push strategy ii**. Pull strategy.**

Under the push strategy, the quantities of stock are pushed into stores in anticipation of demand. Under the pull strategy, the merchandise is pulled through the supply chain to replenish sales at stores and a minimum stock holding is retained in the store.

In the 1990s, just-in-time (JIT) methods were developed. In these methods, the pull strategy became the leading method to link inventory to actual demand. Accurate electronic information from the use of EDI has enabled the achievement of continuous replenishment system.

The JIT systems allow for restocking to occur in relation to customer demand. In retailing, the fundamentals of JIT are known as quick response. Demand is captured as close to the final customer as possible. Quick response is actually a series of technologies which comprise the **electronic scanning of product codes**, the **application of EDI** and **tracking of goods** in the supply chain. Grocery multiples are the main users of quick response.

Advantages of corporate replenishment:

i. Customers, ii. Store management, iii. Company, iv. Suppliers.

Advantages of Corporate replenishment to customers

1. Goods are available at the point of sales where and when the customer needs them.
2. An item advertised in the media is certainly available in stock as stock is assured through the system. This adds to customer goodwill.
3. The economies of scale and inventory savings available to retailers are passed on to the customer. The retailer is able to forecast bulk buying requirements more accurately. Hence, the retailer is able to obtain greater discounts from suppliers. A part of the savings can be passed on to customers.

Advantages of Corporate replenishment to store management

1. With well designed corporate replenishment, the management is relieved from the botheration of stock checking and ordering. Use of automatic stock replenishment has completely freed the store management from stock ordering worries.
2. Store management has more time to manage resources and implement company policies. Computerized goods receipt system has saved the time spent on inventory management.

3. With the use of automated systems, managers will not worry about stock position. But they should ensure that stock counting is accurately recorded. Stock outs occur for reasons such as unpredictable shifts in demand, product unavailability, poor data capture control, loss of information, computer failure etc. In these situations, managers should communicate major stock outs immediately to the head office.

   The automatic stock replenishment system merely removes the task of physically ordering stock. It does not relieve the manager from the responsibility to ensure maximum customer satisfaction through product availability.

Advantages of Corporate replenishment to Company

1. The company benefits from maximizing service and minimizing costs. Inventory replenishment is managed to keep the amount of stock to an acceptable level, it avoids dead stock in which capital is locked up unnecessarily.
2. Minimum stock holding prevents capital from being locked up. Capital may be employed for the expansion and development of the business.
3. Due to effective control over stock holding, floor space required for warehousing is reduced. This enables the store manager to divert floor space for selling activities. In a self service environment, products are displayed by making effective use of floor space.
4. Stock will be allocated and received into stores to coincide with advertising and other sales promotional activities. If advertising products are not available in stores, it is a major fault on the part of the retailer.

Advantages of Corporate replenishment to suppliers

1. It is easier for a supplier to cope with one order for all stores of a chain than order for each store independently.
2. The supplier can affect delivery of goods in the most economical way.
3. Using traditional forms of ordering is both time consuming and inaccurate. Processing orders for central distribution warehousing is quite easy for the supplier.

4. Only expert buyers place orders on behalf of store management. From the supplier's point of view, it is preferable to deal with buyers who have expertise in the field of buying.

PROMOTION:

Promotion refers to "the marketing communication used to make the offer known to potential customers and persuade them to investigate it further". Promotion elements include "advertising, public relations, direct selling and sales promotions. Demand of goods is to be created to sell the goods produced in the market be created. Without demand creation, no sale can be affected. It is a continuous process throughout the product life cycle. At introduction level utmost efforts are made to make a product recognized by the customers. The demand once created, would have to be maintained and increased. Efforts for demand creation continue even in the declining stage. For this purpose, promotional activities are undertaken. A promotional mix involves three main activities: personal selling, advertising and sales promotion activities. Personal selling is direct or personal method of selling the product through salesmen or retailer. Advertising and sales promotion are the impersonal methods of promoting the sales.

Retail promotion

Retail promotion involves a mix of communication activities carried out by retailers in order to make a positive influence on the customer's perception, attitude and behavior which can lead to an increase in store loyalty, store visits and product purchases. It is any type of communication by a retailer that informs, persuades, and reminds the target market about any aspect of that firm. **Promotional Objectives**

- Increase sales
- Stimulate impulse and reminder buying
- Raise customer traffic
- Get leads for sales personnel
- Present and reinforce the retailer image
- Inform customers about goods and services
- Popularize new stores and Web sites

• Capitalize on manufacturer support
• Enhance customer relations
• Maintain customer loyalty
• Have consumers pass along positive information to friends and others.

Communication effects:

Retail communication refers to the programs or schemes conducted by the **retailers** to inform the customers about their product, services and also about their **Retail** store. The main motive of **Retail** marketing **communication** is to increase the customer base and to increase the sales volume of the company. It also serves as a tool for building the store image. Retail communication has moved on from the time when the retailer alone communicated with the consumers. Consumers can communicate or reach the organizations. Examples of this include toll free numbers, which retailers provide for customer complaints and queries.

Key Functions or importance of Retail Marketing communication:

a. **Information: -** Providing information is a primary function of retail communication. Information should be relevant and it should be given timely. Retailers provide information about themselves and the products or services offered by them. For eg :- Retail stores like Big Bazaar, Reliance fresh advertise about their stores and schemes through newspapers and pamphlets.

b. **Persuading: -** Persuading involves asking people to visit the store and purchase the products.

For eg :- distributing discount coupons through newspapers and motivate them to buy products.

c. **Reminding: -** It involves reminding its customers frequently about its products and services so that customer loyalty increases. This can help in retaining the customers for the long time.

For Eg:- Introducing new promotional strategies and conducting loyalty programs are a part of this function.

Retail communication Methods :

a.Paid: Impersonal Communication :-

• Advertising: - Newspapers, Visual Media, Radio etc

• Sales promotions – Special events, In-store demonstrations

• Store atmosphere - The combination of the store's physical characteristics (architecture, layout, signs and displays, colors, lighting, temperature, sounds, smells) together create an image in the customers' mind.

Website**: -** Retail store website should provide all the information about various products and services offered by them.

• Community building: - It offer opportunities for customers with similar interests to learn about products and services that support their hobbies and share information with others

b. Paid: Personal Communication

• Retail salespeople are primary vehicle for providing paid personal communication to customers.

Personal selling – salespeople satisfy needs through face to face exchange of information.

• Email – retailers inform customers of new merchandise, receipt of order or when order has been shipped

• Direct Mail

• M-Commerce (mobile commerce)

a. Unpaid: Impersonal Communication

• Publicity: Publicity is the act of attracting the media attention and gaining visibility with the public. Paid Impersonal Communication

b. Unpaid: Personal Communication

• Word of Mouth: Word of mouth can be positive as well as negative.

• Social Shopping – A communication strategy in which consumers use Internet to engage in the shopping process by exchanging preferences, thoughts, and opinions – Product/service reviews –

For eg :- www.plobal.com

Retail promotion mix

1. Advertising,

2. Sales promotions,

3. Store atmosphere,

4. Public relations,

5. Personal selling and

6. The word of mouth

The tools used by **retailers** to communicate with their target customers. ... The **retailer** has a wide choice of media for advertising itself, its products and its services. All these components of the promotion mix must be combined properly to develop an integrated marketing communication system, for customers to have a clear and distinct image of the retailer.

Factors Affecting Promotion Mix

Definition: The **Promotion Mix** is the blend of several promotional activities (Advertising, personal selling, sales promotion, public relations, direct marketing) used by business to create, maintain and increase the demand for a product.

The management must consider the following factors in determining the promotion mix, these are:

1. **Nature of Product:** The **different type of product** requires different promotional tools. Such as, for the industrial products Viz. Machinery, equipment or land personal selling is more appropriate as a great deal of pre-sale and after-sale services is required to sell and install such products. On the other hand, advertising and publicity are more suitable for the consumer goods, especially the convenience goods.

2. **Nature of Market:** The **number and location of customers** greatly influence the promotion mix. In case the group of potential customers is small and is concentrated in a particular locality, then personal selling is more likely to be effective. Whereas, if the customer base is large and widespread, then the blend of advertising, personal selling, and the sales promotion is required to sell the product.

Also, the type of customers influences the managerial decisions of the promotion mix. The type of promotion for the urban, educated and institutional customers would be different as compared to the rural, illiterate and household customers.

3. **Stage of Product's Life:** The **promotion mix changes as the product moves along its life cycle.** During the introduction stage, the principal objective of the

promotion is to create the primary demand by emphasizing the product's features, utility, etc. therefore, the blend of advertising and publicity is required. As the product reaches its maturity stage the advertising and personal selling is required to maintain the demand of the customers.

And finally, during the decline stage the expenses on other promotional activities are cut, and more emphasis is laid on sales promotion with the intent to push up the declining sales.

4. **Availability of Funds:** The **marketing budget** also decides the promotion mix. If the funds available for the promotion are large, then the blend of promotional tools can be used, whereas in the case the funds are limited then the management must choose the promotional tool wisely.

5. **Nature of Technique: Each element of the promotional mix has unique features** that significantly influence the purpose of promotion. Such as, the advertising is an impersonal mode of communication that reaches a large group of customers. Its expression can be amplified with the use of colors and sound that helps in developing the long lasting brand image in the minds of the customer.

The Personal selling involves face to face interaction that helps in developing cordial and personal relations with the customers. Likewise, the sales promotion is short-term incentives given to the customers with the intent to boost sales for a shorter period of time.

6. **Promotional Strategy:** The promotion mix **largely depends on the company's promotional strategy,** i.e. whether it accepts the **Push Strategy** or a **Pull Strategy.** In a Push strategy, the manufacturer forces the dealers to carry the product and promote it to the customer, i.e. convince the potential buyers to buy it. Here, personal selling and trade promotion are likely to be more effective.

In the case of a Pull Strategy, the consumers ask the dealers to carry the product, i.e. customers themselves purchase the product. Here, advertising and consumer promotion are more appropriate.

7. **Readiness of Buyer:** Different promotional tools are required at **different stages of buyer readiness.** Such as, at the comprehension stage, the blend of

advertising and personal selling plays a vital role. Whereas at the conviction stage, personal selling is more effective.

At the time of sales closure, the blend of sales promotion and personal selling is likely to be more effective.

Hence, the advertising and publicity are more effective at the early stages of buying decision process while the sales promotion and personal selling are more effective during the later stages.

HRM in Retailing: Human Resource Management (HRM) is extremely important in Retailing. Because of retail store is a combination of merchandise and service. The product and service is delivered through the human interface between the store employees and customer. Many retail organizations have now realized that their success, to a great extent, is dependent upon the performance of their HR department.

Various aspects of the HR function in retail

In any retail organization, the people who deal with the customers at a one to one level are considered the face of the organization. Thus, people who work at the store level are important. Hiring the persons with right attitude is important as in the case of most retail stores, the employees need to work long hours, and also need to work when the rest of the people may be on a holiday e.g. on Sundays or on occasions like Diwali, Christmas etc. Secondly the retailer needs to have the persons with the right skill sets taking care of functions like buying and merchandising, as the product is the key in a retail set up. The Human Resources function in retail involves: 1.Identifying various roles in the organization. 2. Recruiting the persons with right attitude to fit the jobs. 3. Training 4.Motivation of employees 5.Evaluation of employee performance. Identifying the various roles in the organization: The first step starts with the identification of the various tasks or jobs that need to be performed in the organization. This helps in determining the number of people required from various jobs, the skill sets and educational background needed and the location, where they are doing to be based depending on the organization structure defined and the size of the retail operation.

Key tasks in a typical retail organization involve: 1) Buying and merchandising 2) Store management and operations, and 3) Technology support. It is necessary that persons with the right attitude and skill sets are recruited for the above mentioned functions as they are the key in any retail organization. While professional qualifications for the various tasks are important, it is also necessary to hire persons who understand consumer trends and technology and what it can provide. This is extremely important, as traditionally retail has been one of the oldest users of information technology.

Recruitment and Selection: After determining the tasks to be performed within the organization, the jobs need to be categorized on the basis of the functional or geographic needs. The aim of the recruitment process is to make available job applicants for a specified job/s. Common ways of recruitment include newspaper advertisements, visits to colleges, existing employees, references, recruitment agencies and even websites. Many organizations create an application blank, which has to be filled in by the applicant and gives the details of education, work, hobbies and family background. It helps the organization obtain information about the applicant in standard and structured manner. Once the applications are received, they are screened on the basis of parameters that are important to the retailer. This serves as the primary basis for acceptance or rejection of the candidate. In case of most of the organizations, the candidates who are short listed on the basis of the bio data or application blank are called for a personal interview. A personal interview enables the interviewer gauge the attitude of the person and his suitability for the desired job. Depending on the position applied for, the selection procedure may comprise of one or more interviews. When the candidate passes the interviews stage, reference checks may be done and the final decision is taken.

Training: Training is an important aspect of human resource management in retail. Typically, in retail training needs arise at the following points: 1) Induction new persons / staff into the organization 2) Training of sales staff, as they are the persons who are in direct contact with the customers. 3) Training of staff / personnel for skill enhancements. When new persons join any organization, an induction program is conducted. The purpose of such an induction program is to familiarize the new entrants about the organization's policies and methods of doing business. In retail special importance is given to the training of sales staff as they are commonly termed as the face of the organization.

Manpower Planning :**Manpower Planning** is also called as Human Resource **Planning**. **Manpower planning** is the process of estimating or projecting the number of personnel required for a project (with different skillsets) over a predefined period of time.

Planning

Manpower Planning which is also called as Human Resource Planning consists of putting right number of people, right kind of people at the right place, right time, doing the right things for which they are suited for the achievement of goals of the organization. Human Resource Planning has got an important place in the arena of industrialization. Human Resource Planning has to be a systems approach and is carried out in a **set procedure**. The procedure is as follows:

1. Analysing the current manpower inventory
2. Making future manpower forecasts
3. Developing employment programmes
4. Design training programmes

Steps in Manpower Planning

1. **Analyzing the current manpower inventory**- Before a manager makes forecast of future manpower, the current manpower status has to be analysed. For this the following things have to be noted-

Type of organization:

Number of departments

Number and quantity of such departments

Employees in these work units Once these factors are registered by a manager, he goes for the future forecasting.

KARPAGAM ACADEMY OF HIGHER EDUCATION

(Deemed University Established Under Section 3 of UGC Act 1956)

Coimbatore – 21

(For the candidates admitted from 2016 onwards)

DEPARTMENT OF COMMERCE (CA)

SUBJECT : RETAIL MANAGEMENT

SEMESTER : III

SUBJECT CODE: 16CCU303 B CLASS : II B.COM CA

POSSIBLE QUESTIONS

PART A (1 mark)

(Online examinations)

PART B (2 Marks)

1. What are all the elements of Retail Marketing Mix
2. Decisions related to selection of goods
3. Decisions related to delivery of services
4. What is mean by pricing in retail
5. What are all the factors influences in pricing
6. What is mean by markdown pricing
7. Define supply channel
8. Define retail logistics
9. Define promotion mix
10. Define human resource planning
11. Define manpower planning
12. Define recruitment and training
13. Define performance appraisal
14. What is mean by product

Part C (6 Marks)

1. Explain Marketing Mix
2. Explain Human Resource Management in Retailing
3. Explain pricing in retail management
4. Explain promotion mix in retail
5. Enumerate supply chain management principles
6. Explain performance appraisal methods
7. Explain the role of sales promotion.
8. Describe the driving sources of sales promotion.
9. Explain the impact of sales promotion on sales.
10. Explain the sales promotion techniques.
11. Describe the steps in designing sales promotion campaign.

KARPAGAM ACADEMY OF HIGHER EDUCATION

(Deemed University Established Under Section 3 of UGC Act 1956)

Coimbatore - 641021.

(For the candidates admitted from 2016 onwards)

DEPARTMENT OF COMMERCE (CA)

SUBJECT : RETAIL MANAGEMENT
SEMESTER : III
SUBJECT CODE: 16CCU303 B **CLASS : II B.COM CA**

UNIT V

IMPACT OF INFORMATION TECHNOLOGY IN RETAILING

Non store retailing (e-retailing) - The impact of Information Technology in retailing – Integrated systems and networking – EDI – Bar coding – Electronic article surveillance – Electronic shelf labels– customer database management system. Legal aspects in retailing, Social issues in retailing, Ethical issues in retailing.

Impact of Information Technology in Retailing:

The importance of information technology in retail stems 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 of 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 the 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.

E-retailing: Electronic retailing is the sale of goods and services through the internet. **Electronic retailing**, or **e**-tailing, can include business-to-business (B2B) and business-to-consumer (B2C) sales of products and services, through subscriptions to website content, or through advertising.

The term is a short form for “electronic retailing”, and surfaced in the 1990s for being frequently used over the Internet. The term is an inevitable addition to other similar terms such as **e**-business, **e**-mail, and **e**-commerce. **E-tailing** usually refers to the business-to-consumer (B2C) transactions. The electronic retailing is the subset of E-Commerce that means, E-commerce is the **principle domain** that includes the e-tailing operations.

Definition: The **Electronic Retailing** also called as e-tailing or internet retailing, is the process of selling the goods and services through electronic media, particularly the internet. Simply, the sale of retail goods and services online is called as electronic retailing. It follows the B2C business model wherein the business interacts directly with the customers without the involvement of any intermediaries.

Types of e-retailers:

- **Pure Play e-retailers** such as Amazon that emerged as the online bookseller. It is present only online and do not have any physical outlet for the customers.
- **Brick and click e-retailers** such as Dell that sells computers through the internet as well as has the physical store front for the customers.

Advantages of Electronic Retailing

1. Through electronic retailing, customers can save both the efforts and time.
2. The wide range of products is available online, so the comparison can be made easily before the purchase.
3. The customer can shop anytime and from anywhere, the facility is available 24*7
4. The huge discounts can be availed while shopping online.
5. The detailed information about the product is available online; that helps the customer to make the purchase decision.

6. The electronic retailing offers the easy payment terms such as payment on delivery that instigate the customer to shop online.

Disadvantages of Electronic Retailing

1. The customers may not be sure of the quality of the products offered online.
2. It is the tendency of every individual to bargain before making the final purchase, but this quotient is missing in electronic retailing.
3. Also, the customers may not trust on the payment gateways and fear the misuse of credit cards or any other mode of payment.
4. Every customer wants to see and feel the product that he purchases, but it is not possible in case of electronic retailing where the customer makes the decision just by looking at the image.
5. The product is not readily available; the customer has to wait for some time to get the product in his hands.
6. The customer misses the emotional attachment with the seller that leads to less faith on the offerings.

Impact of Information Technology in Retailing:

While to the customer it is just a routine purchase, let us look at the information that the store has gathered from this transaction and how the information helps the retailer;

Efficient Stocking of merchandise

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. If this information is passed on to the manufacturer; it can help reduce production time. This is particularly true in case of fashion items, which have a very short life cycle. For example data gathered in this manner may indicate youngsters buying certain styles in Jeans or colors, in the tee shirts from the store. To service this section of the audience the retailer may need replenishments faster. The use of technology aids the collection and transmission of information. The trends in sales can be analyzed. This helps avoid situations of stock out helps spot merchandise or products timely markdowns and higher inventory turns.

Collection of Data

The use of technology aids data collection. Data can be collected about consumers, their purchases the frequency of their buying and the typical basket size. This information helps the retailer distinguish the customers who shops at his store frequently and also reward them. For example information gathered about a customer may reveal preferences for certain brands; this may be used for further communication with the customer regarding promotional offers etc. 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.

Efficiency in Operations :

The use of information technology serves as a basis for integrating the functioning of various departments. When a retailer decides to use the power of technology to aid business, the investment in terms of money is usually high. 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, a person manually billing a customer for purchase made will take a longer time as compared to a person who is needed to scan in the items using the point of sale systems.

Helps Communication:

Communication within the organization can be faster with the use of software like Lotus Notes. Retail stores can also communicate with each other and with the warehouses. This can be done 24 hours a day and seven days a week. Electronic Data Interchange (EDI) can also be used for communication with suppliers and vendors.

The information needs of the retailer largely depend on the size and the spread of the organization. In most cases a small boutique operator or a small retailer like the banyan can do manual billing and gather a fair amount of information by making a phone call or making a personal visit to the store. With an increase in the number of stores and /or an increase in the number of products sold in the store, gathering of information becomes crucial Technology plays a vital role in gathering this information and making it available to the right set of persons.

DRIVERS FOR INTEGRATION IN RETAIL

Today's retailers are faced with a highly competitive marketplace. Here are some of the challenges.

What is Omni channel retailing?

Retail Omni channel retailing uses a variety of channels in a customer's shopping experience including research before a purchase. Such channels include **retail** stores, online stores, mobile stores, mobile app stores, telephone sales and any other method of transacting with a customer.

Integrated Retail is a leading information technology and business service provider in the Asia Pacific region, with focus on consumer businesses: **Retail**, F&B, Consumer Services like Spa and Salons and Consumer Packaged Goods.

FROM CHANNEL INTEGRATION TO UNIFIED CUSTOMER EXPERIENCE:

Most retailers now sell across many channels – from traditional stores to the Internet. But these channels typically present an inconsistent experience to customers:

- ➢ Confusing product and price information
- ➢ Complicated and conflicting promotions
- ➢ Divided inventory
- ➢ Organizational rivalries

So there is a great interest in bringing these disparate channels together into a coherent channel-agnostic experience. Some people call this Omni channel. We call it Proximity Commerce.

Channel integration provides the following benefits:

- Clear and consistent product information
- Improved customer insight
- Coordinated product promotions and marketing campaigns
- Supply - side economics of scale, from buying to inventory management

Although many retailers initially feared that the different channels would compete for the customer purse, successful retailers have found the exact opposite. The channel customer typically buys more across all channels. So channel integration is seen as the royal road to business growth.

FROM CUSTOMER INSIGHT TO PERSONALISATION:

Retailers want to leverage their knowledge of the customer and her requirements, inferring her preferences from her behavior, and anticipating her future needs. This is only possible if all interactions with the customer not only purchases and orders, but also enquiries and issues are brought together for analysis in a consistent way. In the past, many retailers have struggled to get a clear picture of the customer, because sales data have been aggregated and unclassified Customer data has been either fragmented or completely unavailable. The challenge here is to collect and correlate all kinds of customer data and draw useful inferences, which can lead to more personalized forms of sales and service. So some form of data integration is essential, to achieve a 360° view of the customer.

CONTENT AND NETWORK INTEGRATION:

Some retailers have proved them highly adept at engaging with their customers on social media, and have established popular interactive platforms where the customers can discuss fashion and post their own content.

For example, customers uploading photos of their latest outfits Social media also gives the retailer alternative ways of engaging with the customer, developing conversations on Face book and Twitter, and getting reactions to a broad range of consumer topics. The critical success factor here is embedding rich content and social media into the retail business process. Process integration involves both structured processes (such as delivery or click-and-collect) and semi-structured processes (such as complaints handling).

Electronic Data Interchange (EDI): EDI is the computer-to-computer exchange of business documents in a standard electronic format between business partners. While email is also an electronic approach, the documents exchanged via email must still be handled by people rather than computers.

By moving from a paper-based exchange of business document to one that is electronic, businesses enjoy major benefits such as reduced cost, increased processing speed, reduced errors and improved relationships with business partners.

Characteristics or features of EDI :

- **Computer-to-computer**– EDI replaces postal mail, fax and email. While email is also an electronic approach, the documents exchanged via email must still be handled by people rather than computers. Having people involved slows down the processing of the documents and also introduces errors. Instead, EDI documents can flow straight through to the appropriate application on the receiver's computer (e.g., the Order Management System) and processing can begin immediately. A typical manual process looks like this, with lots of paper and people involvement:
- **Business documents** – These are any of the documents that are typically exchanged between businesses. The most common documents exchanged via EDI are purchase orders, invoices and advance ship notices. But there are many, many others such as bill of lading, customs documents, inventory documents, shipping status documents and payment documents.

- **Standard format**– Because EDI documents must be processed by computers rather than humans, a standard format must be used so that the computer will be able to read and understand the documents. A standard format describes what each piece of information is and in what format (e.g., integer, decimal, mmddyy). Without a standard format, each company would send documents using its company-specific format and, much as an English-speaking person probably doesn't understand Japanese, the receiver's computer system doesn't understand the company-specific format of the sender's format.
  a. There are several EDI standards in use today, including ANSI, EDIFACT, TRADACOMS and ebXML. And, for each standard there are many different versions, e.g., ANSI 5010 or EDIFACT version D12, Release A. When two businesses decide to exchange EDI documents, they must agree on the specific EDI standard and version.
  b. Businesses typically use an EDI translator – either as in-house software or via an EDI
     service provider – to translate the EDI format so the data can be used by their internal applications and thus enable straight through processing of documents.
- **Business partners** – The exchange of EDI documents is typically between two different companies, referred to as business partners or trading partners. For example, Company A may buy goods from Company B. Company A sends orders to Company B. Company A and Company B are business partners.

Benefits of EDI

Cost savings*:*

- Expenses associated with paper, printing, reproduction, storage, filing, postage and document retrieval are all reduced or eliminated when you switch to EDI transactions, lowering your transaction costs by at least 35%
- A major electronics manufacturer calculates the cost of processing an order manually at $38 compared to just $1.35 for an order processed using EDI

- Errors due to illegible faxes, lost orders or incorrectly taken phone orders are eliminated, saving your staff valuable time from handling data disputes.

Speed and accuracy:

- EDI can speed up your business cycles by 61%. Exchange transactions in minutes instead of the days or weeks of wait time from the postal service
- Improves data quality, delivering at least a 30—40% reduction in transactions with errors—eliminating errors from illegible handwriting, lost faxes/mail and keying and re-keying errors
- Using EDI can reduce the order-to-cash cycle time by more than 20%, improving business partner transactions and relationships.

Efficiency:

- Automating paper-based tasks allows your staff to concentrate on higher-value tasks and provides them with the tools to be more productive
- Quick processing of accurate business documents leads to less re-working of orders, fewer stock outs and fewer cancelled orders
- Automating the exchange of data between applications across a supply chain can ensure that business-critical data is sent on time and can be tracked in real time. Sellers benefit from improved cash flow and reduced order-to-cash cycles
- Shortening the order processing and delivery times means that organizations can reduce their inventory levels.

Strategic:

- Enables real-time visibility into transaction status. This in turn enables faster decision-making and improved responsiveness to changing customer and market demands, and allows businesses to adopt a demand-driven business model rather than a supply-driven one
- Shortens the lead times for product enhancements and new product delivery

- Streamlines your ability to enter new territories and markets. EDI provides a common business language that facilitates business partner onboarding anywhere in the world
- Promotes corporate social responsibility and sustainability by replacing paper-based processes with electronic alternatives. This will both save you money and reduce your CO2 emissions

EDI in Retail sector:

Retail sector has been at the forefront of EDI adoption for more than 30 years and has replaced many paper-based processes with electronic documents; there is still a great deal of potential for EDI to deliver even more value.

The retail sector has enjoyed the benefits of EDI for decades. Yet, many companies still use some form of paper-based processes within their order, invoice and dispatch advices. This shows that there is still a great deal of potential for EDI to deliver more to the retail industry, a fact that has not escaped the attention of many retail business managers who see EDI as pivotal to creating competitive value for their organizations.

Pioneered by the likes of Walmart and Proctor & Gamble in the 1980s, vendor managed inventory (VMI) has become a driving force for the industry to cut costs while increasing customer service. It is the concept at the core of the grocery industry's "quick response" approach to product flow across the supply chain.

In VMI, the supplier makes the main inventory replenishment decisions for the consuming organization. The result is that the supplier has much greater control of inventory, leading to less waste or over-supply and the replenishment cycle often moves from monthly to weekly or daily, increasing customer service. This, of course, is especially important for promotions where increased demand puts more strain on the supplier's ability to restock.

Types of EDI:

Direct EDI – Enabling Businesses to Exchange EDI Documents via a Secure, Point-to-Point Connection over the Internet.

Direct EDI, which is sometimes called Point-to-Point EDI, has been used by companies for years. It was viewed historically as an alternative to a VAN. It establishes a single secure line between two business partners. In this approach, an organization must communicate with each business partner individually, which can mean managing hundreds or thousands of separate connections.

In the direct connection approach, you and your business partner connect directly via the Internet using the same communication method or protocol. This approach can become very complex and resource intensive if different business partners are using different communication protocols, which is the norm in most trading communities. Your system must be able to support all of these different, required protocols.

This approach is most commonly used by large corporations that have business partners with whom they exchange a high volume of EDI documents, frequently.

If you choose the direct connection model, you will need to purchase a software package that enables you to use all the agreed upon protocols, such as AS2, SFTP, FTPS. Then you will need to agree with each of your partners on (1) which of these communication methods or protocols you will use and (2) the specific protocol settings to be used when exchanging your files of EDI documents. You should also consider a software solution that is future proofed to accommodate future requirements.

The graphic below illustrates the *direct* connection scenario.

This model can be very complex because of the wide variety of communication protocols that must be used and supported. Very few businesses today connect directly to ***all*** of their business partners.

EDI Via VAN/EDI Network – Shielding You From EDI Complexities via a Single Connection.

The vast majority of EDI still occurs via EDI Networks, which in the days prior to the Internet were referred to as Value-Added Networks (VANs). The growth of flexible, low-cost approaches, such as Web EDI or EDI via AS2, has begun to change this situation but the EDI Network is still the preferred option due to the value- added services that these providers can deliver. Often companies look to implement a hybrid strategy in which different types of EDI are implemented as appropriate to the business, but the EDI Network remains the core to these installations.

The EDI Network is simply a secure network where EDI documents can be exchanged between business partners. An organization will be provided with a mailbox. Documents are sent and received from there and the organization checks the mailbox periodically to retrieve its documents. Most EDI Network

Services providers offer an alerting service that informs the sender when messages have been sent successfully and also notifies the recipient that a new message is waiting.

In addition to secure communications, EDI Networks deliver:

- Full mailbox service. Messages are automatically routed to the correct mailbox. Business partners connect to the EDI Network to retrieve their messages
- Inspection and authentication of all EDI messages. The EDI Network will verify the identity of the business partner and validity of the message
- Full audit trail. All EDI messages are tracked and recorded
- Message notification. Business partners are notified when message enters their mailbox
- Ancillary services. EDI Network Service providers offer an extensive range of services including data backup and recovery, document mapping and compliance

The enduring appeal of EDI Networks is based upon the value-added services that the EDI Network Services provider delivers:

- Community and business partner enablement
- Back-office integration
- Management information
- Fully managed services (EDI Outsourcing)

AS2 – One of the Most Popular Methods for Transporting EDI Data Securely and Reliably over the Internet in a Point-to-Point Manner.

AS2 is one of the most popular methods for transporting data, especially EDI data, securely and reliably over the Internet. It essentially involves two computers – a client and a server – connecting in a point-to-point manner via the web. AS2 creates an "envelope" for the EDI data, allowing it to be sent securely – using digital certificates and encryption – over the Internet.

Wal-Mart has become famous for EDI via AS2 and has helped drive its adoption within the retail sector.

EDI via AS2 requires the receiving organization's server to be always "listening out" for messages addressed to it. Like a call to a phone with no answering machine, the message will be missed if your server is not available to take the call. So, many organizations decide to use an EDI network provider to provide AS2 connectivity and thus always be available to receive the EDI transmissions. Using an EDI network provider for your AS2 needs provides the following benefits:

- You can comply with AS2 mandates without incurring the expense of the AS2 software, hardware, firewalls and expertise you would otherwise need in order to implement AS2 yourself
- The provider handles the exchange of AS2 set-up information
- The provider completes AS2 testing for you and your partners
- Documents are exchanged in real-time
- You benefit from the provider's shared infrastructure, skills and security.

FTP over VPN, SFTP and FTPS – Popular Communication Options for Exchanging EDI Documents Directly or via an EDI Services Provider.

FTP over VPN, SFTP and FTPS are also among the most commonly-used communication protocols for the exchange of EDI documents via the Internet. Any of these can be used to connect to business partners directly (Direct EDI) or to connect to them via an EDI Network Services Provider.

FTP (File Transfer Protocol) with VPN (Virtual Private Network) – FTP was the first robust, reliable file transfer protocol developed and is still used by many businesses today, particularly for file exchange ***within*** a company. However, FTP by itself does not provide the security needed for document exchange with other companies over the Internet. For this reason, businesses that use FTP use it in conjunction with VPN software, which provides the security layer needed.

However, neither FTP by itself nor FTP with VPN provides non-repudiation (the ability to confirm that a document was actually sent by the sender indicated) within the file being exchanged. Nor does it provide for message management features that provide confirmation to the sender that documents have been successfully received and decrypted. Moreover, interoperability may be an issue because there are many different ways of implementing VPN on your system, as well as possible differences in versions of VPN. Although FTP with VPN does not address these important B2B factors, you can use it to connect to an EDI Network Services Provider who then provides the non-repudiation, message management and interoperability required.

SFTP (Secure File Transfer Protocol) and FTPS (File Transfer Protocol Secure) – Both SFTP and FTPS are secure Internet protocols. The major difference between the two is in how each provides security and performs encryption. The security layer used by SFTP was developed by the Internet Engineering Task Force.

Both protocols encrypt the data while in transit, keeping it safe while moving over the Internet, and then decrypt it upon arrival at its destination. However, neither provides non-repudiation or message management. As with FTP with VPN above, interoperability is a major issue and again, you can use either one to connect to an EDI Network Services Provider who then provides the non-repudiation, message management and interoperability required.

Web EDI – Enabling Businesses To Exchange EDI Documents Using Simple Web Forms.

Web EDI is simply conducting EDI through an Internet browser. It replicates paper-based documents as a web form. The form will contain fields where users can enter information. Once all the relevant information is added, it is automatically converted into an EDI message and sent via secure Internet protocols such as File Transfer Protocol Secure (FTPS), Hyper Text Transport Protocol Secure (HTTPS) or AS2.

The ease of rolling out a Web EDI solution facilitates the participation of all your business partners. This can be especially beneficial when working with partners in countries where IT and EDI skills are limited. Companies are not required to install any EDI software or manage a complex EDI environment.

In its simplest form, Web EDI enables small- and medium-sized businesses to create, receive, turn around and manage electronic documents using a browser. Simple pre-populated forms enable businesses to communicate and comply with their business partners' requirements using built-in business rules. Business partners anywhere in the world can connect without dedicating IT resources to their EDI implementation.

Web EDI is traditionally based around the 'hub and spoke' model, in which the major business partner acts as the hub and the smaller partners as the spokes. In this model:

- The hub organization implements EDI and develops a web forms option for use by its small- and medium-size business partners.
- These web forms may be hosted on the hub's site or that of an EDI network service provider.
- Business partners connect to the web forms via web browser to exchange documents as forms that are converted to EDI documents behind the scenes for subsequent processing by the hub.

Mobile EDI – An Emerging Area To Enable The Exchange Of EDI Documents Via Mobile Devices.

There have been questions about whether a user would want to use a mobile device for completing a purchase order or invoice while out of the office. However, focusing on supply chain efficiencies, it is easier to see the benefits of a sales person being able to see the status of a delivery to a supplier while on the road or a business manager being able to review supplier performance while in a re-negotiation meeting.

The result is that these types of Mobile EDI applications are beginning to appear. The limitations of the mobile devices themselves have hampered development. The quality and size of the screen for most devices has been relatively poor. However, the advent of the iPad and other tablet computers is altering what can be achieved with mobile computing devices.

It is not an overstatement to say that these devices are changing the way users interact with their organizations and some companies are starting to launch applications to help 'mobilize' their supply chains. It has now become accepted that there are corporate 'apps' and it is only a matter of time before you can download a supply chain or EDI-related app from a private or corporate app store.

Recently, the Retail sector has seen the adoption of Direct Exchange (DEX) to help the flow of products and information through the supply chain. Using DEX, delivery personnel can scan the barcode of an item into a mobile device to create an electronic invoice. This data is transmitted to the receiver via an in-store docking station. The receiver opens the invoice in the receiving system and scans the delivered goods to verify quantities. After the data is reconciled, the digital invoice is closed and a finalized copy is transmitted back to the supplier system via his mobile device. One US retailer has been able to reduce the duration of each store delivery by 15 to 45 minutes using DEX.

We will continue to add information about the developments in Mobile EDI to this site as they happen.

EDI Outsource: Managed Services – For Businesses That Prefer to Outsource Their EDI Program.

Managed Services is the outsourcing of your EDI program to a third-party provider. Implementing and managing an EDI platform can be daunting for any organization. It requires access to a broad range of skills and capital investment in hardware and software. Many companies are now looking to integrate EDI with their back-office systems – such as ERP – which results in a demand for internal resources that few organizations can sustain.

Exploring a managed services approach to EDI becomes far more appealing. In fact, EDI outsourcing is more appealing than outsourcing in other areas of IT where it has long been accepted. The key reason for outsourcing is the reduction of cost of investing in your own infrastructure while ensuring that you have access to the right level of skills to deliver your required service. This is also true for EDI but, in this instance, there are other benefits:

- You always have access to the latest technology, as the service provider's business depends on ensuring it offers the most up-to-date facilities
- As you are connecting with external systems, the provider facilitates the community enablement process as well as offering value-added services to enable you to trade worldwide
- Increase business agility by giving you a means to quickly enter new markets and territories
- Increase business productivity by delivering a new level of information about your performance and that of your supply chain and your business partners

EDI Software – For Companies that Prefer to Manage Their Own EDI Environment

Implementing EDI software behind a company firewall is sometimes the preferred option. This approach assumes that a company has the correct internal resources to be able to implement the software and maintain it on an ongoing basis. Implementing electronic data interchange software will require resources that can understand how to map between different document types, how to onboard or connect to business partners and possibly provide integration to other business applications such as accounting packages or ERP software.

Once the software has been installed, IT resources will be required to maintain it on an ongoing basis. This will include upgrading the software environment when required.

Many companies, especially smaller-sized businesses, may not have the internal IT resources to manage their own EDI environment and for this reason they will choose to use hosted- or Software-as-a-Service-based EDI offerings instead.

Electronic article surveillance: It 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. These tags are removed or deactivated by the clerks when the item is properly bought or checked out. At the exits of the store, a detection system sounds an alarm or otherwise alerts the staff when it senses active tags. Some stores also have detection systems at the entrance to the latons that sound an alarm if someone tries to take unpaid merchandise with them into the restroom. For high-value goods that are to be manipulated by the patrons, wired alarm clips called spider wrap may be used instead of tags.

Electronic Article Surveillance (EAS) system is an anti-theft technology that is proven to protect merchandise against shoplifters. Small security tags, applied to high – value merchandise, alert retailers when shoplifters try to take items through electronic gate sensors at exit doors.

EAS systems provide a good deterrent against casual theft. The occasional shoplifter, not being familiar with these systems and their mode of operation, will either get caught by them or will refrain from stealing.

Features or Benefits of an EAS:

- Reduced labor, easy to apply
- Ideal for delicate fabrics, no damage to the garment
- Brand enhancement, open merchandising
- Covert in nature and incorporated into current labeling needs
- Speed of delivery to the shop floor
- Better customer experience – easier to try garments on & reduces lines at checkout

Electronic Article Surveillance: EAS is a technological method for preventing shoplifting. It usually involves three components: Electronic Antenna, Deactivator or Detacher, Electronic Tag. Special tags and labels are fixed to merchandise or books. These tags or labels are removed or "deactivated" by the clerks when the item is properly bought or checked out. Labels are deactivated using a "Label

Deactivator". While ringing up purchases a cashier should pass each product label across the "Deactivation Pad". To remove a Hard Tag a cashier uses a "Detacher" which releases the pin. After a label is deactivated or a tag is removed the customer can then pass by the antenna without any alarm. At the exits of the store, a detection system sounds an alarm or otherwise alerts the staff when it senses active tags are passing by.

Types of EAS systems and how they work.

Types of electronic article surveillance systems:

1. Magnetic or magneto-harmonic
2. Acousto-magnetic or magnetostrictive
3. Radio Frequency
4. Microwave

1. Magnetic systems or 'Electromagnetic' (or EM) systems

The tags for these systems are made of a strip of amorphous metal. An amorphous metal is a metallic material with a disordered atomic-scale structure. In contrast to most metals, which are crystalline and therefore have a highly ordered arrangement of atoms, amorphous alloys are non-crystalline (metglas) which has a very low magnetic saturation value. Except for permanent tags, this strip is also lined with a strip of ferromagnetic.

Ferromagnetism is the basic mechanism by which certain materials form permanent magnets and/or exhibit strong interactions with magnets; it is responsible for most phenomena of magnetism encountered in everyday life.

Detection of the tag is achieved with a transmitter and receiver.

The transmitter and receiver work together to sense harmonics and sum or difference signals generated by the non-linear magnetic response of the material under a mixture of low-frequency (in the 10 Hz to 1000 Hz range) magnetic fields.

When the ferromagnetic material is magnetized, it biases the amorphous metal strip into saturation, where it no longer produces harmonics. Deactivation of these tags is therefore done with magnetization. Activation requires demagnetization. Due to the system being able to deactivate and re-activate this type of system is extremely suitable for libraries.

Due to the convenient dimensions of the tags, and their very low cost, this system is popular in libraries.

2. Acousto-magnetic systems:

These tags are similar to magnetic tags in that they are made of two strips, a strip of magnetostrictive.

Magnetostrictive is a property of ferromagnetic materials that causes them to change their shape when subjected to a magnetic field. The effect was first identified in 1842 by James Joule when observing a sample of nickel called ferromagnetic.

Ferromagnetism is the basic mechanism by which certain materials form permanent magnets and/or exhibit strong interactions with magnets; it is responsible for most phenomena of magnetism encountered in everyday life called amorphous metal.

An amorphous metal is a metallic material with a disordered atomic-scale structure. In contrast to most metals, which are crystalline and therefore have a highly ordered arrangement of atoms, amorphous alloys are non-crystalline and a strip of a magnetically semi-hard metallic strip, which is used as a biasing magnet (to increase signal strength) and to allow deactivation. These strips are not bound together but free to oscillate mechanically.

Amorphous metals are used in such systems due to their *good* magneto elastic coupling*, which implies* that they can efficiently convert magnetic energy to mechanical vibrations.

The detectors for such tags emit periodic tonal bursts at about 58 kHz, the same as the resonance.

In physics, resonance is the tendency of a system to oscillate at larger amplitude at some frequencies than at others. These are known as the system's resonant frequencies. At these frequencies, even small periodic driving forces can produce large amplitude vibrations, because the system frequency of the amorphous strips. This causes the strip to vibrate longitudinally by magnetostriction, and will continue to oscillate after the burst is over. The vibration causes a change in magnetization in the amorphous strip, which induces an AC voltage in the receiver antenna. If this signal meets the required parameters (correct frequency, repetition etc.) the alarm is activated.

When the semi-hard magnet is magnetized, the tag is activated. The magnetized strip makes the amorphous strip respond much more strongly to the detectors, because the DC magnetic field given off by the strip offsets the magnetic anisotropy.

Magnetic anisotropy is the direction dependence of a material's magnetic properties. A magnetically isotropic material has no preferential direction for its magnetic moment in zero field, while a magnetically anisotropic material will align its moment to an easy axis.-Sources of magnetic within the amorphous metal. The tag can also be deactivated by demagnetizing the strip, making the response small enough to that it will not be detected by the detectors.

These tags are thicker than magnetic tags and are thus seldom used for books. However they are relatively inexpensive and have better detection rates (fewer false positives and false negatives) than magnetic tags.

3. Radio-frequency systems:

These tags are essentially an LC tank circuit.

An LC circuit is a resonant circuit or tuned circuit that consists of an inductor, represented by the letter L, and a capacitor, represented by the letter C that has a resonance

In physics, resonance is the tendency of a system to oscillate at larger amplitude at some frequencies than at others. These are known as the system's resonant frequencies . At these frequencies, even small periodic driving forces can produce large amplitude vibrations, because the system peak anywhere from 1.75 MHz to 9.5 MHz. The most popular frequency is 8.2 MHz. Sensing is achieved by sweeping around the resonant frequency and detecting the dip. Deactivation for 8.2 MHz label tags is achieved by detuning the circuit by partially destroying the capacitor.

A capacitor or condenser is a passive electronic component consisting of a pair of conductors separated by a dielectric. When a voltage potential difference exists between the conductors, an electric field is present in the dielectric. This field stores energy and produces a mechanical force. This is done by submitting the tag to a strong electromagnetic.

Electromagnetism is the physics of the electromagnetic field, a field that exerts a force on particles with the property of electric charge and is reciprocally affected by the presence and motion of such particles field at the resonant frequency which will induce voltages exceeding the capacitor's breakdown voltage.

The breakdown voltage of an Insulator is the minimum voltage that causes a portion of an insulator to become electrically conductive. The breakdown voltage of a diode is the minimum reverse voltage to make the diode conduct in reverse which is artificially reduced by puncturing the tags.

4. Microwave systems:

These permanent tags are made of a non-linear element called a Diode.In electronics a diode is a two-terminal electronic component which conducts electric current asymmetrically or unidirectional; that is, it conducts current more easily in one direction than in the opposite direction. The term usually refers to a semiconductor diode, the most common type today, coupled to one microwave and one electrostatic antenna. At the exit, one antenna emits a low-frequency (about 100 kHz) field, and another one emits a microwave field. The tag acts as a mixer reemitting a combination of signals from both fields. This modulated signal triggers the alarm. These tags are permanent and somewhat costly. They are mostly used in clothing stores.

Electronic Shelf Labels (ESL): An **electronic shelf label(ESL)** system is used by retailers for displaying product pricing on **shelves**. Typically, **electronic** display modules are attached to the front edge of retail **shelving**. These modules use electronic paper (E-paper) or liquid-crystal display (LCD) to show the current product price to the customer. E-paper is currently trending in the ESL market as it provides crisp display and supports full graphic imaging. A communication network allows the price display to be automatically updated whenever a product price is changed. This communication network is the true differentiation and what really makes ESL a viable solution. The wireless communication must support reasonable range, speed, battery life, and reliability. The means of wireless communication can be based on radio, infrared or even visible light communication. Currently, the ESL market leans heavily towards radio frequency based ESL solutions.

Benefits of ESL:

1. Save time & money:

- Almost all costs associated with label price changes disappear.
- Updating prices digitally involves **no in store labour** - all prices can be defined, deployed and confirmed at Head Office.
- With no need for printing, your paper, ink and hardware costs are also removed from the equation.

2. Accurate & reliable:

Managing price changes electronically is not only an efficient method, it's a much more reliable one as well. With human error removed from the equation, you'll **never lose revenue** through inaccurate pricing again.
The solution uses **two-way communication** via radio frequency, to transmit pricing and product information to the electronic shelf labels, and receive successful confirmation of the update back in.
Head office also gains **complete visibility of their store network**, with reports detailing when prices were updated, and which prices, if any, have been locally overridden.

3. Flexible & efficient:

The flexibility of electronic shelf labels mean that sales can be optimised, by taking advantage of advanced pricing strategies, such as:

- Time of day and event based pricing
- Automated price change

Scenarios:

- Amend prices based on current stock levels
- Amend prices to match fluctuating market values
- Competitive response pricing
- Adjustments for perishable stock

➢ Ensure consistency between online and in store pricing

4. Shopper marketing:

Electronic shelf labels provide the bridge between online and offline for bricks and mortar stores, helping retailers develop a true Omni-channel experience. Step 1 is to **align online and offline prices**, so that what's previously been managed as two distinct channels can merge as one. For example customers can scan their shopping list in store, and request a home delivery. Or they can shop online and collect in store.

5. Operational excellence:

Electronic shelf labels have a range of added benefits for retailers outside of pricing management and shopper marketing. These surround streamlining operational tasks in store.

Management screens – the labels can be configured to show a range of additional screens that display useful information for staff on the shop floor. This may include inventory and stock data, delivery dates and POS promotional requirements. These screens can be accessed on the fly by staff via the store PDA or a small handheld gadget, or can be automatically switched over at store closing.

Flashing lights – some of the labels have a flashing light feature, which can help staff on the shop floor locate the products that require a specific task, such as to be restocked, or to have a ½ price shelf talker added etc.

Customer Database management System: (DBMS) is the ways in which businesses keep track of their **customer** information and survey their **customer** base in order to obtain feedback. CDM embraces a range of software or cloud computing applications designed to give large organizations rapid and efficient access to **customer data**.

customer database: Maintaining a **customer database** is an important way to keep up-to-date on **customer** information and data. A **database** provides access to clients, builds loyalty, and encourages repeat business.

The customers of a business are the most important asset a company can have. Depending on the type of industry, a company may sell to the same customers over and over. There are other types of businesses that sell to a customer once or infrequently and are constantly looking for new customers. For instance, a surgeon may do a surgery on a person one time, and that patient may never require another surgery. On the other hand, a dentist sees their patients once or twice a year on an ongoing basis. The way they interact with their customers will be different because of the need of their services.

As a result, the way a company uses customer information can be very important. A **customer database** is the collection of information that is gathered from each person. The database may include contact information, like the person's name, address, phone number, and e-mail address. The database may also include past purchases and future needs.

Customer data management, as a term, was coined in the 1990s, pre-dating the alternative term Enterprise Feedback Management (EFM). CDM was introduced as a software solution that would replace earlier disc-based or paper-based surveys and spreadsheet data. Initially, CDM solutions were marketed to businesses as software, specific to one company, and often to one department within that company. This was superseded by application service providers (ASPs) where software was hosted for end user organizations, thus avoiding the necessity for IT professionals to deploy and support software. However, ASPs with their single-tenancy architecture were, in turn, superseded by software as a service (SaaS), engineered for multi-tenancy. By 2007 SaaS applications, giving businesses on-demand access to their customer information, were rapidly gaining popularity compared with ASPs. Cloud computing now includes SaaS and many prominent CDM providers offer cloud-based applications to their clients.

In recent years, there has been a push away from the term EFM, with many of those working in this area advocating the slightly updated use of CDM. The return to the term CDM is largely based on the greater need for clarity around the solutions offered by companies, and on the desire to retire terminology veering on techno-jargon that customers may have a hard time understanding.

Uses for Customer data management:

- should provide a cost-effective, user-friendly solution for marketing, research, sales, human resources and IT departments

- enables companies to create and email online surveys, reports and newsletters
- encompasses and simplifies customer relationship management (CRM) and customer feedback management(CFM)

Benefits of a Customer Database with example of Dentist and patient:

Businesses may ask questions of their customers to provide better service. For instance, the dentist may ask about services his patients may be interested in such as teeth whitening or classes about oral health. By collecting information, the customer database not only keeps vital information about the patient, the database can help the dentist determine how to improve his business and better meet the needs of his patients.

Having a database can help a business keep in contact with customers. This helps build loyalty and repeat business. Consistent, repeat customers can be identified and contacted with special offers that are targeted to active clients. Conversely, the database can also help identify customers who have not purchased from the company for an extended period of time or who only purchased once. This helps single out groups of customers that can be marketed to with specific offers to encourage them to come back.

In terms of the dentist, the database can help him create a list of patients who came in for one cleaning and have never been back. With this information, they can offer a special discounts or program that is designed specifically for patients they want to get back into the office. The customer database provides them with the information to market to these individuals.

Having a customer database provides access to contact information. This allows appointments to be confirmed, customers to be tracked, and clients to be contacted. Perhaps a phone call needs to be made or a letter mailed. The information to reach a customer is kept in the customer database and can easily be accessed with a few strokes on the computer keyboard.

Legal aspects in Retailing: Illegal use of brand name - A retailer must obtain proper confirmation from the parent company for selling a specific brand name.

Set of laws that dictate which activities society has deemed to be clearly wrong.

• Activities for which retailers & their employees will be punished through federal or state legal system. • In view of the competitive nature and dynamic environment within which retail operates, it is important to monitor the legal and ethical constraints affecting the sector.

• Ethical codes vary from country to country. In Middle Eastern Countries bribe is an accepted practice, but is unethical and even illegal in US.

Legal & regulatory Issues in HRM :

1. Equal Employment Opportunity:

• Goal of Equal Employment Opportunity regulation is to protect employees from unfair discrimination in the workplace.

• Companies can't treat employees different on the basis of their race, color, national origin, location • Illegal discrimination refers to actions of employees that results in members of a protected class (members that share same characteristics as defined by the law) being treated entirely different than others.

2) Compensation:

• Laws relating to compensation define 40 hour work week, pay rate for working overtime, minimum wage and pension plans, same pay to men & women for same work.

• To avoid such discrimination various rules and regulations have been developed to protect employees. Number or lawsuits were filed against Wal-Mart claiming that they do the same job as hourly employees but are classified as managers so that their employer can avoid paying them overtime wages

3) Employee safety & Health:

• Basic premise of these laws is that the employer is obligated to provide each employee with an environment that is free from hazards that are likely to cause death or serious injury.

4) Employee Privacy:

• Employees privacy protection is very limited.

- Employer can monitor e-mail & telephone communication, search an employee's work space and handbag.
- Employer can't discriminate among employees when undertaking these activities unless they have strong suspicion that specific employee is acting inappropriately

Social issues in Retailing:

Many social factors influence markets that retail businesses serve. Economic and political changes, for instance, can overlap and fundamentally change how a society thinks. While retail business owners can't hope to predict every possible change, paying attention to the major social factors that drive change can help prepare them to adapt.

1. Technology:

Technological changes have an enormous impact on how retail businesses operate, in good ways and in bad. Take the advent of smart phones, for example. Retail stores now can use location-based advertising to reach nearby consumers with targeted sales messages, but they also must deal with shoppers comparing prices across the world to find the best deal. The effect technology has on a society can boost a retail store's performance while also undermining traditional ways of doing business, forcing retailers to adapt or give way to more progressive competitors.

2. Social Responsibility:

Consumers increasingly consider the social impact of the money they spend. Some will pay more to support retailers who assert sustainable practices, for instance, by buying products made with recycled material. Others avoid companies notorious for irresponsible or unethical practices, such as outsourcing manufacturing to exploitative sweatshops in under-developed countries. More than ever, retail store owners must consider the ethical and social ramifications of their actions, as well as the actions of their suppliers. A manufacturer's negative publicity, for example, could hurt sales in every retail store it supplies.Organizations with integrated **social responsibility** plans can often enjoy positive reputations, which can create competitive advantages. **Retailers** and wholesalers pursuing **social responsibility** efforts can face several risks that can threaten their operations, including: New product offerings.

Retailers and wholesalers pursuing social responsibility efforts can face several risks that can threaten their operations, including:

1. **New product offerings**. Companies consistently seek new products to offer customers, and social responsibility can often be connected to these business decisions. For example, consumers increasingly value locally and regionally produced products as well as organic and gluten-free foods, and expect to see such products on store shelves. But retailers may be pressured to pull or recall a product for any number of reasons, including if the product's description is found to be invalid, potentially exposing the organization to reputational damage, claims of false advertising, and recall expenses.
2. **Discontinued products**. Companies may decide to discontinue certain products that may be considered unhealthy. Consumers who wish to continue purchasing these products may be alienated and take their business elsewhere.
3. **Supply chain**. Organizations that source local and regional products can often better demonstrate corporate citizenship, community support, and benefit from powerful promotional opportunities. But local producers may be unable to comply with contractual requirements such as insurance, which is often required to protect wholesalers or retailers.
4. **Human resource practices**. How an organization chooses to align employment practices and comply with the requirements of the Affordable Care Act, and how those actions are perceived by employees and the public, can affect its reputation. Employees that do not qualify for benefits may seek medical care under a workers' compensation claim.
5. **Community relations.** Retailers and wholesalers that seek to promote a welcoming and safe environment for customers and employees can be challenged by store or facility locations in remote and economically distressed locations. Additionally, in municipalities where local regulations permit weapons to be carried, businesses may need to strike a careful balance between the private rights of citizens and public responsibility.

Ethical Issues in Retailing:

Retailers have realized the advantages of reflecting an ethical sense in business operations. The organizational environment plays a major role in the kind of ethical sense the employees possess. Retailers are trying to ensure that their employees behave ethically. Though there are many laws influencing the business environment of the retailer, there are many more aspects that come under the purview of ethics. These aspects concern the merchandise buying and selling practices in the firm. Retailers also need to be socially responsible and environmentally concerned. They often undertake activities that are beneficial to the society. Retailers are also taking measures for waste reduction, trying to recycle the materials used and are switching over to environment friendly packaging materials.

Consumers don't even hesitate to react to unethical **business practices**. This report **discuses** about **important** ethical issues to retail such as **Corporate social responsibility**, **Product safety**, Green issue, Product sourcing and how they **affect** retail industry.

Ethical issues: This is a set of rules for human moral behavior.

Large retailers can impose their unfair terms on the suppliers, which is unethical

- Explicit code of ethics: Written policy that specifies what is ethical and unethical behavior.
- Implicit: Unwritten but well understood set of rules/ standards of moral responsibilities.

KARPAGAM ACADEMY OF HIGHER EDUCATION

(Deemed University Established Under Section 3 of UGC Act 1956)

Coimbatore – 21

(For the candidates admitted from 2016 onwards)

DEPARTMENT OF COMMERCE (CA)

SUBJECT : RETAIL MANAGEMENT

SEMESTER : III

SUBJECT CODE: 16CCU303 B CLASS : II B.COM CA

POSSIBLE QUESTIONS

PART A (1 mark)

(Online examinations)

PART B (2 Marks)

1. Define e-retailing
2. Define EDI
3. What is mean by Bar Coding
4. Define Electronic Articles Surveillance
5. Define Customer Data Base Management
6. Define Electronic Shelf Labels
7. Define networking in retail
8. Define integrated systems in retail
9. Define brand.
10. Define E- Commerce.

Part – C (6 Marks)

1. Enumerate e-retailing
2. Briefly explain about Bar Coding in retailing
3. Explain – Customer Database Management System
4. Briefly explain Ethical Issues in Retailing
5. Enumerate integrated systems and networking in retail
6. Explain impact of information technology in retailing
7. Explain social and ethical issues in retail
8. Explain legal aspects in retailing
9. Explain in detail about Retail Management Information Systems
10. Give an importance of online retail – Emerging trends.

Register No………..

[16CCU303 B]

KARPAGAM ACADEMY OF HIGHER EDUCATION
(Established Under Section 3 of UGC Act 1956)
COIMBATORE-21
(For the candidate admitted from 2016 onwards)
First Internal Examination-July 2017
II B.COM (CA)
Third Semester
Retail Management

Time: 2 Hours **Maximum: 50 marks**

Date: ______________

PART-A (20*1=20 Marks)
Answer All the Questions

1. The word Retail is derived from the------ word Company

   A. Latin. B. **French.** C. English. D. German.
2. Retailer is a person who sells the goods in a---------.
   A. Large quantities. B. small quantities. C. **defined quantities** .D. undefined quantities
3. The main objective of the management is--------.
   A. Profitability. B. sales growth. C. return on investment D. **all of these**.
4. The functions of management start with-----.
   A. buying. B. **planning**. C. organizing. D. supervising.
5. ------- is the process of seeking and attracting a pool of people from which qualified candidates for job vacancies can be selected.
   A. Selection. B. Advertisement. C. Compensation. D. **Recruitment.**
6. ----- is the next step after recruiting the retail personnel.
   A. Supervision. B. Compensation. C. **Training.** D. Selection.
7. Compensation plans in retailing can have up to -------- basic components.
   A. **2.** B. 4 C. 3. D.
8. The computerized check out is used by -----.
   A. Large retailers. B. small retailers. C. multi retailers D. **all of these**.
9. Atmosphere in retailing refers to ----.
   A. **The weather outside a store**. B. The ambience, music, color scent in a store.
   C. Assortment of products in the store. D. display of items in a store.
10. Retailing is marketing function which ----.
    A. sells products to other business. B. sells products to a company that resells them.
    C. sells products to final consumers. D. **sells products for one's own**
11. Who is the last link in the chain connecting the producer and customer?
    A. wholesaler b. agent c. **retailer** d. storekeeper
12. Internet marketing and telemarketing are the recent trends in ……….. business
    a. retail b. wholesale c. **conventional** d. manufacturing
13. In the distribution channel … has the direct touch with consumers.
    a. producer b .wholesaler c. agent d .**retailers**

14. Multiple shops are also known as –
    a. self service stores b. chain stores c. shopping by post d. **departmental stores**
15. Door to door selling is carried out by
    a. **hawkers and peddlers** b. cheap jacks c. second shop d. retailers
16. There is no shop assistants in a
    a. super bazaar b. departmental store c. multiple shop d. **second shop**
17. No middle men is involved in –
    a. wholesale trade b. **retail trade** c. direct marketing d. indirect marketing
18. Shopping malls, super markets and hypermarkets come under which type of marketing?
    a. wholesale b**. retail** c. direct marketing d. agent service
19. Mail order retailing is the same as:
    a. Direct selling b. In Home retailing c**. E-tailing** d. Catalog retailing
20. All of the following are types of non store retailing, except
    a. Catalog retailing b. Vending Machines c. Chain store d. **Direct Mail**

PART – B (3 X 2 = 6 Marks)

Answer All the Questions

21. Define a Retail Management?

Retailing involves the process of selling consumer goods or services to customers through multiple channels of distribution to earn a profit. Retailers satisfy demand identified through a supply chain. Some of the earliest retailers were itinerant peddlers.

22. Write a Short note on key markets.

* Market analysis
* Customer analysis
* Internal analysis
* Competition analysis
* Review of product mix
* Review of distribution channels
* Evaluation of the economics of the strategy

23. Write a Short note on new Entrants.

- Licensing
- Greenfield project
- Franchising
- Business alliance
- Exporting
- Turnkey project
- Joint venture
- Outsourcing

PART – C (3 X 8 = 24 Marks)

Answer All the Questions

24. A) Explain the functions of Retailing?

- Quality conscious/Perfectionist:
- Brand-conscious:
- Recreation-conscious/ Hedonistic:
- Price-conscious:
- Novelty/fashion-conscious:
- Impulsive:
- Confused (by over-choice):
- Habitual / brand loyal:

(Or)

B) Write about the consumerism?

1. One sense of the term relates to efforts to support consumers' interests. By the early 1970s it had become the accepted term for the field and began to be used in these ways:
2. While the above definitions were becoming established, other people began using the term "consumerism" to mean "high levels of consumption". This definition has gained popularity since the 1970s and began to be used in these ways:

25. A) Explain about challenges in India?

- Regulatory barriers including
  - Restrictions on real estate purchases, especially as imposed by local governments and against "big-box" chain retailers;
  - Restrictions on foreign investment in retailers, in terms of both absolute amount of financing provided and percentage share of voting stock (*e.g.*, common stock) purchased;
- Unfavorable taxation structures, especially those designed to penalize or keep out "big box" retailers (see "Regulatory" above);
- Absence of developed supply chain and integrated IT management;
- High competitiveness among existing market participants and resulting low profit margins, caused in part by
  - Constant advances in product design resulting in constant threat of product obsolescence and price declines for existing inventory; and
- Lack of properly educated and/or trained work force, often including management, caused in part by loss in Business.
  - Lack of educational infrastructure enabling prospective market entrants to respond to the above challenges.

(Or)

B) Explain FDI In Retail?

Foreign Direct Investment under the Industrial Policy 1991 and thereafter under different Foreign Trade Policies is being allowed in different sectors of the economy in different proportion under either the Government route or Automatic Route. In **Retailing**, presently 51 per cent FDI is allowed in single brand retail through the **Government Approval route** while 100 per cent FDI is allowed in the cash-and-carry (wholesale) formats under the **Automatic route**. Under the Government Approval route, proposal for FDI in 'Single Brand Product Retailing' are received in the Department of Industrial Policy and Promotion, Ministry of Commerce & Industry. Automatic route dispenses with the need of multiple approvals from Government and/or regulatory agencies (Government of India or the RBI). Investors are required only to notify the concerned Regional offices of RBI within 30 days of receipt of inward remittances and file required documents with that office within 30 days of the issue of shares to foreign investors

The **legal regimes** that controls FDI in India and to that extent FDI in retailing includes Press Notes by Department of Industrial Policy and Promotion, Foreign Exchange Management Act 1999, Guidelines of Reserve Bank of India(RBI) and Security and Exchange Board of India, besides, of course, the Constitution of India.

India's large and ever growing population coupled with a paucity of profitable economic opportunities make "labor intensive" activities like Agriculture and Retailing a major source of subsistence for the teeming millions especially the poor unskilled labor, superfluous labor and the educated unemployed. Therefore, any change that tend to disturb the existing configuration of these two sectors have a bearing on the lives of millions of these people and raises sharp public outcry and to that extent FDI in Agriculture and Retailing has always been a contentious issue. Of late, the Government of India has expressed its desire to bring the Multi-Brand retailing within the ambit of FDI, and in the process has put in train a debate on its possible outcome. This short paper proposes to examine the conflicting view points of this debate so as to arrive at a balanced conclusion.

Retailing in India as also elsewhere in the world is divided into **organized and unorganized retailing.** Organized retailing refers to trade activities undertaken by the licensed retailers as has been mentioned earlier retailing **"disguises"** the abysmal nature of unemployment in the country. Indian agriculture has long been a source of livelihood for the teeming millions of the country (provides employment to more than 50% of India's labor force) so much so that it is massively over-crowded now. Besides, during the lean season even the productive farmer find themselves unemployed. Although the manufacturing is a labor absorbing sector, its true potential has not been harnessed as yet and it has been stagnating since the tenth five year plan. Retailing helps in absorbing these shocks providing safety-net and opportunities to the superfluous labor to eke out a living where all other sectors have not been able to. Critics fear that the inflow of FDI in retailing will restrict the labor absorbing capacity of the retailing sector since the international retailing giants employ labor saving machinery and know-how both to add value to their service as well as to enhance their profit. And given the fact that the manufacturing is not in a vibrating state to absorb those who are displaced from the retailing by the advent of FDI, the poor and the unemployed will find the going very difficult for them. There will be a hike in the rate of both unemployment and under employment. It has also been said that the domestic organized retailing is underdeveloped and in a nascent stage. Therefore, it is important that the domestic retailing sector is allowed to grow and consolidate first before the sector is opened to FDI. FDI in retailing may also widen the rural -urban divide in the sense that most of the retailing centers would be set up in the cities where both the density of population and level of income of the people are high. These retail centers would also attract cheap labor from the rural areas and thereby deplete the hinterland of its workforce. In addition, organized retailing with FDI would result in bevy of buildings and multiplexes. Unless their constructions are regulated, they will also add to the chaotic muddle of urban cape.

26. A) Explain emerging sectors in Retailing?

The India Retail Industry is the largest among all the industries, accounting for over 10 per cent of the country GDP and around 8 per cent of the employment. The Retail Industry in India has come forth as one of the most dynamic and fast paced industries with several players entering the market. But all of them have not yet tasted success because of the heavy initial investments that are required to break even with other companies and compete with them. The India Retail Industry is gradually inching its way towards becoming the next boom industry. The total concept and idea of shopping has undergone an attention drawing change in terms of format and consumer buying behavior, ushering in a revolution in shopping in India. Modern retailing has entered into the Retail market in India as is observed in the form of bustling shopping centers, multi-storied malls and the huge complexes that offer shopping, entertainment and food all under one roof. A large young working population with median age of 24 years, nuclear families in urban areas, along with increasing workingwomen population and emerging opportunities in the services sector are going to be the key factors in the growth of the organized Retail sector in India. The growth pattern in organized retailing and in the consumption made by the Indian population will follow a rising graph helping the newer businessmen to enter the India Retail Industry. In India the vast middle class and its almost untapped retail industry are the key attractive forces for global retail giants wanting to enter into newer markets, which in turn will help the India Retail Industry to grow faster. Indian retail is expected to grow 25 per cent annually. Modern retail in India could be worth US$ 175-200 billion by 2016. The Food Retail Industry in India dominates the shopping basket. The Mobile phone Retail Industry in India is already a US$ 16.7 billion business, growing at over 20 per cent per year. The future of the India Retail Industry looks promising with the growing of the market, with the government policies becoming more favorable and the emerging technologies facilitating operations.

(Or)

B) Explain suppliers and buyers rivalry.

- Counter service, where goods are out of reach of buyers and must be obtained from the seller. This type of retail is common for small expensive items (e.g. jewelers) and controlled items like medicine and liquor. It was common before the 1900s in the United States and is more common in certain countries like India.
- Click and Commute, where products are ordered online and are picked up via a drive through.
- Ship to Store, where products are ordered online and can be picked up at the retailer's main store
- Delivery, where goods are shipped directly to consumer's homes or workplaces.
- Mail order from a printed catalog was invented in 1744 and was common in the late 19th and early 20th centuries. Door-to-door sales, where the salesperson sometimes travels with the goods for sale.
- Self-service, where goods may be handled and examined prior to purchase.
- Digital delivery or Download, where intangible goods, such as music, film, and electronic books and subscriptions to magazines, are delivered directly to the consumer in the form of information transmitted either over wires or air-waves, and is reconstituted by a device which the consumer . The digital sale of models for 3D printing also fits here, as do the media leasing types of services, such as streaming.

Register No………..

[16CCU303 B]

KARPAGAM ACADEMY OF HIGHER EDUCATION
(Established Under Section 3 of UGC Act 1956)
COIMBATORE-21
(For the candidate admitted from 2016 onwards)
Second Internal Examination-July 2017
II B.COM (CA)
Third Semester
Retail Management

Time: 2 Hours **Maximum: 50 marks**

Date: ______________

PART-A (20 X 1=20 Marks)
Answer All the Questions

1. What is one reason why many businesses use warehouses?
   a. To conserve resources b. **To order products**
   c. To coordinate shipments d. To follow regulations
2. Having the ability to monitor the sales performance of each department is one reason why large home improvement stores monitors the
   a. employee training process b. **merchandise classification system**
   c. proposed merchandise plan. d. domestic buying procedure
3. Laws that prohibit the sale of unsafe products are examples of factors that
   a. **limit economic freedom** b. promote competition
   c. increase production d. reduce inflation

4. Which of the following do many businesses believe to be their most important resource?
   a. Sales revenue b. Office supplies
   c. Equipment d. **Employees**

5. Employees should answer the telephone in a businesslike manner in order to
   a. be a candidate for a promotion. b. reflect the importance of the job.
   c. handle a lot of calls at one time d. **project the image of the business**

6. Before organizing an oral presentation, the presenter should
   a. gather information from a variety of sources. b. determine the size of the audience.
   c. **determine the purpose or nature of the message** d. prepare appropriate visual aids

7. Which of the following is a reason why it is important for businesses to have effective staff communication?
   a. To promote social interaction
   b. To encourage personal relationships
   c. To develop business communication
   d. **To help employees do a good job**

8. Purchasing insurance to cover business risks is an example of business risks' being handled through

a. retention. b. avoidance

c. **transfer** d. prevention.

9. Increased consumer spending indicates that the economy is stable and growing because increased spending leads to an increase in

a. unemployment levels b. interest rates

c. **demand for products** d. scarcity of resources

10. A worker who completes a transaction in which money changes hands but no receipts are kept and the income is not reported to the government is participating in

a. double counting b. **the underground economy**

c. accuracy in counting d. an uncounted production

11. Which of the following is a characteristic of debtor-creditor relationships?

a. Designed to monitor accounts b. Controlled by industry standards

c. Intended to increase competition d. **Regulated by various laws**

12. The total number of members in a channel is called

a. channel length. b. **distribution intensity**

c. distribution pattern d. channel width

13. It is important for the JBH Company to advise all of its channel members about a sales promotion that it plans to hold next month so the

a. risk of inventory stock-outs is eliminated

b. transporters can hire more order takers

c. company can avoid inventory shrinkage

d. **products are available to meet the demand**

14. Which of the following would not change when expanding a domestic retail chain overseas

a. Store web site b. Merchandise selection

c. **Company president** d. Marketing strategy

15. When a group reaches consensus, it means that all of the members agree but they usually

a. do not have equal power b. follow the leader

c. **do not vote** d. accept majority rule

16. Which of the following is a way that businesses can use financial information?

a. To create an economic system b. To select selling strategies

c. To conduct focus d. **To identify trends**

17. Marketers use data to determine pricing strategies such as

a. what products to offer b. how much to spend on advertising

c. how much of the product to create d. **when to offer a discount on the product**

18. one way that technology has enhanced a business's ability to administer telephone surveys in a time efficient manner is by making it possible to use

a. digital presentation software b. interpersonal fax interviews

c. mechanical database networks d. **automated computer systems**

19. Holding a focus group is one way for a business to collect _________ marketing-research data.

a. **Primary** b. Secondary

c. Complementary d. Statistical

20. Formula for Basic stock method

a. **Average stock for the season – Average monthly sales for the season**

b. Average stock for the season + Average monthly sales for the season

c. Average stock for the season X Average monthly sales for the season

d. Average stock for the season / Average monthly sales for the season

PART – B (3 X 2 = 6 Marks)

Answer All the Questions

21. Define Marketing?

"The activity set of institutions and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large."The term developed from the original meaning which referred literally to going to market with goods for sale. From a Sales process engineering perspective, marketing is "a set of processes that are interconnected and interdependent with other functions" of a business aimed at achieving customer interest and satisfaction

22. What does it mean by Non stores in Retail?

Electronic retailing is the sale of goods and services through the internet. Electronic retailing, or e-tailing, can include business-to-business (B2B) and business-to-consumer (B2C) sales of products and services, through subscriptions to website content, or through advertising. E-tailing requires businesses to tailor traditional business models to the rapidly changing face of the internet and its users.

23. Define social economic.

Ultimately fashion opinion leaders influence the adoption and diffusion of fashions within a social group. When individuals play both roles of opinion, leader and innovator, they are referred to as "innovative communicators" within each social economic group.

PART – C (3 X 8 = 24 Marks)

Answer All the Questions

24. A) Discuss the business modeling in retailing

- Food retailers
- Soft line retailers
- Grocery/ Convenience Retail
- An art gallery is a specialist retailer Hard-line retailers
- Specialist retailers

(Or)

B) Explain ownership of retailing in merchandise.

- Quality conscious/Perfectionist:
- Brand-conscious:
- Recreation-conscious/ Hedonistic:
- Price-conscious:
- Novelty/fashion-conscious:
- Impulsive:
- Confused
- Habitual / brand loyal

25. A) Enumerate the different trade area analysis in retailing

- Customer analysis
- Choice modeling
- Competitor analysis
- Risk analysis
- Product research
- Advertising the research
- Marketing mix modeling
- Simulated Test Marketing

(Or)

B) Discuss the process of brand management in retailing.

In retailing, **brand management** is the analysis and planning on how that brand is perceived in the market. Developing a good relationship with the target market is essential for brand management. Tangible elements of brand management include the product itself; look, price, the packaging, etc. The intangible elements are the experience that the consumer has had with the brand, and also the relationship that they have with that brand. A brand manager would oversee all of these things.

In 2001, Hislop defined branding as "the process of creating a relationship or a connection between a company's product and emotional perception of the customer for the purpose of generating segregation among competition and building loyalty among customers." In 2004 and 2008, Kapferer and Keller respectively defined it as a fulfillment in customer expectations and consistent customer satisfaction.

Brand management is a function of marketing that uses special techniques in order to increase the perceived value of a product (see: Brand equity). Based on the aims of the established

marketing strategy, brand management enables the price of products to grow and builds loyal customers through positive associations and images or a strong awareness of the brand.
Brand management is the process of identifying the core value of a particular brand and reflecting the core value among the targeted customers. In modern terms, brand could be corporate, product, service, or person. Brand management build brand credibility and credible brands only can build brand loyalty, bounce back from circumstantial crisis, and can benefit from price-sensitive customers.

26. A) Explain the theories of retail marketing.

- 1. 'Adoption Leadership by ''Consumer Fashion Change Agents'
- 2. 'The Social Visibility and Communicability Phase'
- 3. 'Conformity Within and Across Social Systems'
- 4. 'Market and Social Saturation'
- 5. 'Decline and Obsolescence Forced By the Emergence of New Fashion Alternatives'

(Or)

B) Explain the Retail life cycle.

- Innovation:
- Accelerated Growth:
- Maturity:
- Decline:

Register No………..

[16CCU303 B]

KARPAGAM ACADEMY OF HIGHER EDUCATION

(Established Under Section 3 of UGC Act 1956)

Coimbatore – 641 021

(For the candidates admitted from 2016 onwards)

II B. Com CA (Elective)

Third Semester

Third Internal Test, September-2017

Retail Management

Time: 2 Hours **Maximum: 50 marks**

Date: ______________

PART-A (20 X 1=20 Marks)

Answer All the Questions

1. Promotion is basically a ______ process

a. **Communication** b. correspondence c. ordering d. replying

2. The process of communication is generally divided into ______

a. **2** b. 3 c. 4 d. 5

3. ______ involves use of language to establish common understanding among the people.

a. **Explicit** b. implicit c. verbal d. non-verbal

4. Implicit communication is an intensive interpretation of symbols'and is basically a _______ form of communication

a. Explicit b. implicit c. **verbal** d. non-verbal

5. The marketing mix or promotional mix consist of _____ major tools

a. 2 b. 3 c. **4** d. 5

6. Any paid form of non personal presentation and promotion of ideas, goods, or services by an identified sponsor is called _________

a. **Advertising** b. Direct marketing

c. Sales promotion d. public relation

7. Use of mail, telephone and other non personal contact tools to communicate with or solicit a response from specific customers and prospects is known as ______

a. Advertising b. **direct marketing**

c. Sales promotion d. public relation

8. Short-term incentives to encourage trial or purchase of a product or service is called ______

a. Advertising b. Direct marketing

c. **Sales promotion** d. public relation

9. A variety of programs designed to promote and / or protect a company's image or its individual products is known as ______

a. Advertising b. direct marketing

c. Sales promotion d. **public relation**

10. Face-to-face interaction with one or more prospective purchasers for the purpose of making sales is called ________

a. **Personal Selling** b. direct marketing

c. Sales promotion d. public relation

11. The typical method of retail operation used by supermarkets and catalog showrooms is called _____

a. **self-service retailing**. b. limited-service retailing.

c. full-service retailing. d. service-merchandiser.

12. "Marketers are sometimes accused of deceptive practices that lead consumers to believe they will get more value than they actually do. Includes practices such as falsely advertising ""factory"" or ""wholesale"" prices or a large price reduction
from a phony high retail price"

a. **Deceptive promotion** b. Deceptive packaging

c. Deceptive pricing d. Deceptive cost structure

13. The study of human populations in terms of size, density, location, age, gender, race, occupation, and other statistics is called

a. Geothermy. b. **Demography**

c. Ethnography d. Hemos-popography.

14. "When companies make marketing decisions by considering consumers' wants and the long-run interests of the company, consumer, and the general population, they are practicing which of the following principles?

a. Innovative marketing b. Consumer-oriented marketing

c. **Value marketing** d. Societal marketing

15. The advantages of audience selectivity, no ad competition and personalization apply to which type of media?

a. **Newspapers** b. Television c. Direct Mail d. Radio

16. One of the most promising developments in multivariable segmentation is called where a host of demographic and socioeconomic factors are used

a. terragraphic segmentation b. fermagraphic segmentation

c. geothermy segmentation d. **geodemographic segmentation**

17. "Regulations that arise to ensure that firms take responsibility for the social costs of their products or production processes stem from which reason for government legislation of business?

a. To protect companies from each other

b. To protect consumers from unfair business practices

c. **To protect the interests of society**

d. To protect businesses from unfair consumer demands.

18. The first modern environmental movement in the United States began in the:

a. 1940s b. 1950s c. 1960s and 1970s d. **mid-1980s**

19. Today, advertising captures about percent of total promotion spending

a. 15 b. 23 c. 29 d. **33**

20. All of the following are thought to be sources of new product ideas EXCEPT

a. **internal sources**. b. customers

c. competitors. **internal sources** d. the local library.

Answer key: (for III Internal)

21. What does it mean by Non stores in Retail?

It is the form of retailing where the retailer is in direct contact with the consumer at the workplace or at home. The consumer becomes aware of the product via email or phone call from the retailer, or through an ad on the television, or Internet. The seller hosts a party for interacting with people. Then introduces and demonstrates the products, their utility, and benefits. Buying and selling happens at the same place. The consumer itself is a distributor. **For example: Amway and Herbalife multi-level marketing.**

22. What is Marketing Mix?

The **marketing mix definition** is simple. It is about putting the right product or a combination thereof in the place, at the right time, and at the right price. The difficult part is doing this well, as you need to know every aspect of your business plan.

The '**marketing mix**' (also known as the four Ps) is a foundation concept in **marketing**. Thus the **marketing mix** refers to four broad levels of **marketing** decision, namely: product, price, promotion, and place.

<u>Marketing Mix 4P's</u>

1.Product

2.Price

3.Place

4. Promotion

23. What is E-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 (B2B) and business-to-consumer (B2C) sales of products and services, through subscriptions to website content, or through advertising.

The term is a short form for "electronic retailing", and surfaced in the 1990s for being frequently used over the Internet. The term is an inevitable addition to other similar terms such as **e**-business, **e**-mail, and **e**-commerce. **E-tailing** usually refers to the business-to-consumer (B2C) transactions. The electronic retailing is the subset of E-Commerce that means, E-commerce is the **principle domain** that includes the e-tailing operations.

24. a) Analyze the different forms of selection of goods.

<u>**Decisions related to selection of goods:**</u>

1. **Product design :** features, quality

- The manufacturer is concerned with production cost; in the end, the manufacturer wants an economically produced product.
- The consumer looks at price, appearance, and prestige value.
- The consumer is concerned with usability and functionality of the final product.

Product assortment : product range, product mix, product lines,

- **Product assortment** consists of the following characteristics: Breadth: The breadth of a company's **products** relates to the number of **product** lines a company produces or a retailer carries. the length or number of products lines, depth or number of product varieties within a product line, consistency.

2. **Branding:** A brand is a name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers. product can be easily copied by other players in a market, but a brand will always be unique. For example, Pepsi and Coca-Cola taste very similar, however for some reason, some people feel more connected to Coca-Cola, others to Pepsi.
3. **Packaging and labeling:** A '**Package**'is nothing but a container in which things are packed. '**Packing**'is the process of covering or wrapping goods into a package. '**Packaging**' is the process of designing or producing the container itself. A label is a slip of paper pasted on the package and, nature of the product, manufacturer, date of manufacture, date of expiry, ingredients used, price (the MRP — Maximum Retail Price), taxes as applicable.A label is essentially a medium through which the manufacturer gives necessary information to the consumer.
4. **Services (complementary service, after-sales service, service level):** The **services** that are offered in addition to any business's core **service** and assist the customer in using that **service**. **Complementary** products and **services** are products and **services** which have indirect impact on the utility a buyer receives from an offering. For **example**, the demand for one **good** (printers) generates demand for the other (ink cartridges). A**fter-sales service** is all the help and information that it provides to customers **after** they have bought a particular product. For example Car service.
5. **Guarantees and warranties:** A **guarantee** is a written promise that **retailer** will repair a product or give you a new one, if the product has a fault. A **warranty** is usually a written **guarantee** for a product and declares the maker's responsibility to repair or replace a defective product or its parts.
6. **Investment and Returns:** In manufacturethe gain or loss generated on an **investment** relative to the amount of money invested to the manufacturing for the product. personal financial decisions, to compare a company's profitability or to compare the efficiency of different investments.

7. **Managing products through the life-cycle :** Product life-cycle management (PLM) is the succession of strategies by business management as a product goes through its life-cycle. The conditions in which a product is sold (advertising, saturation) changes over time and must be managed as it moves through its succession of stages.

b) Explain – Decisions related to delivery of services

Service products are conceptualized as consisting of a bundle of tangible and intangible elements:

Core service: the basic reason for the business; that which solves consumer problems

Supplementary goods and services: supplements or adds value to the core product and helps differentiate the service from competitors (e.g. consultation, safe-keeping, hospitality, exceptions).

Facilitating services: (sometimes called delivery services): Facilitate the delivery and consumption of the core service (are essential to delivery) (e.g. information provision, order-taking, billing, payment methods)

Supporting services: support the core and could be eliminated without estabilising the core.

The distinction between supplementary and facilitating services: It varies, depending on the nature of the service. **For instance, the provision of coffee and tea would be considered a supporting service in a bank, but would be a facilitating service in a bed and breakfast facility.** Whether an element is classified as facilitating or supporting depends on the context.

Service marketers need to consider a range of other issues in price setting and management of prices:

- **Price Charged:** the traditional pricing decision.
- **Timing of Payment:** Given that customers are part of the service process and that some customers remain in the process for days, months or even years (e.g. guest house, hotel stay, university tuition), decisions must be made about whether to request payment at time when the service encounter is initiated, during the encounter or on termination of an encounter. Deposits, installments and exit fees are all options that can be considered.
- **Mode of Payment:** Given that customers enter into long term relationships with service providers, it is possible that some patrons will expect to be able to pay on account. Payment

options include: EFTPOS (Electronic funds transfer at point of sale), direct transfer, cash/ credit cheque, invoice.

Many service firms operate in industries where price is restricted by professional codes of conduct or by government influences which may have implications for pricing. It is possible to identify three broad scenarios:

- Services subject to public regulation (e.g. healthcare, public transport)
- Services subject to formal self-regulation (e.g. universities, schools)
- Services Subject to regulation of marketplace (e.g. hospitality, tourism, leisure services)

In situations where the service is subject to some type of public regulation, government departments may establish ceiling prices which effectively limit the amount that can be charged.

The concept of a social price may be more important for service marketers. A social price refers to "non financial aspects of price. Fine identifies four types of social price: Time, Effort, Lifestyle and Psyche. In effect, this means that consumers may be more acutely aware of the opportunity costs associated with the consumption of a service. In practice, this may mean that consumers of services experience a heightened sense of temporal risk.

- **Physical evidence:**

Given the intangible nature of services, consumers often rely on the physical evidence to evaluate service quality. Therefore, service marketers must manage the physical evidence – which includes any element of the service environment which impacts on one or more of the customers five senses – the sense of smell, taste, hearing, sight and touch. Theorists identify two types of physical evidence, namely;

Credit cards have no independent value unless backed by the service. Credit cards are a type of peripheral evidence.

Peripheral evidence: is actually possessed as part of the purchase of a service but has no independent value unless backed by the service. e.g. a cheque book, credit card, admission ticket, hotel stationery.

Essential evidence: unlike peripheral evidence cannot be possessed by the client. It contributes to ambience or image e.g. building and furnishings, layout, equipment, people etc

A number of different theoretical traditions can be used to inform the study of service environments including stimulus-organism-response (SOR) models; environmental psychology; semiotics and Services capes.

25.a) Examine the non store retailing .

Non-Store Retailing

A large majority - about - 80% - of retail transactions are made in stores. However, a growing volume of sales is taking place away from stores. Retailing activities resulting in transactions that occur away from a physical store are called non-store retailing. It is estimated that non-store sales account for almost 20% of total retail trade.

Following are the five types of non store retailing: direct selling, tele marketing, online retailing, automatic vending and direct marketing.

1.Direct Selling

In the context of retailing, direct selling is defined as personal contact between a sales person and a consumer away from a retail store. This type of retailing has also been called in home selling. Annual volume of direct selling in India is growing fast from the beginning of the 21st century.

Like other forms of non-store retailing, direct selling is utilized in most countries. It is particularly widespread in Japan, which accounts for about 35% of the worldwide volume of direct selling. The U.S. represents almost 30% of the total and all other countries the rest.

The two kinds of direct selling are door to door and party plan. There are many well known direct-selling companies including Amway, Creative memories and Excel communications. Diverse products are marketed through direct selling. This channel is particularly well suited for products that require extensive demonstration.

Advantages of Direct Selling

i. Consumers have the opportunity to buy at home or at another convenient
nonstore location that provides the opportunity for personal contact with a sales person.

ii. For the seller, direct selling offers the boldest method of trying to persuade ultimate consumers to make a purchase.

iii. The seller takes the product to the shoppers home or work place and demonstrates them for the consumer.

Limitations of Direct Selling

i. Sales commissions run as high as 40 to 50% of the retail price; of course,
they are paid only when a sale is made.

ii. Recruiting sales people - most of whom are part timers are difficult tasks, iii. Some sales representatives use high pressure tactics or are fradulent.

Telemarketing

Sometimes called telephone selling, telemarketing refers to a sales person initiating contact with a shopper and closing a sale over the telephone. Telemarketing many entail cold canvassing from the phone directory. Many products that can be bought without being seen are sold over the telephone. Examples are pest control devices, magazine subscriptions, credit cards and cub memberships.

Telemarketing is not problem free. Often encountering hostile people on the other end of the line and experiencing many more rejections than closed sales, few telephone sales representatives last very long in the job. Further some telemarketers rely on questionable or unethical practices. For instance firms may place calls at almost any hour of the day or night. This tactic is criticised as violating consumers' right to privacy. To prevent this, some states have enacted rules to constrain telemarketers' activities.

Despite these problems, telemarketing sales have increased in recent years. Fundamentally, some people appreciate the convenience of making a purchase by phone. Costs have been reduced by computers that automatically dial telephone number, even deliver a taped message and record information the buyer gives to complete the sale. The future of telemarketing is sure to be affected by the degree to which the problems above can be addressed and by the surge of online retailing.

2.Online Retailing:

When a firm uses its website to offer products for sale and then individuals or organisations use their computers to make purchases from this company, the parties have engaged in electronic transactions (also called on line selling or internet marketing). Many electronic transactions involve two businesses which focuses on sales by firms to ultimate consumers. Thus online retailing is one which consists of electronic transactions in which the purchaser is an ultimate consumer. Online retailing is being carried out only by a rapidly increasing number of new firms, such as Busy.com, Pets Mart and CD Now.com. Some websites feature broad assortments, especially those launched by general merchandise retailers such as Wal-mart and Target. Some Internet only firms, notably Amazon.com are using various methods to broaden their offerings. Whatever their differences, e-retailers are likely to share an attribute. They are unprofitable or best, barely profitable. Of course, there are substantial costs in establishing an online operation. Aggressive efforts to attract shoppers and retain customers through extensive advertising and low prices are also expensive. The substantial losses racked by online enterprises used to be accepted, perhaps even encouraged by investors and analysts. The rationale was that all available funds should be used to gain a foothold in this growing market. Despite these challenges, online retailing is expected to grow, rapidly and significantly for the foreseeable future. Online sales represented about 1% of retail spending in 2005, but one research firm estimates that consumer purchases on the Internet with triple by the year 2010. Which product categories are consumers most likely to buy on the Internet in the future? Consumers' shopping intentions in 2005 placed the following goods and services at the tope of the list: books, music and videos, computer hardware and software, travel and apparel. Of course, given that change on the Internet occurs, these categories soon may be surpassed by others - perhaps groceries, toys, health and beauty aids, auto parts or pet supplies.

3.Automatic vending

The sale of products through a machine with no personal contact between buyer and seller is called automatic vending. The appeal of automatic vending is convenient purchase. Products sold by automatic vending are usually well-known presold brands with a high rate of turnover. The large majority of automatic vending sales comes from the "4 c's" : cold drinks, coffee, candy and cigarettes.

Vending machines can expand a firm's market by reaching customers where and when they cannot come to a store. Thus vending equipment is found almost everywhere, particularly in schools, work places and public facilities. Automatic vending has high operating costs because of the need to replenish inventories frequently. The machines also require maintenance and repairs. The outlook for automatic vending is uncertain. The difficulties mentioned above may hinder future growth. Further, occasional vending-related scams may scare some entrepreneurs away from this business. Vending innovations give reason for some optimism. Debit cards that can be used at vending machines are becoming more common. When this card is inserted into the machine, the purchase amount is deducted from the credit balance. Technological advances also allow operators to monitor vending machines from a distance, thereby reducing the number of out-of-stock or out-of-order machines.

4.Direct Marketing

There is no consumers on the exact nature of direct marketing. In effect, it comprises all types of non-store retailing other than direct selling, telemarketing, automatic vending and online retailing. In the context of retailing, it has been defined as direct marketing as using print or broadcast advertising to contact consumers who in turn, buy products without visiting a retail store. Direct marketers contact consumers through one or more of the following media: radio, TV, newspapers, magazines, catalogs and mailing (direct mail). Consumer order by telephone or mail. Direct marketers can be classified as either general - merchandise firms, which offer a variety of product lines, or specialty firms which carry - only one or two lines such as books or fresh fruit. Under the broad definition, the many forms of direct marketing include:

• **Direct mail** - in which firms mail letters, brochures and even product samples to consumers, and ask them to purchase by mail or telephone.

• **Catalog retailing** - in which companies mail catalogs to consumers or make them available at retail stores.

• **Televised shopping** - in which various categories of products are promoted on dedicated TV channels and through infomercials, which are TV commercials that run for 30 minutes or even longer on an entertainment channel.

On the plus side, direct marketing provides shopping convenience. In addition, direct marketers enjoy comparatively low operating expenses because they do not have the overhead of physical stores.

Direct marketing has drawbacks. Consumers must place orders without seeing or touching the actual merchandise. To off-set this, direct marketers must offer liberal return policies. Furthermore, catalogs and to some extent, direct mail pieces are costly and must be prepared long before they are issued. Price changes and new products can be announced only through supplementary catalogs or brochures.

Direct marketing's future is difficult to forecast, given the rise of the Internet. The issue is whether or not firms relying on direct marketing can achieve and sustain a differential advantage in a growing competition with online enterprises.

5.Franchising

A franchising operation is legal contractual relationship between a franchiser (the company offering the franchise) and the franchisee (the individual who will own the business).

The terms and conditions of the contract vary widely but usually the franchiser offers to maintain a continuing interest in the business of the franchisee in such areas as the site selection, location, management, training, financing, marketing, record-keeping and promotion. He also offers the use of a trade name, store motif standardized operating procedure and a prescribed territory. In return the franchisee agrees to operate under conditions set forth by the franchiser.

b) Define EDI? Elucidate the features of EDI.

Electronic Data Interchange (EDI): EDI is the computer-to-computer exchange of business documents in a standard electronic format between business partners. While email is also an electronic approach, the documents exchanged via email must still be handled by people rather than computers.

By moving from a paper-based exchange of business document to one that is electronic, businesses enjoy major benefits such as reduced cost, increased processing speed, reduced errors and improved relationships with business partners.

<u>Characterstics or features of EDI :</u>

- **Computer-to-computer**– EDI replaces postal mail, fax and email. While email is also an electronic approach, the documents exchanged via email must still be handled by people rather than computers. Having people involved slows down the processing of the documents and also introduces errors. Instead, EDI documents can flow straight through to the appropriate application on the receiver's computer (e.g., the Order Management System) and processing can begin immediately. A typical manual process looks like this, with lots of paper and people involvement:
- **Business documents** – These are any of the documents that are typically exchanged between businesses. The most common documents exchanged via EDI are purchase orders, invoices and advance ship notices. But there are many, many others such as bill of lading, customs documents, inventory documents, shipping status documents and payment documents.
- **Standard format**– Because EDI documents must be processed by computers rather than humans, a standard format must be used so that the computer will be able to read and understand the documents. A standard format describes what each piece of information is and in what format (e.g., integer, decimal, mmddyy). Without a standard format, each company would send

documents using its company-specific format and, much as an English-speaking person probably doesn't understand Japanese, the receiver's computer system doesn't understand the company-specific format of the sender's format.

a. There are several EDI standards in use today, including ANSI, EDIFACT, TRADACOMS and ebXML. And, for each standard there are many different versions, e.g., ANSI 5010 or EDIFACT version D12, Release A. When two businesses decide to exchange EDI documents, they must agree on the specific EDI standard and version.

b. Businesses typically use an EDI translator – either as in-house software or via an EDI service provider – to translate the EDI format so the data can be used by their internal applications and thus enable straight through processing of documents.

- **Business partners** – The exchange of EDI documents is typically between two different companies, referred to as business partners or trading partners. For example, Company A may buy goods from Company B. Company A sends orders to Company B. Company A and Company B are business partners.

26. a) Define bar coding. Elucidate the features of bar coding.

Bar coding

A **barcode** is an optical, machine-readable, representation of data; the data usually describes something about the object that carries the barcode. Originally barcodes systematically represented data by varying the widths and spacings of parallel lines, and may be referred to as linear or one-dimensional (1D). Later two-dimensional (2D) codes were developed, using rectangles, dots, hexagons and other geometric patterns in two dimensions, usually called barcodes although they do not use bars as such. Barcodes were initially scanned by special optical scanners called barcode readers. Later applications software became available for devices that could read images, such as smart phones with cameras.

b) Explain – SCM principles

Principles of Supply Chain Management:

To help managers decide how to proceed, we revisited the supply chain initiatives undertaken by the most successful manufacturers and distilled from their experience seven fundamental principles of supply chain management.

Principle 1: Segment customers based on the service needs of distinct groups and adapt the supply chain to serve these segments profitably:

Segmentation has traditionally grouped customers by industry, product, or trade channel and then taken a one-size-fits-all approach to serving them, averaging costs and profitability within and across segments. The typical result, as one manager admits: "We don't fully understand the relative value customers place on our service offerings." 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 have been the traditional tools for defining key segmentation criteria. Today, progressive manufacturers are turning to such advanced analytical techniques as cluster and conjoint analysis to measure customer tradeoffs and predict the marginal profitability of each segment. One manufacturer of home improvement and building products bases segmentation on sales and merchandising needs and order fulfillment requirements. Others are finding that criteria such as technical support and account planning activities drive segmentation.Viewed from the classic perspective, this needs-based segmentation may produce some odd couples. For the manufacturer in Exhibit 1, "innovators" include an industrial distributor (Grainger), a do-it-yourself retailer (Home Depot), and a mass merchant (Wal-Mart).

Research also can established the services valued by all customers versus those valued only by certain segments. Then the company should apply a disciplined, cross-functional process to develop a menu of supply chain programs and create segment-specific service packages that combine basic services for everyone with the services from the menu that will have the greatest appeal to particular segments. This does not mean tailoring for the sake of tailoring. The goal is to find the degree of segmentation and variation needed to maximize profitability. Most companies have a significant untapped opportunity to better align their investment in a particular customer relationship with the return that customer generates. To do so, companies must analyze the profitability of segments, plus the costs and benefits of alternate service packages, to ensure a reasonable return on their investment and the most profitable allocation of resources. To strike and sustain the appropriate balance between service and profitability, most companies will need to set priorities—sequencing the rollout of tailored programs to capitalize on existing capabilities and maximize customer impact.

Principle 2: Customize the logistics network to the service requirements and profitability of customer segments:

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. Neither approach can achieve superior asset utilization or accommodate the segment-specific logistics necessary for excellent supply chain management. In many industries, especially such commodity industries as fine paper, tailoring distribution assets to meet individual logistics requirements is a greater source of differentiation for a manufacturer than the actual products, which are largely undifferentiated. 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. To serve both segments well and achieve profitable growth, the manufacturer designed a multi-level logistics network with three full-stocking distribution centers and 46 quick-response cross-docks, stocking only fast-moving items, located near the regional printers. Return on assets and revenues improved substantially thanks to the new inventory deployment strategy, supported by outsourcing of management of the quick response centers and the transportation activities.

Principle 3: Listen to market signals and align demand planning accordingly across the supply chain, ensuring consistent forecasts and optimal resource allocation:

Forecasting has historically proceeded silo by silo, with multiple departments independently creating forecasts for the same products—all using their own assumptions, measures, and level of detail. Many consult the marketplace only informally, and few involve their major suppliers in the process. The functional orientation of many companies has just made things worse, allowing sales forecasts to envision growing demand while manufacturing second-guesses how much product the market actually wants. Such independent, self-centered forecasting is incompatible with excellent supply chain management, as one manufacturer of photographic imaging found. This manufacturer nicknamed the warehouse "the accordion" because it had to cope with a production operation that stuck to a stable schedule, while the revenue-focused sales force routinely triggered cyclical demand by offering deep discounts at the end of each quarter. The manufacturer realized the need to implement a cross-functional planning process, supported by demand planning software. Initial results were dismaying. Sales volume dropped sharply, as excess inventory had to be consumed by the marketplace. But today, the company enjoys lower inventory and warehousing costs and much greater ability to maintain price levels and limit discounting. Like all the best sales and operations planning (S&OP), this process recognizes the needs and objectives of each functional group but bases final operational decisions on overall profit potential. Excellent supply chain management, in fact, calls for S&OP that transcends company boundaries to involve every link of the supply chain (from the supplier's supplier to the customer's customer) in developing forecasts collaboratively and then maintaining the required capacity across the operations. Channel-wide S&OP can detect early warning signals of demand lurking in customer promotions, ordering patterns, and restocking algorithms and takes into account vendor and carrier capabilities, capacity, and constraints.

Principle 4: Differentiate product closer to the customer and speed conversion across the supply chain: Manufacturers have traditionally based production goals on projections of the demand for finished goods and have stockpiled inventory to offset forecasting errors. These manufacturers tend to view lead times in the system as fixed, with only a finite window of time in which to convert materials into products that meet customer requirements. While even such traditionalists can make progress in cutting costs through set-up reduction, cellular manufacturing, and just-in-time techniques, great potential remains in less traditional strategies such as mass customization. For example, manufacturers striving to meet individual customer needs efficiently through strategies such as mass customization are discovering the value of postponement. They are delaying product differentiation to the last possible moment and thus overcoming the problem described by one manager of a health and beauty care products warehouse: "With the proliferation of packaging requirements from major retailers, our number of SKUs (stock keeping units) has exploded. We have situations daily where we backorder one retailer, like Wal-Mart, on an item that is identical to an in-stock item, except for its packaging. Sometimes we even tear boxes apart and repackage by hand!

Principle 5: Manage sources of supply strategically to reduce the total cost of owning materials and services: Determined to pay as low a price as possible for materials, manufacturers have not traditionally cultivated warm relationships with suppliers. In the words of one general manager: "The best approach to supply is to have as many players as possible fighting for their piece of the pie—that's when you get the best pricing." Excellent supply chain management requires a more enlightened mindset— recognizing, as a more progressive manufacturer did: "Our supplier's costs are in effect our costs. If we force our supplier to provide 90 days of consigned material when 30 days are sufficient, the cost of that inventory will find its way back into the supplier's price to us since it increases his cost structure." While manufacturers should place high demands on suppliers, they should also realize that partners must share the goal of reducing costs across the supply chain in order to lower prices in the marketplace and enhance margins. The logical extension of this thinking is gain-sharing arrangements to reward everyone who contributes to the greater profitability. Some companies are not yet ready for such progressive thinking because they lack the fundamental prerequisite. That is, a sound knowledge of all their commodity costs, not only for direct materials but also for maintenance, repair, and operating supplies, plus the dollars spent on utilities, travel, temps, and virtually everything else. This fact-based knowledge is the essential foundation for determining the best way of acquiring every kind of material and service the company buys. With their marketplace position and industry structure in mind, manufacturers can then consider how to approach suppliers—soliciting short-term competitive bids, entering into long-term contracts and strategic supplier relationships, outsourcing, or integrating vertically. Excellent supply chain management calls for creativity and flexibility. For one manufacturer whose many divisions all were independently ordering the cardboard boxes they used, creativity meant consolidating purchases, using fewer and more efficient suppliers, and eliminating redundancy in such processes as quality inspection. For many small manufacturers, creativity means reducing transportation costs by hitching a ride to market on the negotiated freight rates of a large customer.

Principle 6: **Develop a supply chain-wide technology strategy that supports multiple levels of decision making and gives a clear view of the flow of products, services, and information**

To sustain reengineered business processes (that at last abandon the functional orientation of the past), many progressive companies have been replacing inflexible, poorly integrated systems with enterprise-wide systems. One study puts 1995 revenues for enterprise wide software and service, provided by such companies as SAP and Oracle, at more than $3.5 billion and projects annual revenue growth of 15 to 20 percent from 1994 through 1999. Too many of these companies will find themselves victims of the powerful new transactional systems they put in place. Unfortunately, many leading-edge information systems can capture reams of data but cannot easily translate it into actionable intelligence that can enhance real-world operations. As one logistics manager with a brand-new system said: "I've got three feet of reports with every detail imaginable, but it doesn't tell me how to run my business." This manager needs to build an information technology system that integrates capabilities of three essential kinds.

Principle 7: Adopt channel-spanning performance measures to gauge collective success in reaching the end-user effectively and efficiently

To answer the question, "How are we doing?" most companies look inward and apply any number of functionally oriented measures. But excellent supply chain managers take a broader view, adopting measures that apply to every link in the supply chain and include both service and financial metrics. First, they measure service in terms of the perfect order—the order that arrives when promised, complete, priced and billed correctly, and undamaged. The perfect order not only font, Second, excellent supply chain managers determine their true profitability of service by identifying the actual costs and revenues of the activities required to serve an account, especially a key account. For many, this amounts to a revelation, since traditional cost measures rely on corporate accounting systems that allocate overhead evenly across accounts. Such measures do not differentiate, for example, an account that requires a multi-functional account team, small daily shipments, or special packaging. Traditional accounting tends to mask the real costs of the supply chain—focusing on cost type rather than the cost of activities and ignoring the degree of control anyone has (or lacks) over the cost drivers. Deriving maximum benefit from activity-based costing requires sophisticated information technology, specifically a data warehouse. Because the general ledger organizes data according to a chart of accounts, it obscures the information needed for activity-based costing. By maintaining data in discrete units, the warehouse provides ready access to this information.

Reg. No................................

[08BBU20]

KARPAGAM ARTS AND SCIENCE COLLEGE

(AUTONOMOUS)

[AFFILIATED TO BHARATHIAR UNIVERSITY]

COIMBATORE – 641 021

(For the candidates admitted from 2008 onwards)

BBM DEGREE EXAMINATION, APRIL 2011

Fifth Semester

BUSINESS MANAGEMENT (COMPUTER APPLICATIONS)

RETAIL MANAGEMENT

Time : 3 hours Maximum : 75 marks

PART – A (20 x 1 = 20 Marks)
Answer ALL the Questions

1. Retail Economic encompass planning for ______________
   a. Venture b. New Venture c. Acquiring d. Existing

2. Hire the right people for the right ___________
   a. Product b. Place c. Position d. Job

3. The third main cost involved in retail business is
   a. Procuring merchandise b. Cost of sale c. Investment in land d. Transportation

4. ___________ statement is a record of the revenue earned by an organization
   a. Expenses b. Income c. Payment d. Voucher

5. ___________ store design is a function of the aesthetics within the store
   a. Interior b. Exterior c. Frame work d. Strategical

6. There are ________ number of elements in store environment
   a. Three b. Four c. Two d. Five

7. ___________ layout is also called as loop layout
   a. Grid b. Freeform c. Race track d. Fledge

8. POS _________
   a. Point of sale b. Point of service c. Price of service d. Price obtain service

9. Retailers are referred to as...........
   a. middlemen b. traders c. business man d. workers

10. The Term retailing is derived from the .... word
a. Greek b. old french c. latin d. New french

11. "Retailer" Meaning.........
a. a join up b. a piece off c. a piece of d. to break

12. Nilgiris'functioning store located in...........
a. Chennai b. delhi c. Mumbai d. bangalore

13. 4 P's refers to ....
a. production mix b. marketing mix c. sales mix d. purchasing power

14. ....is based on retailers activity supplying a channel srevice
a. place b. location c. time d. ownership

15. Retailer's assets minus liabilities
a. Net worth b. Net Sales c. Sales revenue d. Sales turn over

16. The individual who actually makes the purchase
a. Buyer b. Influencer c. Decider d. User

17. ....is the key enabler of supply chain
a. Strategy b. Technology c. Sourcing d. Distribution

18. ....has developed excellent supply chain network through partnerships.
a. Dell b. Sony c. Philips d. Apple

19. ....is important in food items & consumer goods.
a. SCM b. CPFR c. ECR d. POP

20. ....is used in manufacturing,warehousingand distribution and retail for tracking materials.
a. ECR b. CPFR c. RFID d. SCM

PART B (5 X 7 = 35 Marks)
Answer any FIVE Questions

21. What do you mean by franchising and explain the potential problems in franchising?

22. State the factors which play a significant role in the selection of a particular city for starting retail business.

23. Briefly describe any seven methods of training for retailers?

24. What is meant by store design? State the general requirements of store design.

25. Explain the advantages of using information technology in retailing.

26. Explain the theories of structural change in retailing.

27. Determine the factors to be considered while selecting a site.

PART C (2 x 10 = 20 Marks)
Answer any TWO Questions

28. Enumerate the advantages of the Independent Retail format?

29. Briefly describe the human resource management process in retailing.

30. State the advantages of E-Retailing.
